

DePaul University – Kellstadt Graduate School of Business

ECO 526 - Business Strategy Spring 2020

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Important: Consider this syllabus a ‘live’ document. As the term progresses, we may need to adjust some parts of it to keep the course running smoothly and in a way that is manageable for all. This is uncharted territory for all of us, and there is uncertainty and stress, but we will have an excellent experience together. I am committed to giving you the best possible learning experience and to challenge you to think in new ways.

Course Overview and Objectives

The biological definition of strategy is “an adaptation or complex of adaptations (as of behavior, metabolism, or structure) that serves or appears to serve an important function in achieving evolutionary success.” This definition captures the basic idea of strategy in this class. In business, “adaptations of behavior or structure” translate into the formulation of the firm’s business plans and policies, and how to respond to possible changes in internal and external conditions and incentives. “Achieving evolutionary success,” translates into generating, capturing, and sustaining surplus for the firm’s shareholders.

Throughout the term, we will discuss various concepts and frameworks used to analyze and formulate business strategies. You will become familiar with a number of tools and techniques for diagnosing a firm’s competitive position and internal strengths, identifying managerial and organizational challenges, evaluating and formulating various plans of action, and anticipating the consequences of alternative decisions. Although the ultimate aim of the course is to help you develop and organize a framework for business strategy, the “toolbox” approach we adopt implies that this class is not as structured as other disciplines, which typically start with a set of principles, and then build their analysis and applications from simple to complex situations. Strategy is not as linear and deductive, and is complicated and even messy throughout. We will be learning new tools constantly -and often times go back to the older ones- to answer questions that will arise as we explore additional issues.

Methodology

Our approach will be both *Inductive* and *Socratic*. Inductive because we will take a set of basic tools, use them to analyze and understand the strategic nuances of specific business cases, and then try to draw lessons and principles that we can apply in a broader variety of business contexts. Socratic, because we will accomplish this using an open discussion format, where the exchange of ideas and arguments will be the main engine of learning.

Some important insights about cases and learning from cases:

-Good cases are often times ambiguous and complex. You may find this a bit frustrating when preparing for case discussions. Some case questions may not necessarily have one 'right' answer, and most likely every answer will come with a caveat (the dreaded 'it depends'). Business strategies are never formulated with certainty, but the frameworks and concepts we will learn and discuss will help us identify insights and solutions that are likely to work better than others.

-The lecture slides and videos, and the assigned readings will complement the cases by providing useful background information, additional examples, and further explanations of the central concepts. For a case discussion to be valuable, it is essential that you are prepared. Prior to each case discussion, I will post a set of case questions that will help guide and focus our interactions.

-It is important that you deal with the cases as you find them. The point is to place yourself 'in the shoes' of the decision makers at the time the case took place. Unless explicitly recommended, please do not do additional research to find post-case data on the firm or industry in question, as this will act as a spoiler. If you have post-case or inside information, you will have the opportunity to share it at an appropriate point after the main discussion. Finally, to maximize your learning from a case, please refrain from discussing or receiving case notes from students or alumni who have taken the class or studied the case previously.

Course Format

We will conduct this online course in an asynchronous format. This means you do not have to be online at any specific time. You can work through each week's material at your own pace but keep in mind that there will be some group-based work and weekly deadlines for discussion posts and assignments. I will post new weekly content on Wednesdays.

Please make sure to have the necessary technical resources to be able to access course materials and complete assignments. If you do not have access to the following resources, please let me know immediately so I can make accommodations for you:

- A computer that connects to the internet (web cam helpful but not required)
- A working email account that you check regularly (updated in campusconnect)
- Access to Microsoft Office or similar software
- Ability to playback video files

Office Hours

I will conduct office hours in two ways:

-By appointment at a mutually convenient date and time. Please email me to make an appointment. I am responsive to email and will reply the same day.

-Every Wednesday I will host a live Zoom session from 6 to 7 p.m. Central (Chicago) Time. This session is open to anyone who wants to join and ask questions, chat, and get to know each other in a synchronous way. Although I encourage you to join the session to enrich our class experience, there is no requirement to join.

