



Strategy I

Spring Intensive,

2023

(COR1-GB.2103.30)

Location: KMEC 3-110

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Office Hours: By appointment

COURSE OVERVIEW

This course is motivated by a ‘deceptively’ simple question with a set of complicated answers: “Why do some firms earn positive economic profits while others fail to do so?” To address this question, the course is organized into two main sections. The first section, covered in the first three sessions, focuses on assessing the nature of markets that firms compete in and how these markets affect firms’ ability to generate and sustain profits. Specifically, it covers the following themes:

- Value Creation/Capture – *How can a firm create value for customers and retain some of that value as profit?*
- Industry Profitability – *How do external forces affect a firm’s profitability?*
- Internal Analysis – *How do a firm’s resources and capabilities affect its profitability?*

The second section, covered in the last three sessions, considers how a firm should compete and how the firm’s strategies should change over time. Specifically, it covers the following themes:

- Platform-Mediated Markets – *How can value be created and extracted in platform-mediated markets?*
- Organizational Design – *How should a firm organize its activities to sustain superior performance?*
- Strategy and Change – *How should a firm adjust its strategy to optimally react to change, particularly when market conditions are highly dynamic?*

This is a “big picture” course. The emphasis of the course is not on understanding conceptually difficult material, but on applying simple ideas to think about how a firm achieves its goal of generating and sustaining profits. Accordingly, we will use cases and in-class exercises inspired by the real-world to exemplify the theoretical frameworks introduced in class. This process facilitates experiential absorption of the links between academic theory and managerial practice. To be successful in this course, you *must* spend time actively and rigorously thinking about the details of the given case and relate your thoughts to the big picture. Not preparing for class or expecting to passively absorb the material will do you about as much good as watching an exercise class from the sidelines.

COURSE ORGANIZATION

Our course consists of three different components:

Readings: There is no single text assigned to this course. Instead, a mix of classic and more modern readings in the area of strategy have been selected to provide the background and frameworks for our case discussions. I will not be lecturing about the readings, but they will be important for conducting our case discussions. Therefore, unless you tell me otherwise (by asking questions), I will assume that you have read the assigned readings, understand the basic concepts in the readings, and can relate them to the cases. I have compiled a free course pack containing articles that can be freely accessed via library resource. Please look in *Brightspace*.

Cases: This is a case-based class, and the centerpiece of all of our activities in this class will be our case discussions. We will use cases extensively in this class to illustrate how to apply conceptual frameworks and arguments to actual business situations. For a case discussion to be a valuable learning experience, it is essential that you come prepared to discuss the cases and readings assigned for that class. In addition, the case discussion questions serve as the focus of class discussion. In preparing for the case discussion, I ask that you deal with the cases as you find them; do not seek outside or post-case data on the firm or industry. Of course, if you already have such information from previous experience, this can be very useful in case discussion. Please let me know about it in advance, and I will make a point to call on you at the appropriate time. *Seeking material from students who have taken the course before is a violation of the honor code.*

All cases will be part of a digital course-pack from Harvard Business School Publishing, available here: <https://hbsp.harvard.edu/import/1004889>. *Please print the cases and bring them to class.*

Mini Lectures: Mini-lectures before and after class discussions will set the stage or summarize course concepts. This will include some key takeaways from case discussions, when and how to use various frameworks, and suggestions of common mistakes with course frameworks. All slides for these mini-lectures will be available on *Brightspace*.

COURSE GRADING

This course uses a variant of contract grading, for which your final grade will depend on your performance on three required components (class participation and four group assignments) AND your performance on an optional final exam. The “base grade,” derived from your performance on the required elements, is worth 85% of the final grade and so its maximum possible value is a B+. The breakdown of your final grade is determined as follows:

1. Class Participation	25%
2. Group Assignments (three case write-ups + simulation preparation)	60%
3. Take-home Final Exam (individual, <i>optional</i>)	15%

Total	100%

1. Class Participation

All class sessions involve active discussion based on the assigned readings and cases, with an emphasis on both theoretical concepts and practical implications. You should be prepared to share your ideas and *critically* interpret the perspectives presented by others. Please carefully review the readings and case preparation questions for every class session. Quantity of participation, if lacking in quality, will not be rewarded. *The chief criterion for this part of the grade is student’s contribution to the learning of others.* Accordingly, quality participation has one or more of the following characteristics:

- *Courtesy*: Respecting and observing the rules of the game and the rights and dignity of your classmates; limiting participation to a fair share.
- *Coherence*: Providing careful analysis and turning vague ideas into precise statements; integrating experiences and learning material with class-room discussion.
- *Cleverness*: Quick and deep thinking; ability to abstract and infer; contributing ideas that you would not have come across; providing new ways of looking at the world.
- *Courage*: Willingness to take risks by espousing unpopular ideas, challenging authority, asking good questions.
- *Character*: Special personal attributes, such as a sense of humor or a supportive personality, placed in the service of the class.

