



MGMT 7010: STRATEGY AND COMPETITIVE ADVANTAGE

Spring 2024 – Q3

v. 11/10/23

SYLLABUS

Professor Michael Christensen
E-mail mqc@wharton.upenn.edu
Office 3029 Steinberg Hall – Dietrich Hall
Office Hours By Appointment

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 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.

Your grade will be composed of the final paper (50%), three short individual class submissions (4% each) and class participation (38%). 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 that this syllabus is subject to change with prior announcements. All slides will be posted after each class on Canvas. **Please remember to check in to class using the attendance app on Canvas.** If you need to miss a class, it is mandatory to report this using the absence request app. Students with excused absences will be provided access to class recordings. For more details on the apps, please see:

<https://support.wharton.upenn.edu/help/wharton-attendance-absence-and-video-requests-module-for-students>

TAs: TBD

Individual/team final paper (Due Friday, March 1 at noon)

Select a firm and conduct a “strategy audit” for this firm. Address the following questions:

1. Briefly describe the history of the firm until the present day. (*)
2. What industry does the firm operate in? Conduct an industry analysis (5 Forces + complementors) from the perspective of an “average” firm. (***)
3. What is the overarching strategy (advantage on WTP or cost?) and positioning (products/customers/geography) of the firm? (*)
4. What strategic choices has the firm made that implement the above strategy and positioning and which choices are different from those of its competitors? (***)
5. How do these choices address (or don’t address) the six forces you identified above? Is the firm more or less affected by any of these forces than the average firm? (**)
6. What is the firm’s positioning relative to its competitors? Conduct an analysis of WTP and cost drivers and plot two efficiency frontiers for two different customer segments. Place your firm and a number of competitors on these plots. (***)
7. Has the firm created a competitive advantage? If yes, how? If not, why have they failed? (**)
8. If the firm has created a competitive advantage, how sustainable do you think it is? (**)
 - a. How much of this sustainability is created through tradeoffs that this firm has created/exploited?
 - b. How much of this sustainability is created through interdependencies among its choices? Please spell out some interdependencies.
9. Alternatively to: If the firm has not created a competitive advantage (**)
 - a. How much of the failure to achieve a competitive advantage is rooted in the tradeoffs that other firms in its industry have created?
 - b. How much of the failure to achieve a competitive advantage is rooted in the interdependencies that its competitors have created in their strategies? Please spell out some interdependencies.
10. What lessons can we derive from this company’s experience? (**)

For this assignment you may write the paper in either 2- or 3-person teams, although the requirements for the team sizes differ:

- a) **2-Person Teams:** In this case, you analyze the firm at the present time. Please keep the maximum of the paper to 16 pages of text (plus 2-3 pages of exhibits if needed). Please use 1-inch margins, double spacing, and 12 point font (Times New Roman).
- b) **3-Person Teams: In this format,** you will do the above analysis twice. Once today, but also once at an earlier time in the history of the firm (e.g., 2000 *and* 2022). For the second time period, you can particularly focus on what changed relative to the first time period. Question 10 (above) needs to be done only once, deriving lessons from both time periods. Please keep the maximum of the paper to 24 pages of text (plus 4-6 pages of exhibits if needed). Please use 1-inch margins, double spacing, and 12 point font (Times New Roman).

Key Dates:

1. Team formation: Friday, 2/2, 12:00 Noon
2. Company selection: Friday, 2/16, 12:00 Noon
3. Final paper submission: Fridat, 3/1, 12:00 Noon

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.

A Short Note about Class Attendance

MGMT 7010 utilizes a predominantly case-based learning model. This model helps simulate the real-world problem-solving scenarios students will find themselves facing after graduating from Wharton. The success of this learning model relies heavily on students' presence in class and active participation in class discussions. As such, this course follows Wharton's MBA attendance policy and uses the attendance app to help track attendance. Unexcused absences will negatively affect students' course grades. Furthermore, the course expectation is that students will arrive to class on time and stay for the duration of class. If students need to arrive late or leave class early, they should inform the professor via email in advance of class. Consistent unexcused tardiness may negatively affect students' grades.

1/17 Session 1: Course Logistics, What is Strategy? Five-Force Analysis

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

Study questions:

Please read the Porter (2008) piece and review your notes on Five-Force Analysis. The Porter (2008) article is a nice recap of industry analysis.

1. How would you define "strategy"?
2. Who makes strategy? Who should make strategy? In your experience, have strategies been deliberate or emergent?
3. What is a Five-Force Analysis? What makes such an analysis difficult?

1/22 Session 2: 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

Study questions:

1. Nintendo successfully recreated the home video game business following the Atari-era boom and bust. How did it do so?
2. How was Nintendo able to capture value from the home video game business? Use the Value Net as a starting point for your answer.

1/24 Session 3: Value Creation, Value Appropriation

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

Case: Optical Distortion (A)

Study questions:

1. How does Optical Distortion create value for its potential customers? How much value does Optical Distortion create?
2. How should Optical Distortion think about approaching the market, and how much of the value they create should they try to claim for themselves?

