



MGMT 701: STRATEGY AND COMPETITIVE ADVANTAGE

Fall 2014

SYLLABUS

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This class is designed to be an upper-level course in strategy. It provides concepts and ideas for the tool-kit of the manager involved in the strategy process. We start out with the question of how value can be created and, more importantly, appropriated. This leads to the general issue of how a competitive advantage can be built. We will focus in our discussion on new concepts that have been developed around the notions of complementarities and fit. In the next section of the course, we look at the question of what decisions managers can make to sustain a competitive advantage. In the last section of the course, we will be dealing with strategy making in the face of environmental changes.

Early in the course we will form student groups who will work during the semester on the final project. More information will be provided on the first day of class. At the end of the semester, each group will present their work and provide feedback for one other group.

Your grade will be composed of the final paper draft (11%), final paper presentation (9%), feedback for the other group (10%), final paper (33%), and class participation (37%). The discount rate for late papers is severe. In order to pass this class, you have to make a good-faith effort with respect to class attendance, participation and the paper.

Please note, to avoid potential conflicts of interests on teams, you cannot take this class with the Pass/Fail option.

Please note that this syllabus is subject to change with prior announcements.

Also note that overheads will be posted after each class on Canvas.

The TA for this class is Phebo Wibbens (phebo@wharton.upenn.edu). The TA will be mainly responsible for your paper project.

A short note on proper citations

To most of you this will be probably self-evident, but I want to make sure that we all understand: Copying paragraphs from sources (magazine, newspaper articles, analyst reports etc.) without properly citing them is a SERIOUS offense! Properly citing means: if you copy word-by-word, you have to mark this by enclosing the copied text with quotation marks “ ” and citing the source. Even if you don’t copy word-by-word, but you take someone else’s idea, you have to indicate in a citation the source of that idea. This citation has to follow directly the idea (attach a footnote or an endnote). At the end of the paper, you should then list all sources that you have cited in the text.

Let me re-iterate: Non-proper citing is a very serious academic offense that in other courses has led professors to fail students and bring these students to the attention of the academic review board of the University. I think all of us want to avoid any such incident – and it is really easy to avoid such problems. Simply be careful in your papers that you attribute ideas/frameworks etc. that you use to their respective sources.

I. PREVIEWWS

8/28 Session 1: Course Logistics, What is Strategy? Five-Force Analysis

Mintzberg, Henry, and James A. Waters. 1985. "Of Strategies, Deliberate and Emergent." *Strategic Management Journal* 6: 257–272.

Porter, Michael E. 2008. "The Five Competitive Forces that Shape Strategy." *Harvard Business Review*, January, pp. 79-93.

9/2 Session 2: Preview Case

Case: Intel Corporation: 1968-1997, 9-797-137

<i>Complete Team Sign-Up by 5pm on 9/4 Via Canvas</i>

II. VALUE CREATION, APPROPRIATION, AND FIT

9/4 Session 3: Complementors

Brandenburger, Adam M., and Barry J. Nalebuff. 1996. Co-opetition pp. 11–34.

Case: Power Play (A): Nintendo in 8-bit Video Games, 9-795-102

9/9 Session 4: Value Creation, Value Appropriation

Brandenburger, Adam, and Harborne Stuart. 1996. "Value-Based Business Strategy." *Journal of Economics and Management Strategy* 5 (1): 5–24.

9/11 Session 5: Positioning and Tradeoffs

Porter, Michael E. 1996. "What is Strategy?" *Harvard Business Review* (November-December): 3–11 (up to Section IV).

Case: Harnischfeger Industries: Portal Cranes, 9-391-130

<i>Paper Topic Proposal Due at the Beginning of Class 9/12</i>
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9/16 Session 6: Complementarities and Fit

- Porter, Michael E. 1996. "What is Strategy?" *Harvard Business Review* (November-December): 11–20 (Sections IV-V).
- Milgrom, Paul, and John Roberts. 1992. Economics, Organization, and Management Chapter 4, pp. 108–116.
- Milgrom, Paul, and John Roberts. 1995. "Complementarities and Fit: Strategy, Structure, and Organizational Change in Manufacturing." *Journal of Accounting and Economics* 19: 179–208.
- Siggelkow, Nicolaj. 2002. "Evolution toward Fit." *Administrative Science Quarterly*, 47: 125–159.
- optional: Porter, Michael E. and Nicolaj Siggelkow. 2008. "Contextuality within Activity Systems and Sustainability of Competitive Advantage." *Academy of Management Perspectives*, 22 (2), pp. 34–56.
- optional: Collis, David J. and Michael G. Rukstad. 2008. "Can You Say What Your Strategy Is?" *Harvard Business Review*, April, pp. 82–90.