You are primarily responsible for actively participating in class. I reserve the right to cold call students. I use cold calling to move discussion along not to intimidate or create a hostile environment. If, for some reason, you are unprepared for any particular section, let me know before class and I will not cold call you during that session. I have listed a set of case preparation questions under each case (see below) to guide your thinking while reading the cases. Please be prepared to answer these questions in class.

2. Group Assignments (three case write-ups + simulation preparation)

You will work in groups of two, at most three, members in order to submit four homework assignments. Please form your own groups, which will stay the same for all group assignments. I warmly invite to reach out to others in class while forming your group. In case you are having trouble forming a group, please notify me as quickly as possible: I will assign you to a group.

Each group is required to turn in three assignments based on *any three* of the five assigned cases for Sessions 1-5. Assignments should be sent to me by email at the start of the class during which we will discuss the case. Write-ups should be at least TWO single-spaced typed pages with 12-point font and one inch margins, and should focus on answering the “assignment questions” available below under each corresponding session. You should answer the questions separately and clearly rather than write an integrative write-up. Diagrams can be used to supplement the text pages and do not count toward this limit. Please clearly mention the names of each group member on the cover page.

Part of the objective here is to get you to think through problems and come up with solutions as a group (as you would in your workplace): avoid the temptation to divide up thinking and assignments among group members. Such division will defeat the purpose of the group assignment and limit your learning experience.

For the ‘simulation preparation’ assignment you must register and play the Back Bay Battery simulation game. Students must complete ONE FULL ROUND (until the end of the period) before the day of Session 6. You are expected to turn in a write-up of at least – but no longer than – TWO single-spaced typed pages with 12-point font and one inch margins. You should (1) describe the nature of the decision-making problem the simulation is asking you to address, and (2) explain the logic animating the decisions you are making. You will be evaluated based on your cumulative profits as well as the clarity with which you will explain the rationale behind those decisions. The write-up should be sent to me by email at the beginning of Session 6.

3. Take-home final exam (individual)

The final exam will be posted at **9:30 pm on Monday, March 27th (right after Session 6)** on *Brightspace*. It will be strictly individual and due via electronic submission no later than **11:55 pm on Thursday, March 30th**. This optional final exam is graded on a 0-100 scale, and represents additional credit above the base grade. The highest grade you can get *without* taking the final exam is B+ if, of course, you perform very well in the written assignments and class participation. Thus, the final exam, in theory, can raise your grade from B+ to an A, but only if you get an A in the exam. Please note that the decision of whether or not to complete the final exam should be based on your own final grade preferences and expectations, not on your performance in the other elements of the class since I will only be able to give you limited feedback on your performance before the finals.

Overall, I will follow the school's guideline for core courses: no more than 30%-35% of enrolled students will receive an A or A-. To some extent, students will self-select based on their choice to complete the final exam. Keep in mind that pursuing an "A" (by turning in the take-home final exam) does not guarantee you of a higher grade.

PLEASE NOTE: Due to the compressed nature of this class, there will be no opportunities for a makeup of a missed element or for extra credit.

COURSE POLICIES

Attendance: Preparation, attendance, and participation are essential in this class. Late arrival will hamper your ability to learn the material, impact your grade through missed participation opportunities, and disrupt the flow of the class. Accordingly, lateness will face penalties on participation grade. Missing even one of the six sessions will have a significant impact on your overall grade and those who expect to miss classes should consider enrolling in a different section. In the case of unavoidable absences, please try to notify me ahead of time.

Everyone is expected to participate actively in class discussions. We will depend on everyone's active involvement to make the class successful. Comments, questions, and case insights are all valuable and desired. If you need to miss class, please email me ahead of time.