1/29 Session 4: Positioning and Complementarities

Assignment #1: Please submit a copy of Lincoln's activity system by 8am

Porter, Michael E. 1996. "What is Strategy?" Harvard Business Review (November-December): 61–78.

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: pp 191-196, 199-205.

Optional: 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.

1. What, in your view, are the five key points in Porter's article?
2. What is the definition of complementarity as given by Milgrom and Roberts?
3. Using the information given in Section 5 of the "Complementarities and Fit" paper, draw an activity system of Lincoln Electric. **Please submit a copy of your activity system by 8am.** (You can scan your hand-drawn graphic if you like; don't waste time on fancy graphics.)

The last two readings are optional. The Siggelkow (2002) paper provides a more longitudinal perspective to the topic of activity systems. The Porter & Siggelkow (2008) article goes into more depth into issues involving complementarities and interactions in general and reviews recent academic research that has been done on this topic.

1/31 Session 5: Positioning Applied

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

Study questions:

1. How do firms in the supermarket industry make money?

2. What are the key sources of Trader Joe's competitive advantage?
3. What are the main threats to Trader Joe's competitive advantage? Is their advantage sustainable?
4. How would you modify Trader Joe's strategy going forward?

2/5 Session 6: Positioning Applied

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

Study questions:

1. What has led the LEGO Group to the edge of bankruptcy?
2. What is your assessment of the management moves during "the growth period that wasn't" and "the fix that wasn't"?
3. As Jørgen, what would you do throughout the LEGO Group in order to turn the company around? Be specific.

2/7 Session 7: Connected Strategy

Individual assignment #2: Please submit your matrix and short explanations by 8am

Read the Prologue and Chapters 1, 4, 5 and 7 of *Connected Strategy*

Case: Harrah's Entertainment Inc. N9-502-011

Study questions:

1. For the Assignment:

Download the worksheets from: <https://connected-strategy.com/cases/> by clicking on "View Blank Worksheets." Pick an industry and four firms. Place the firms onto Slide 19 of the downloaded worksheets ("Step 1: Use the Connected Strategy Matrix to map your own activities and the activities of your competitors"). Write a few sentences on why you placed each firm into the particular cell(s) of the matrix (1 page max). **Please submit your matrix and short explanation by 8am.**

2. For the Case:

1. Do you think Harrah's has been successful in creating a "connected strategy"? Why or why not?

2. If Harrah's seeks to develop or improve its connected strategy, what actions must it take next in order to be successful?
3. What type of competitive advantage, if any, do you think a connected strategy will provide Harrah's? How long might it last, and what might competitors do in response?

2/12 Session 8: Deliberate vs. Emergent Strategy

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

Case: Honda (A)

Study questions:

1. Why was Honda so successful in entering the U.S. motorcycle market? What was the strategy that led to their success?
2. How did Honda come up with this strategy and its associated choices?
3. Drawing from the Mintzberg & Waters article, how would you characterize Honda's strategy in the U.S. market?

2/14 Session 9: Strategy of Growth and Profitability

"There Is Good Money and There Is Bad Money", Chapter 9 of *The Innovator's Dilemma*, by C. Christensen & M. Raynor

Case: Pandora Internet Radio

Study questions:

1. What type of business model is Pandora pursuing? Who do they compete against? How do Pandora's set of competitors impact its own business model?
2. At the time of the case, what specific assumptions does Pandora need to test to understand if it can successfully scale its business model?
3. How do you react to the junior VC partner's direction to "get profitable now!"?

2/19 Session 10: Competitor Reactions and Interactions

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

Study questions:

1. As Bob Shapiro, you face competition in Europe and Canada for the first time. What do you do? Launch a price war or accommodate this entry? What are the payoffs for each strategy?

2/21 Session 11: Summary Case

Individual assignment #3: Please submit your questions and answers by 8am

Case: The a2 Milk Company: N9-719-424

Study question:

Imagine this case were the final exam for this class. Come up with three questions and sketch out answers for them (bullet points suffice; 2 pages max). In other words, think about which issues that we covered in class are raised in this case. **Please submit your questions and answers by 8am.**

2/26 Session 12: Strategic Planning & Wrap-Up

Optional: 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.

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

Optional: McGrath, R.G., & MacMillan, I.C. 1995. "Discovery-Driven Planning" *Harvard Business Review*, July-August.

Optional: Collis, D.J. & Rukstad, M.G. 2008. "Can You Say What Your Strategy Is?" *Harvard Business Review*, April

Optional: Yang, M., Christensen, M.Q., Bloom, N., Sadun, R., & Rivkin, J.W. 2020. "How Do CEOs Make Strategy?" NBER Working Paper 27952. October.

Study questions:

You don't need to read the optional articles; I will talk about them in detail. They are there for your reference. If you find time, I would recommend reading the strategy survey piece. It provides a nice overview of the field of strategy from both an academic and consulting point of view. I believe you will enjoy it as a "capstone" reading for this class.

Final Paper Due Friday, 3/1 at noon!