



DEPARTMENT MGMT 223 – Business Strategy and Policy
Fall 2011

INSTRUCTOR(S)

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COURSE DESCRIPTION AND OBJECTIVES

This course encourages students to analyze the problems of managing the total enterprise in the domestic and international setting. The focus is on the competitive strategy of the firm, examining issues central to its long- and short-term competitive position. Students act in the roles of key decision-makers or their advisors and solve problems related to the development or maintenance of the competitive advantage of the firm in a given market. This course develops an understanding of key strategic frameworks using theoretical readings and case-based discussions. Students will learn concepts and tools for analyzing the competitive environment, strategic position and firm-specific capabilities in order to understand the sources of a firm's competitive advantage.

The goal of the course is for students to develop an analytical tool kit for understanding strategic issues and to enrich their appreciation for the thought processes essential to incisive strategic analysis. This course offers students the opportunity to develop a general management perspective by combining their knowledge of specific functional areas with an appreciation for the requirements posed by the need to integrate all functions into a coherent whole. The course will be anchored in case studies, but will supplement these with analysis of real firms in current settings, as well as through a competition which will run during the second half of the course. For this, groups will act as venture capitalists. They will pick a portfolio of real projects seeking funding, based on their analysis of their potential. We will then track the performance of the projects in real time, and make decisions about dropping projects, etc.

Syllabus is subject to change! Please note that strategy is a dynamic discipline, and class interests/current events may motivate changes in our choice of specific content. **Please monitor communications from instructor closely for updates.**

TEXT AND READINGS

- The bulkpack includes a collection of readings and cases and is available from Wharton Reprographics.

GROUP PROJECTS

Early in the course, students form groups that will officially work during the semester on various assigned projects, as well as final paper. However, group work is encouraged for any and all parts of the course, unless individual work is expressly mandated (see below for specifics). To be clear, pre-class group discussion of the readings and cases is permitted and encouraged, as long as each person does the assigned reading (no “splitting” of the assignments).

For the final project, groups can choose from a menu of topics including the organizational development of a firm over its entire history, an analysis of a firm’s responses to a competitive shock (technological, regulatory, demand), an assessment of the logic of a firm’s competitive position, or a contrast between two qualitatively distinct positions within the same industry. More information will be provided on the first day of class.

Grading

Grading is based on a number of different components as outlined in the following table.

| Factor | Weighting |
|--------------------------|-----------|
| Individual assignments | |
| • Participation | 25% |
| • Individual Case | 15% |
| • Mid-term exam | 15% |
| Project team assignments | |
| • Integrative Exercise 1 | 7.5% |
| • Integrative Exercise 2 | 7.5% |
| • Final Presentation | 5% |
| • Final Report | 25% |
| Total | 100% |

Individual case write up

You will be required to do one case write-up on an **individual basis**. Each student will be responsible for an analysis of the case which is limited to **3 pages** (single-spaced, 1 inch margins, Times Roman 12 pt. font) of text and an optional 1-2 pages of exhibits. This assignment is due 10/14 by midnight (electronically). It is an individual assignment and **should not** be discussed with your project team.

Midterm exam

There will be an in-class exam on Oct 26. You will receive a short case and have to analyze it using your choice of framework, in order to answer the questions you will receive.

Participation

Your participation in class is expected to help both your learning and that of your peers. Cold-calling will be fair-game, but we encourage creative thinking and acknowledge that in strategy, there is often no “right answer.” A productive learning environment requires active engagement of all class members. Three factors determine good class participation. First, given thorough and careful preparation, you should be able to identify the important managerial issues related to the case and/or readings. Second, you should be able to use that analysis to define a concise and logical position on the issues, arguing how a particular concept is illustrated in the case or suggesting how the substantive problem presented in the case can be solved. Third, you should be able to analyze constructively the positions your classmates take. Most importantly, participation is not about how much you talk, but rather how much you contribute. Resist the urge to repeat/rephrase what someone else said just to get more participation points.

CLASSROOM EXPECTATIONS – CONCERT RULES

- Class starts and ends on time
- Sit according to the seating chart
- Late entry or reentry only under exceptional circumstances
- Name tents displayed
- All phones, laptops and other electronic devices turned off when we are not using them as part of the class.

