COURSE DESCRIPTION

This course trains entrepreneurs, managers and business leaders to look outward to the environment and inward to the firm’s resources and capabilities and operating policies. As such, we describe a firm’s strategy as the formulation of “competitive strategy”, and “corporate strategy”. Competitive strategy involves identifying structurally attractive industries and developing the most attractive position within that industry, where attractiveness is driven by absolute conditions combined with the resources and capabilities the firm brings to that position. Businesses create value by operating in positions within industries that, by virtue of the characteristics of industry, the position and the firm, are defensible from the encroachment of competitors and deterioration of the environment as a whole. Corporate strategy focuses on the management and understanding of multi-product, multi-location and multi-business firms.

COURSE MATERIALS

Required reading:

- There is no textbook required for this course. Articles, case studies and miscellaneous book chapters will be attached each week on Blackboard.
- Most of the cases are available in the Strategic Management course pack that will be required from the third session.
- The url to order the course pack is: http://www.upublishing.com/Merchant2/merchant.mvc?Store_Code=upub&Screen=PROD&Product_Code=978-1-59271-173-4 (Note: I have used the same course pack last year)

If the url above does not work, please go to http://www.upublishing.com and use their search function with my last name (Pe'er).

Additional Reading Recommendations

Believe it or not, I get asked a lot for what else people can read on these subjects. The following books are offered as suggestions of additional readings, either to provide more detail on specific subjects or to serve as references in the future. In addition for most topics I will provide a list of optional readings - journal articles are readily available through the online library catalog.


This is probably the most accessible and comprehensive classic on competitive AND corporate strategy, but is somewhat long (~500 pages). A fantastic reference, though.

The “other” strategy textbook really worth talking about. It is shorter (160 pages), but really, really dense and challenging to get through. Again, not a book to really sit down and just read.

Objectives:

The central questions of this course are:

- What allows certain firms in certain industries to earn positive economic profits while others deliver low returns?
- Why can certain firms sustain their economic profits over long periods of time, while for other firms these profits quickly disappear?

Three characteristics describe the approach to these questions. First, we will focus on the high level strategic decisions which firms face: entry into new industries, positioning, firm size and scope, capital investment, etc., while spending less time on managerial issues. Second, we will seek broad principles that can be applied across many firms and markets, rather than behavioral issues and/or institutional details that apply only in restrictive scenarios. Finally, we will derive these broad principles from microeconomic theory. As such, potential answers will be subjected to the rigor of economic analysis to test their validity and applicability.

The following structure is intended to help you organize what you learn into an overall framework for evaluating business strategy. However, it is important to recognize upfront that this class can not be as perfectly organized as the outline suggests. This is not accounting or statistics which begin with core, universally accepted principles, and then build to harder problems and applications. Instead, business strategy is complicated throughout, and we will be applying new tools and concepts to answer questions that arise throughout the class. A clean linear approach would deliver the false promise that this material works like a tool. This material is a lens that improves your analytical reasoning skills – you will be able to describe business situations in a more comprehensive, logical and structured way. However, in strategy, there is no equivalent of the option pricing formula. Strategic analysis is ambiguous, and to present it any other way is disingenuous. That said, we will cover the following outline and will always put each concept in a context so that thinking strategically becomes intuitive.

1. Value Creation and Capture
   a. How consonant (or how much of a fit) is the firm with its external environment?
   b. What are the primary sources of a firm’s competitive advantage?
   c. What position does or should the firm “occupy”?
   d. What are firm’s resources? How can resources be developed and acquired?
   e. Analysis of the forces (Porter’s Five Forces) affecting competition in a market.
   f. Added Value – Source of firm’s leverage in the vertical chain to which it belong
   g. Value Added Analysis – Quantification of contribution of component activities of the firm to its overall profitability.
   h. “Winner Take All” markets
   i. Expropriation of value by critical human resource inputs (when firms depend on “stars”)

2. Sustaining Economic Profit
   a. How can advantage be sustained through time?
   b. What prevents other firms from imitating the strategies of successful first movers?
c. How should firms weigh the risks and benefits from investments in new resources and capabilities, particularly when market conditions are highly uncertain?

d. How does the firm manage in the context of producing nontrivial externalities?

e. Disruptive Innovation

3. Competitive Dynamics
   a. Analysis of the responses of competitors to a firm’s strategies and the implications of these responses for strategic decisions.
   b. What advantages arise from being the first-mover in a market? Are these advantages especially large in high-technology industries?

