

MGMT 211 - Competitive Strategy
Spring 2014

Professor Olivier Chatain

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Monday-Wednesday: 1:30pm-3pm SHDH 213

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Note: this syllabus is preliminary and can be modified without notice.

Course description

This is an advanced course in competitive strategy. The course will apply the tools of game theory to examine the strategic decisions that managers make regarding market strategy and firm organization. We will examine those decisions concerning pricing, capacity investment, research and development, firm organization. Emphasis will be placed on the strategic interaction among rival firms and among agents within firms. The course will integrate traditional economic models with case study material.

The course is organized in three modules. In the first module, we will look at competitive interdependencies between firms. The focus will be on how firms decision regarding prices and major commitments affect firm performance and position. In the second module, we will concentrate on business ecosystems and the specific strategic challenges they pose. Finally, in the third module, we will look inside firms and learn how an economic lens can help understand how to best design organizations.

References

There is no textbook, but the following books are highly recommended (and affordable):

- Greenwald BC, Kahn J. 2007. *Competition Demystified: A Radically Simplified Approach to Business Strategy*. Portfolio Trade.
- Roberts J., 2007. *The Modern Firm: Organizational Design for Performance and Growth*. Oxford University Press, USA.

Cases and material will be posted on study.net and Canvas

Evaluation

- Three individual write-ups (10pts each): 30pt
- Individual participation: 20pt
- Project outline: 10pt
- Project presentation: 10pt

- Project write up: 30pt

Individual write-ups

Each student should write 3 individual write-ups. A write-up can be made for each of the cases covered in class and students can choose which they want to write about. If you hand in more than 3 write-ups, I will take the best three grades. However, you cannot hand in more than 5 write-ups in total. Each individual write-up should be of at most 750 words (with penalty of .1 point per 25 words above the limit) in the body of the paper, and an optional 1 page exhibits. The paper should include a word count. Write-ups will be graded on the quality of the logic and analyses, and on the use of relevant evidence.

Projects

The students must form team of **at least 4 students and no more than 5** to write a project on a topic of your choice that relates to the material covered in class.

Class Schedule

1. Introduction (Wednesday 15 January)

Martin Luther King Day (Monday 20 January) No class.

I Competitive interdependencies

2. Lecture and in-class game (Wednesday January 22)
 - Shrimp game
3. Managing competitive de-escalation (Monday January 27)
 - **Case:** Ready to eat Breakfast cereals
4. Entry and exit (Wednesday 29 January)
 - **Case:** Printer wars
5. Building and defending a market niche (Monday February 3)
 - **Case:** Airborne Express
6. Preemption (Wednesday 5 February)
 - **Case:** British Satellite Broadcasting versus Sky Television
7. Preemption and horizontal differentiation (Monday February 10)
 - **Case:** A3XX
8. Preemption and vertical relations (Wednesday February 12)
 - **Case:** ESPN
9. No Class (Monday February 17)
10. Tricks of the trade (Wednesday February 12)
 - Evaluating Willingness to pay, Costs, Switching costs, Markups and elasticities

II Leading business ecosystems

11. Lecture on business ecosystems (Monday February 24)

- Lecture and in-class game
12. Strategies for two sided markets (Wednesday February 26)
- **Case:** IMAX 2002: The Introduction of Digital Re-Mastering Technology
13. Managing platforms (Monday March 3)
- **Case:** Paypal merchant services
14. Critical mass and network externalities (Wednesday March 5)
- **Case:** Microsoft's Search

Spring break - March 8-16

15. Defending critical mass positions I (Monday March 17)
- **Case:** eHarmony
16. Defending critical mass positions II (Wednesday March 19)
- **Case:** Facebook in 2013 and the Instagram acquisition (Press clips and released data)

III Organizing for performance: Economics of Organizations

17. Lecture and in-class game (Monday March 24)
- MicroDesign Negotiation: Cross-business coordination
18. No class (Wednesday March 26)
- Meetings to discuss final papers
19. Coherent organization (Monday March 31)
- Case: Lincoln Electric
20. Limitation of performance-based system (Wednesday April 2)
- Case: JPL / NASA
21. Resource allocation and innovation (Monday April 7)
- Case: WebOS and Palm at HP, and Blackberry: Competing with a mac (press clips)
22. Divisional vs. functional structures (Wednesday April 9)
- Case: Microsoft's reorganization (2013): Ballmer's memo
23. Motivation and coordination in distributed organizations (Monday April 14)
- Case: The FBI before 9/11 and Al-Qaida in the 2010s
24. Incentives in a Professional Service Firm (Wednesday April 16)
- Case: Family feud: Andersen vs. Andersen

IV Final sessions

25. Group presentations (Monday April 21)
26. Group presentations (Wednesday April 23)
27. Group presentations (Monday April 28)
28. Wrap up (Wednesday April 30)

Deliverable:

- Final paper due on Monday, May 5 by 5pm

- Peer evaluations due on Tuesday, May 5 by 5 pm, emailing me the form available on Canvas.