



MGMT 223: BUSINESS STRATEGY

Spring 2018

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 individual midterm paper (15%), the final paper draft (8%), final paper presentation (8%), final paper (32%), 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 Jaeho Choi (jhchoi@wharton.upenn.edu). The TA will be mainly responsible for your paper projects.

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.

Individual Midterm paper (Due 2/13, noon)

Select a firm whose strategy you would like to analyze. Address the following questions:

- 1) What industry does the firm operate in? Conduct an industry analysis (5 Forces + complementors) and evaluate the overall industry attractiveness.
- 2) Describe the strategic positioning of the firm within the industry.
- 3) How does the strategic positioning of the firm address or not address these structural, industry-level features?
- 4) Identify the market segment for which the firm's (transactional) competitive advantage is the largest. Describe how you arrived at this conclusion.
- 5) For the segment identified above, address the following:
 - a. Pick a few of the particular activities that have a significant impact on the WTP, and describe how they drive WTP.
 - b. Pick a few of the particular activities that have a significant impact on the cost, and describe how they drive it.
 - c. Pick two pairs (4 total) of activities and show that there are complementarities between them.
 - d. Does the competitive advantage of the firm vary across segments? Pick one other segment and describe how it varies or does not vary.
 - e. How secure is the firm from the threat of imitation from competitors? And from substitutes?
- 6) What are some challenges that this firm is facing going forward?

Please keep the maximum of the paper to 12 pages of text (plus 1 page of references and (or) 1-2 pages of exhibits if needed). Please use double spacing and 12 point font. [No topic proposal is required for the individual midterm projects]

I. PREVIEWS

1/11 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.

1/16 Session 2: Preview Case

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

Complete Team Sign-Up by 5pm on 1/17 via Canvas

II. VALUE CREATION, APPROPRIATION, AND FIT

1/18 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

1/23 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.

1/25 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

Group Paper Topic Proposal Due at the Beginning of Class 1/25

1/30 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: Collis, David J. and Michael G. Rukstad. 2008. "Can You Say What Your Strategy Is?" *Harvard Business Review*, April, pp. 82-90.

Please turn in a hardcopy of Lincoln's activity system at the beginning of class

2/1 Session 7: Positioning Applied: Low Cost

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

2/6 Session 8: Positioning Applied: Differentiator

Case: Tesla Motors, 9-714-413

2/8 Session 9: Positioning Applied

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

III. SUSTAINABILITY OF A COMPETITIVE ADVANTAGE

2/13 Session 10: 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.

Individual Midterm Paper Due by noon 2/13

2/15 Session 11: Student group meetings

2/20 Session 12: Student group meetings

2/22 Time for Research: No Class

2/27 Session 13: Competition 1

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

3/1 Session 14: Competition 2

Case: British Satellite Broadcasting vs. Sky Television: 9-794-031

3/6, 3/8 Spring Break: No Class

3/13 Session 15: Competition 3

Case: Alibaba's Taobao (A): 9-709-456

3/15: Session 16: Market Imperfections

Oberholzer-Gee, Felix, and Dennis Yao. 2013. "Market Imperfections and Sustainable Competitive Advantage." Chap. 12 in *Oxford Handbook of Managerial Economics*, edited by Christopher Thomas and William Shughart II, pp. 262–277.

3/20 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.

IV. STRATEGIC CHANGE

3/22 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.

<i>Group Paper Draft Due by noon 3/22</i>

3/27 Session 19: Information Asymmetry and Entry

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

3/29 Session 20: Barriers to Change 1

Case: will be distributed in previous class

4/3 Session 21: Barriers to Change 2

Case: Kodak and the Digital Revolution (A): 9-705-448

4/5 Session 22: 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.

4/10 Session 23: Strategy and Cognition

Gavetti, Giovanni. 2011. "The New Psychology of Strategic Leadership," *Harvard Business Review* (July-August): 118–125.

Menon, Anoop R. 2017. "Bringing Cognition into Strategic Interactions: Strategic Mental Models and Open Questions." *Forthcoming in the Strategic Management Journal*.

V. IT'S YOUR TURN

4/12 Session 24: Group Presentations

4/17 Session 25: Group Presentations

4/19 Time for Research: No Class

4/24 Session 26: Wrap-Up

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

Final Group Paper Due 4/30 at noon! ☺ E-mail peer evaluation form