PROPER CITATION AND USE OF PRIOR MATERIALS

All students will be assumed to have carefully read and understood the University’s guidelines on citations and plagiarism, which are found at:

http://www.upenn.edu/academicintegrity/ai_citingsources.html

Graders are instructed to flag any suspicious passages for audit, and any violations will be result in significant consequences, including but not limited to, grade deductions and/or reporting to the University. This will apply especially to the use of materials prepared by other students in prior terms, such as previously completed case write ups or summaries of readings.

SUMMARY OF CLASS SESSIONS

(Cases, questions, and readings subject to change)

Class 1 8/30: **Course Logistics, Introduction**

- Readings:
- Preparation Introductions. Why are you interested in strategy?
Be prepared to discuss what you think strategy is (or is not).

Class 2 9/6: **Five-Forces Analysis**

- Readings:
Porter, Michael E. 2008. "The Five Competitive Forces that Shape Strategy." *HBR*, January, 2008 pp. 79-93.
- Case:
Thomas R. Eisenmann; Liz Kind. 2014. "Andreessen Horowitz." 814060-PDF-ENG

*Read whole case, but **focus closely on the first 5 pages for this first class**. Read also carefully any exhibits as needed to answer the questions.

Study Questions:

1. Identify each of the 5 (or 6 if there are complementors) forces in the industry that a16z entered. Try to do a 5-forces analysis (esp. if you have studied this in another course or prior employment)
2. Is this an attractive industry? List pros/cons
3. Would you enter this industry?

Class 3 9/11: **Industry Analysis vs Positioning**

- Readings: Michael Porter, 1996. "What is Strategy?" 96608-PDF-ENG
- Case: Thomas R. Eisenmann; Liz Kind. 2014. "Andreessen Horowitz." 814060-PDF-ENG
*Read whole case now

Study Questions:

1. What is a16z's Strategic Position (use the Porter reading as a guide).
2. Think about Kapor's (p.8) "source, pick, win" framework. Do you think a16z developed the right organization to do these three things well?
3. Come up with some concrete examples of source, pick, and win.

Class 4 9/13: **Rivalry**

- Readings:
P. Ghemawat, "Mapping the Business Landscape," Chapter 2 of *Strategy and the Business*

Landscape 2nd edition.

- Case: David B. Yoffie; Renee Kim, 2010. “*Cola Wars Continue: Coke and Pepsi in 2010*” 711462-PDF-ENG

Study questions:

1. Why is the soft-drink concentrate industry dominated by two firms?
2. Compare the economics of the concentrate business vs. the bottling business. Is one more profitable? if so, why?
3. How has the competition between Coke and Pepsi affected the industry's profits?
4. Can Coke and Pepsi sustain their profits in the U.S. in the wake of the growing popularity of non-carbonated drinks?

Class 5 9/18: **Value Creation**

- Readings: Videos:
 1. A Definition of Value: <http://vimeo.com/61143220>
 2. How the Pie is Divided: <http://vimeo.com/61225993>
 3. Creating the Largest Pie: <https://vimeo.com/61844795>

Article:

David Collis 2011. “Quantitative Analysis of Competitive Position: Customer Demand and Willingness to Pay.” 711495-PDF-EN

OPTIONAL: Brandenburger, Adam, and Harborne Stuart. 1996. “Value-Based Business Strategy.” *Journal of Economics and Management Strategy*. **Pages 1-18 only**. This reading is the theory behind the videos. I strongly suggest you skim it, if you can.

- Case: Kenneth Corts, 2003, “*Performance Indicator*” 702480-PDF-ENG Study Questions:
 1. Why has it been so difficult for PI to get a golf manufacturer to sign a contract for their new technology?
 2. How much do you think the potential customers (that is, GOLF MANUFACTURERS like Acushnet, Nike, etc.) should be willing to pay *per dozen balls* for PI's technology? Does it vary by manufacturer? What else might result in higher(lower) WTP? Start with the proforma on p 16. Hint: it is less than the optimistic “profit impact” of \$13.10.
 3. In light of your analysis, what should Osinski and Winskowicz do?

Class 6 9/20: **Strategic Thinking**

- Readings: Giovanni Gavetti and Jan. W. Rivkin, “How Strategists Really Think: Tapping the Power of Analogy (HBR Onpoint Enhanced Edition)” 9661-PDF-ENG
- Case: Thomas R. Eisenmann; Laura Winig, 2011. “*Rent the Runway*” 812077-PDF-ENG

Class 7 9/25: No Class: **First Integrative Exercise: The “blank” of “blank”**

Meet with your group to work on this project.