<i>Please turn in a copy of Lincoln's activity system at the beginning of class</i>

9/18 Session 7: Positioning Applied: Low Cost

Case: Airborne Express (A), 9-798-070

9/23 Session 8: Positioning Applied: Differentiator

Case: Husky Injection Molding Systems, 9-799-157

9/25 Session 9: Positioning Applied

Case: eHarmony, 9-709-424

9/30 Session 10: Positioning Applied

Case: Trader Joe's, 9-714-419

10/2 Session 11: Positioning Applied

Case: LEGO (A): The Crisis, N9-73-478

10/7 Time for Research: No Class

10/9 Fall Break: No Class

III. SUSTAINABILITY OF A COMPETITIVE ADVANTAGE

10/14 Session 12: The Decision to Commit to Large Irreversible Investments

Case: Du Pont's Titanium Dioxide Business (A), 9-390-112

10/16 Session 13: Student group meetings

10/21 Session 14: Sustainability

Ghemawat, Pankaj. 1991. Commitment Chapter 5: pp. 81–103.

Ghemawat, Pankaj, and Patricio del Sol. 1998. "Commitment versus Flexibility?" *California Management Review* (Summer): 26–42.

10/23 Session 15: Student group meetings

10/28 Session 16: Competitor Reactions

Case: Bitter Competition: HSC vs. Nutrasweet (A): 9-794-079

10/30 Session 17: Managerial Decision Making

Kahneman, Daniel, Dan Lovallo, and Olivier Sibony. 2011. "Before You Make that Big Decision." *Harvard Business Review* (June): 51–60.

11/4 Session 18: Strategic Inflection Points, Increasing Returns

Grove, Andrew S. 1996. Only the Paranoid Survive. pp. 27–35.

Arthur, Brian W. 1996. "Increasing Returns and the New World of Business." *Harvard Business Review* (July-August): 101–109.

11/6 Session 19: Information Asymmetry and Entry

Case: Honda (A): 9-384-049

<i>Paper Draft Due by 9am 11/6. Please bring one hardcopy to class.</i>

11/11 Session 20: Barriers to Change

Case: *will be distributed in previous class*

11/13 Session 21: Architectural, Disruptive Change, Change in the Presence of Fit

Bower, Joseph L., and Clayton Christensen. 1994. "Disruptive Technologies: Catching the Wave." *Harvard Business Review*, January-February: 43–53.

Henderson, Rebecca M. and Kim B. Clark. 1990. "Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms." *Administrative Science Quarterly* 35: 9–30.

Siggelkow, Nicolaj. 2001. "Change in the Presence of Fit: The Rise, the Fall, and the Renaissance of Liz Claiborne." *Academy of Management Journal*, 44, pp. 838-857.

optional: Sosa, Manuel, Steven D. Eppinger, and Craig M. Rowles. 2007. "Are Your Engineers Talking to One Another When They Should?" *Harvard Business Review*, November, pp. 133-142.

optional: Christensen, Clayton M. 1997. The Innovator's Dilemma pp. 3–28.

11/18 Session 22: Modularity and Organizational Design

Baldwin, Carliss Y., Kim B. Clark. 1997. "Managing in an Age of Modularity." *Harvard Business Review* (September-October): 84–93.

Rivkin, J., and N. Siggelkow. 2006. "Organizing to Strategize in the Face of Interactions: Preventing Premature Lock-in" *Long Range Planning* 39: 591-614.

Exercise on Organizational Design

Paper Feedback Due by Beginning of Class 11/18

11/20 Session 23: Strategic Planning

Lafley, A.G., Roger L. Martin, Jan W. Rivkin, Nicolaj Siggelkow. 2012. “Bringing Science to the Art of Strategy” *Harvard Business Review*, September, pp. 56-66.

11/25 Time for Research: No Class

11/27 Thanksgiving: No Class

IV. IT'S YOUR TURN

12/2 Session 24: Group Presentations

12/4 Session 25: Group Presentations

12/9 Session 26: Wrap-Up

Optional: Competition and Business Strategy in Historical Perspective, 9-798-010

Final Paper Due 12/13 at noon! & E-mail peer evaluation form