**CLASS ORGANIZATION & ADMINISTRATION**

**Participation.** This is an intensive course with extensive reading and assignments. The only way to be prepared for each session is to start preparing early. A useful guideline to keep in mind is this course will demand around 6-7 hours of preparation time per week on average (this includes assignments and group projects). This guideline is for those who want to get the most benefit from the course (as opposed to just a decent grade).

This course is less about acquiring a “bag of tricks” and more about developing analytical skills and executive intuition and demeanor. If you are diligent about preparing for class, you will sharpen your ability to think, read, write, speak, and present your arguments logically.

This is not a lecture course and you are responsible for a large portion of your own and your peers’ development. You are required not only to attend classes but also to carefully prepare for each class, contribute actively as well as listen carefully to others. The emphasis on case analysis makes it crucial that preparation for class is of consistently high quality. Please consider the following guidelines for high quality class participation:

- **Relevance:** Are your comments clearly related to the case and to the comments of others?
- **Advancement:** Does your comment move the class discussion forward? Does it take the discussion farther or deeper than the previous comments?
- **Fact-Based:** Have you used specific data from the case, from readings, or from personal experience to support the assertions that you are making?
- **Logical:** Is your reasoning consistent and logical? Do you use economic concepts correctly?

You are expected to come to class having read the required readings for the session, to be able to use and critique concepts and models presented in the readings, ready to be “cold-called” and to respond to the questions outlined for each case.

If you are inadequately prepared to lead off the discussion of the particular case, you may:

1. ask before class not to be called on,
2. pass when you are called, or
3. “wing it.”
These actions are listed in increasing order of negative evaluation.

Points for participation tend to vary much more than points for written assignments, so active high quality participation is essential to receiving a high grade in the class.

I would like to ensure that everyone participate. I know, however, that students have different comfort levels with speaking in class. If you never volunteer to speak please come to discuss it with me.

**Classroom Policies**

**Laptops, Smartphones, & Other Electronic Devices:** Will comply with school policy and ban the use of these items in class unless you sit in the front two rows.

**Attendance:** I expect that you all realize the importance of attending the classes. Attending the classes is mandatory and will substantially increase your understanding of the material. Based on my experience, it is highly unlikely that you will be able to do well in this course without attending class, due to the content we will cover and the learning methods we will use. It will also give you the opportunity to actively participate in class discussions and obtain a high class participation grade. **Note, however, that your mere presence is not sufficient to earn points for class participation.** What matters more is the quantity and, especially, the quality of your contributions to class discussions.

I am in your court…I want you to succeed and understand that you have to manage classroom obligations in the context of family, work and recruiting obligations. I get there are times when you may have to make conscious trade-offs. That said, there are those students who manage to miss less class than others…their grades tend to be better. Missing one class is unlikely to be an issue…missing 2 or more classes is problematic.

The lecture will contain material not covered in the readings or slides. If you are unable to attend a lecture, make sure to get someone else's notes.

**Arriving Late, Leaving Early, Coming & Going:** Students are expected to arrive to class on time and stay to the end of the class period. If you are late, I will assume you have an excellent reason, so do not come in late bearing beverages and/or food!!

**Learning Difficulties**

If you have qualified disability and will require academic accommodation during this course, please contact the Center for Students with Disabilities for consulting. If you are having trouble in class (e.g., with participation or a particular assignment), I want to know about it as soon as possible. I will do my best to help students who, despite a sincere and solid effort, are experiencing difficulty.

**Fairness in Grading**

I will make a determined effort to ensure that all assignments are graded fairly based on the quality of each student and team work. If after careful consideration you are convinced that a particular grade of yours should be reviewed please provide me with written justification of your assessment. I will determine whether your request is justified and may result in change of your letter grade. Re-grading will take place at the end of the semester.
Guidelines for Discussion/Case Preparation:

Case analysis relies on discussion, so successful learning in this class will depend on everyone’s active participation. This means that good preparation before class is essential to benefit from the full value of the course.