More details in Canvas.

Class 8 9/27: Presentations: **First Integrative Exercise: The “blank” of “blank”**

Class 9: 10/2 **Entry Modes (Disruption)**

- Readings:

Joshua Gans, 2016. “The Disruption Dilemma.” ROT309-PDF-ENG

Digitopoly blog posts by Joshua Gans (links below and printouts in coursepack):

1. Choosing to disrupt. June 24, 2014.

<http://www.digitopoly.org/2014/06/24/choosing-to-disrupt/>

2. Choosing not to disrupt (Embedding in a value chain). June 26, 2014.

<http://www.digitopoly.org/2014/06/26/choosing-not-to-disrupt-embedding-in-a-value-chain/>

3. Another Choice: The Intellectual Property Strategy. July 5, 2014.

<http://www.digitopoly.org/2014/07/05/another-choice-the-intellectual-property-strategy/>

4. The Final Box: Architectural Strategy. July 10, 2014.

<http://www.digitopoly.org/2014/07/10/the-final-box-architectural-strategy/>

Videos:

1. Disruptive Innovation Explained.

<https://www.youtube.com/watch?v=qDrMAzCHFUU>

2. Explained. Again. <https://www.youtube.com/watch?v=mbPiAzzGap0>

- Case

Sarit Markovich, et al. 2014. “Hip to be Square: Disruption in the US Mobile Payment Market” KEL792-PDF-ENG

Class 10 10/4: **Entry Modes (Value Chain)**

- Readings

R. Grant, “Bringing it all together: The value chain in differentiation analysis,” in *Contemporary Strategy Analysis*, 6th edition, 2008 pp 255-259

Michael G. Jacobides; John Paul MacDuffie, 2013. “How to Drive Value Your Way,” Harvard Business Review R1307H-PDF-ENG

- Preparation

Flat-Screen Televisions. INSEAD Case 12/19/2014

Class 11 10/11: **Incumbents Under Threat 1**

- Readings: Reading: Reading: Quantitative Analysis of Competitive Position: Customer Demand and Willingness to Pay (RCP) 711495-PDF-ENG
- Case Jan Rivkin, 1999. "Husky Injection Molding Systems" 799157-PDF-ENG
Study questions:
 1. What is Husky's strategy? Why has the company been so successful in the period prior to the recent problems?
 2. Are Husky injection molding systems worth the premium price the company charges? Be precise.
 3. What has caused Husky's current difficulties?
 4. How might Robert Schad, Husky's CEO, and the company respond? How should they respond?

Class 12 10/16: **Incumbents Under Threat 2**

- Readings: P. Ghemawat, "Creating Competitive Advantage," Chapter 3 in *Strategy and the Business Landscape*, pp. 44-54.
- Case Jan Rivking and Michael Porter. 1999. "Matching Dell," 799158-PDF-ENG

Class 13 10/18: **Platforms and Network Effects**

- Reading Marshall Van Alstyne, et al 2016. "Pipelines, Platforms, and the New Rules of Strategy." HBR R1604C-PDF-ENG
- David Evans; Richard Schmalensee, 2016. "What Platforms do Differently Than Traditional Businesses." H02VWY-PDF-ENG
- David Evans; Richard Schmalensee, 2016. "The Businesses That Platforms are Actually Disrupting." H034IA-PDF-ENG
- Case David Collis, Ashley Hartman, 2015. "\$19B 4 txt app WhatsApp...omg!" 715441-PDF-ENG
- Study questions:
1. What is the potential size of the IM market?
 2. Do a 5-Forces of the IM industry
 3. What were WhatsApp's competitive advantages that allowed it to grow so fast?
 4. Are these advantages sustainable?
- If sustainable, how do you monetize?

Class 15 10/24: **No Class! Use this time to prepare for midterm.**

Class 16 10/25 **Midterm exam (in class)**

Class 17 10/30

Integrating various frameworks.