Laptops, cell phones and smart phones: I do not allow students to use laptops during class time (except during Meeting 6 for group projects and simulation), though you are welcome to bring laptops to class. Because I will not be testing "case facts" on the final exam, taking notes on case details will not be helpful. Instead, I will be testing process knowledge – your ability to correctly apply frameworks and analyses we discuss in class. My experience is that the best way to learn this process is to engage in it actively during in-class case discussions. I will provide you with "key takeaways" electronically throughout the course, as well as electronic copies of any slides that I show. Laptops, even when used to take notes in class, also constitute a significant distraction to other students in the classroom that outweighs any potential benefits.

Cell phones and smart phones may not be used in class.

Honor Code: Please remember that you are governed the MBA Honor Code. You can find more information on the MBA Honor Code at http://www.stern.nyu.edu/sites/default/files/assets/documents/NYU_Stern_Code_of_Conduct%20Feb16.pdf.

Students with Disabilities: If you have a qualified disability and will require academic accommodation during this course, please contact the Moses Center for Students with Disabilities (CSD, 998-4980) and me as soon as possible.

Meeting: 1

Date: February 6th 2023 (Monday) 6-9pm

Topic: Value Creation/Value Capture Framework

Required readings:

- CASE: Bitter Competition: The Holland Sweetener Company versus NutraSweet (A) (*Harvard Coursepack*).
- Our syllabus in its entirety. ☺

Study questions:

1. Put yourself in the shoes of Winfried Vermijs as of late 1986. What response should he expect from NutraSweet after Holland Sweetener Company's decision to enter into the European and Canadian aspartame markets?
2. How should Vermijs assess the relative likelihood of the two scenarios -- price war vs. normal competition ("live and let live") -- he has in mind?

Optional readings:

- Adam M. Brandenburger and Harborne W. Stuart, 1996. Value based business strategy. *Journal of Economics and Management Strategy* **5**(1): 5-24.
- Adam M. Brandenburger and Harborne W. Stuart, 2007. Biform Games. *Management Science*, 53(April): 537-549.
- Olivier Chatain and Peter Zemsky, 2009. Value creation and value capture with frictions. *Strategic Management Journal* **32**: 1206-1231.
- Margaret A. Peteraf and Jay B. Barney, 2003. Unraveling the resource-based tangle. *Managerial Decision Economics* **24**(4): 309-323.
- Michael D. Ryall, 2013. The dynamics of competition. *Harvard Business Review* June: 80-87.

Meeting: 2

Date: February 13th 2021 (Monday) 6-9pm

Topic: External Analysis

Required readings:

- CASE: Matching Dell (*Harvard Coursepack*).
- Michael E. Porter, 2008. The Five Competitive Forces That Shape Strategy. Harvard Business Review (*Brightspace*).

Study questions:

1. Why, historically, was the PC industry so unprofitable?
2. Why did Dell perform so well relative to other PD firms?

Optional readings:

- Michael E. Porter, 1980. *Competitive Strategy*. The Free Press, New York: NY.
- Garth Saloner, Andrea Shepard, and Joel Podolny, 2001. *Strategic Management*. John Wiley & Sons, New York: NY.
- David Besanko, David Dranove, Mark Shanley and Scott Schaefer, 2009. *Economics of Strategy*. John Wiley & Sons, New York: NY (5th edition).
- Richard Rumelt, 2011. *Good Strategy Bad Strategy: The Difference and Why it Matters*. Crown Business, New York: NY.

Meeting: 3

Date: February 27th 2023 (Monday) 9am-12pm

Topic: Internal Analysis

Required readings:

- CASE: Vogue: Defining the Culture of Fashion (*Harvard Coursepack*).
- David Collis and Cynthia Montgomery, 2008. Competing on Resources. Harvard Business Review (*Brightspace*).

Study questions:

1. How does a fashion magazine such a Vogue make money in the publishing industry?
2. List Vogue's resources and capabilities that distinguish it from other publishing companies. Does each of these resources and capabilities fulfill the criteria set out in Collis and Montgomery (2008)? Why or why not?