Full-length cases can take several hours of preparation. There are usually several “plotlines” to a case, and given limited time we will zero in on only a subset of those. It is therefore very important that you narrow the focus of your analysis based on the case questions that are provided on Blackboard and the readings assigned for the session.

I will expect that you will have prepared answers to the questions.

• Read the case quickly to get a grasp of the basic story and facts.
• Reread the case, organizing and grouping the information by topic to develop answers to case questions.
• Where necessary, analyze data in tables and case body to further support and develop your arguments. Note that cases do not give pre-packaged analysis: the information in the case is raw data to which you have to add value through synthesis, analysis, and application of concepts. In many cases you will have to make inferences and best-guess estimates based on information in the case.
• Develop detailed answer(s) to the case questions. There may be multiple answers, representing alternative courses of actions or diagnosis of a problem. Take a stand on the issues at hand and be prepared to back up with analysis. When you are asked to turn in one or more of the case questions, your write up should reflect insights drawn from the thorough process described here.

1. High Level Understanding of Key Issues:
   What are the most pressing key issues the firm is facing? Be sure to revisit this question after you have completed an in depth analysis

2. Analysis of External Environment:
   o Porter’s 5 Forces plus Complements, and
   o Macro-environmental analysis

3. Analysis of Firm Level Assets, Capabilities, and Resources:
   o Assessment of firm’s strengths and weaknesses
   o Are any of the firm’s resources or other sources of competitive advantage? Are those advantages sustainable? What are the firm’s core capabilities?
What do the firm’s financial statements say about its health? Trends? Comparison to competitors?
Are there CSR issues that are important to address?

4. Analysis of business-level positioning strategy used by the firm:

What is the overall positioning of the firm is in its market?
How is the positioning strategy supported (or not) by its functional strategies?
Evaluate the positioning strategy in the context of the competitive and/or cooperative dynamics of the industry. Be sure to include any appropriate quantitative analysis of the advantage this position yields (or fails to yield) over the firm’s competitors.

5. Analysis of the corporate-level strategy of the firm:

Identify the businesses the company is in (or is considering entering), how they are related (or unrelated), and whether and how they create additional value in their combination. Be specific and detailed. If it is unclear that value is created, try to assess why the firm might have chosen to enter those businesses.
Identify and analyze the methods of entry the firm has used to enter those businesses. Were the methods of entry used (or proposed) the best choice given the firm’s objectives, environment, strengths, weaknesses, and strategy? Be sure to include any appropriate financial analysis to support your assessment.

6. Recommendations

Recommendations should respond to the key issues of the case, and must be specific and actionable. They must not be obvious “so what” platitudes, and they must be consistent with the analysis. You should evaluate the impact of each recommendation on the firm’s environment, strengths, weaknesses, and strategy. Do not forget to consider the firm’s financial standing when making recommendations.

Homework- Nearly each class, you are expected to turn in a short assignment. You must submit your assignment on Blackboard at least an hour before the beginning of the class – no excuses please. You may not e-mail me a copy. You may not submit a hard copy. To receive the points, simply submit your assignment on time. The write up must be individual work...you may not divide and conquer or ever represent another student’s work as your own. The write-up must be typed and of reasonable quality. The write-ups will not be graded. However, the write-ups will be kept and used in the case of borderline situations.

Every class I will randomly choose students to preset the case and their answers to the assigned questions in from of the class.

In sum, don’t overshoot the mark on the write-ups, but undershooting the mark will cost you if your grade is borderline.

Final exam. A cumulative in-class exam will take 3 hours. The exam will focus less on memorization and knowledge of easily-accessed information, and more on synthesis and conceptual application of that information. Students may bring in 3 pages of notes for the exam – these notes must be submitted with the exam.
FINAL GRADE ASSIGNMENT

• Homework: 25 points in total
• Final Exam: 50 points
• Participation: 25 points