- Reading

Lightly review as needed from prior classes:

Joshua Gans, 2016. "The Disruption Dilemma." ROT309-PDF-ENG

David Evans; Richard Schmalensee, 2016. "What Platforms do Differently Than Traditional Businesses." H02VWY-PDF-ENG

David Evans; Richard Schmalensee, 2016. "The Businesses That Platforms are Actually Disrupting." H034IA-PDF-ENG

Videos:

1. A Definition of Value: <http://vimeo.com/61143220>
2. How the Pie is Divided: <http://vimeo.com/61225993>
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- Case

Sarit Markovich, et al. 2014. "Hip to be Square: Disruption in the US Mobile Payment Market" KEL792-PDF-ENG

Study questions:

- 1 Why did Square grow faster than the competition? What drove adoption?
- 2 Which potential competitor (you can mention ones not in the case if you want) do you think is Square's greatest threat?
- 3 Are there any *structural* differences between Square and Google Wallet's approach? If so, what are some pros/cons of GW
- 4 Of the suggested alternatives, which one:
 - a. Offers greatest potential rewards for Sq.?
 - b Poses greatest risk?
 - c is likely to provoke the greatest response from competitors?
 - d Which one would you chose?

Class 18 11/1 **Integrative Exercise 2**

- Reading

TO BE ANNOUNCED

<https://www.fool.com/investing/2017/08/07/why-square-incs-shares-popped-12-in-july.aspx>

- Project

TO BE ANNOUNCED

Class 19 11/6 **Corporate Scope**

- Reading: P. Ghemawat, "Choosing Corporate Scope," Chapter 6, *Strategy and the Business Landscape*, pp. 124-140.
- Case: Extending the "easy" Business Model: What should easyGroup do Next? INSEAD Case 303-093-1

Class 20 11/8 **Firm Maturity and internal disruption**

- Reading: TBD
- Case: Russell Walker, Rafique Jiwani. 2015. "Reinventing e-commerce: Amazon's Bet on Unmanned Vehicle Delivery" KEL911-PDF-ENG

Class 21 11/13 **Acquiring external Resources/M&A strategies**

- Reading: C. Montgomery and D. Collis, Chapter 2 "Resources and Rents" in *Corporate Strategy: Resources and the Scope of the Firm*. Irwin: New York, NY.
- Case: David Collis, Asheley Hartman, 2015. "\$19B 4 TXT APP WHATSAPP...OMG!" 715441-PDF-ENG

Class 22 11/15 **Corporate Social Responsibility and Competitive Dynamics**

- Readings: Trudel, R, and R Cotte. "Does it pay to be good." *MIT Sloan Management Review* 50.2 (2009): 61-68.
Hobbes, M. "The Myth of the Ethical Shopper." Huffington Post .
<http://highline.huffingtonpost.com/articles/en/the-myth-of-the-ethical-shopper/>
- Cases: *E-Cigarettes: Marketing Versus Public Health* HBS 514-059
 1. CSR sounds simple—e.g. "don't be evil." But the devil is in the details. Think about this case in terms of competitor response (from tobacco companies), institutional response (regulators) and consumer response (instead of switching from harmful cigarettes to vape, some consumers switched from nothing to vape, thus increasing risk of becoming smokers).
 2. We will use this case to discuss the importance of incorporating strategic thinking into CSR initiatives. Rather than saying let's be more responsible in our strategy, perhaps we should be more strategic in our CSR.

In the age of instant information, is any strategy that does not address the triple-bottom line really sustainable?

Class 23 11/21 **Practice practice practice**

- Reading: TBD
- Case: Dogfight over Europe: Ryanair (A), HBS 9-700-115
 1. What is your assessment of Ryanair's launch strategy?
 2. How do you expect Aer Lingus and British Airways (BA) to respond? Why? (Think about what each brings to the party.)
 3. What are the different payoffs to Aer Lingus/BA (treat them collectively as one

actor) for different strategic actions? Said differently, how costly would it be for Aer Lingus/BA to retaliate against Ryanair's launch rather than accommodate it? (It will help to develop, using assumptions where needed, a view on the cost structures of Ryanair vs. Aer Lingus/BA.)

Class 24 11/24 **Technology and IP**

*Reading *TBD*

• Case: The LEGO Group: Publish or Protect? **HBS** 613-079

1. Is secrecy an option for LEGO?
2. What do you recommend?

How might your decision differ if LEGO was a start-up?

Class 25 11/27 **Presentations**

Class 26 11/29 **Presentations**

Class 27 12/4 **Presentations /wrap up**
12/14 FINAL PAPER DUE