Optional readings:

- Jay B. Barney, 1986. Strategic factor markets: expectations, luck and business strategy. *Management Science* **32**: 1231-124.
- Jay B. Barney, 1991. Firm resources and sustained competitive advantage. *Journal of Management* **17**(1): 99-120.
- Ingemar Diericks, and Karel Cool, 1989. Asset stock accumulation and sustainability of competitive advantage. *Management Science* **35**(12): 1504-1511, with comment by Jay Barney at pp. 1511-1513.
- Margaret A. Peteraf, 1993. The cornerstones of performance: a resource-based view. *Strategic Management Journal* **14**(3): 179-191.
- Richard P. Rumelt, 1984. Toward a strategic theory of the firm. In R. B. Lamb (ed.), *Competitive Strategic Management*. Prentice-Hall: Englewood Cliffs, NJ, pp. 556–570.

Meeting: 4

Date: March 6th 2023 (Monday) 1-4pm

Topic: Platform-Mediated Markets

Required readings:

- CASE: The Blonde Salad (*Harvard Coursepack*).
- Marshall W. Van Alstyne, Geoffrey Parker, Sangeet Paul Choudary, 2016. Pipelines, Platforms, and the New Rules of Strategy. Harvard Business Review (*Brightspace*).

Study questions:

1. Chiara Ferragni succeeded in making her fashion blog one the most successful blogs in the world. How is possible to turn a blog into a very profitable business?
2. Based on the Blonde Salad case, which conditions do you think are critical for any blogger to create and capture in multisided markets?

Optional readings:

- Eisenmann, T. R. 2007. *Platform-Mediated Networks: Definitions and Core Concepts*. HBS Supplementary Material.
- Gawer, A., M. A. Cusumano, 2014. *Industry Platforms and Ecosystem Innovation*. Journal of Product Innovation and Management, 31(3): 417-433.
- Sundararajan, A. 2016. *The Sharing Economy*. Cambridge, MA: MIT Press.

Interesting Link

- https://video.vice.com/en_us/video/oobah-butler-i-made-my-shed-the-1-restaurant-in-london/5a5dfac6177dd44de3197af2

Meeting: 5

Date: March 20th 2023 (Monday) 6-9pm

Topic: Competing *via* Organizational Design

Required readings:

- CASE. Stone Finch, Inc.: Young Division, Old Division (*Harvard Coursepack*).
- Charles A. O'Reilly III and Michael L. Tushman, 2004. The Ambidextrous Organization. Harvard Business Review, April, 74-81 (*Brightspace*).

Study questions:

1. What is your evaluation of Jim Billings' performance as president of Stone Finch? What do you think of his leadership style?
2. What is your assessment of the entrepreneurial subsidiary concept? How can companies manage the contradictions of managing existing products and innovation simultaneously?

Optional readings:

- Raghu Garud, Joel Gehman and Arun Kumaraswamy, 2011. Complexity arrangements for sustained innovation: Lessons from 3M corporation. *Organization Studies* **32**(6): 737-767.
- James G. March, 1991. Exploration and exploitation in organizational learning. *Organization Science* **2**: 71-87.
- Michael L. Tushman and Charles O'Reilly, 1996. The ambidextrous organization: Managing evolutionary and revolutionary change. *California Management Review* **38**: 1-23.

Meeting: 6

Date: March 27th 2023 (Monday) 6-9pm

Topic: Strategic Decision Making – A Simulation

Required readings:

- SIMULATION EXERCISE: Back Bay Battery Simulation (available online through your coursepack). Play one full round (Note for Mac users – you must use Mozilla Firefox as your browser, not Safari).

Before Class Preparation:

1. Register and play at least ONE FULL ROUND (SCENARIO) of the simulation through the year 2020.
2. Written assignment: You should (1) describe the nature of the decision-making problem the simulation is asking you to address, and (2) explain the logic animating the decisions you are making. You will be evaluated based on your cumulative profits. The write-up should be turned in at the beginning of the class.
3. Bring a laptop to class. We will run an advanced version of this simulation in groups.

Note: This simulation is run online. Each student is required to register and purchase access to the online simulation from Harvard Business Publishing (\$15.00 per person). Do not forget to bring your own laptops.

Optional reading:

- David J. Teece, 1986. Profiting from technological innovation: Implications for integration, collaborating, licensing and public policy. *Research Policy* **15**: 285–305.
- Joseph L. Bower and Clayton M. Christensen, 1995. Disruptive technologies. Catching the wave. *Harvard Business Review* Jan/Feb: 1-13.
- Clayton M. Christensen, 1997. *The Innovator's Dilemma*. Harvard Business Review Press, Boston, MA.