Readings

Strategy Essentials, by Sonia Marciano, NYU Stern School of Business, 2010. Available at:

<http://www.scribd.com/doc/38572769/Stern-Strategy-Essentials>

A *HBSP Course Packet*, containing a number of readings. Please sign-in and purchase using this link:

<https://hbsp.harvard.edu/import/717960>

Lecture and Video Slides and Additional Readings. I will post these on D2L. You are responsible for checking the site periodically to access these materials as well as the case discussion and preparation questions. *Please note that I do not expect you to read all of the posted readings.* They are useful supplements for the collection of topics we will discuss in class.

Grading

I will determine your grade using the following components and weights:

Case reports (group grade)	30%
Discussions (individual grade)	20%
Midterm Paper (individual grade)	25%
Final Paper (individual grade)	25%

We will do our best to grade and return all of your assignments within one week of their due dates. If you require any clarification on any of your grades, please contact us at most ten days after receiving your graded assignment.

Case Reports (group): You will (in groups of two) write a report on assigned questions in preparation for our case discussions. Each report should not exceed three typed, double (or single and a half) spaced pages, and it is due on D2L based on the schedule below. Both PDF (preferred) and Word formats are acceptable. The grading scale is on a maximum of 10 points. The case time table is:

Performance Indicator – April 15 (report due at 11:59 p.m.)
Crown – April 22 (report due at 11:59 p.m.)
Grok – April 29 (report due at 11:59 p.m.)
No case on May 6
De Beers – May 13 (report due at 11:59 p.m.)
Enterprise – May 20 (report due at 11:59 p.m.)
Alphabet's Google – May 27 (report due at 11:59 p.m.)
Disney and Pixar – June 3 (optional report due at 11:59 p.m.)

As per the above table, there are six required case reports and one optional one. You will work in groups of two to prepare a report on each case. Working in small groups is realistic to the state of work in the real world and will also allow you to learn more from the cases because each member may glean different insights and find different connections between the course content and the case. You can use the optional case to replace a low report grade, and you may work on that report alone if your partner does not want to do it.

Group formation: A class roster is available on D2L, so I will give you the chance to reach out to someone you may know to form a group. If you do not have a group by the beginning of week two (April 8), I will pair you up with another student who is in the same situation. The first case report is due on April 15.

We are very fortunate to have an outstanding and experienced grader for the case reports. Rich Mullen has just completed his MBA with emphasis in Economics and Strategy, and brings a wealth of real life business experience to the table. I have worked with Rich in the past, and he provides thorough and thoughtful feedback on case reports. You can contact Rich via D2L as needed.

Case reports will be graded on a 10 point scale based on content, organization, and writing:

Content

- Applies concepts and frameworks from class to the case analysis
- Addresses questions thoughtfully and critically
- Any points that are made are backed up by evidence and/or solid theory
- Analysis is positive, not normative or emotional
- Answers do not re-teach material from class
- Analysis uses economic and strategy concepts and terminology correctly

Organization and Writing

- Report addresses the specific questions
- Report is logically organized and easy to follow
- Report uses primarily active voice
- Report does not use flowery or convoluted language

Midterm and Final Papers (individual): Each student will be responsible for a midterm and a final paper where the goal is to demonstrate your ability to discuss and analyze strategic issues in a business context. The way you will structure each of your papers is the following: (a) you will choose two full featured articles about a firm or an industry, and then briefly summarize the articles (two pages max), and (b) you will then discuss and analyze the articles applying relevant concepts covered in class and bringing insights from at least two of the additional readings (four pages max). This means that the entire length of each of your papers should not exceed six pages. Your midterm and final papers will be due on the D2L Submission Box on the following dates:

- Midterm Paper: The topics to highlight are Value Creation and Capture, Industry Analysis, and Competitive Advantage – Due date is May 6 at 11:59 p.m.
- Final Paper: The topics to highlight are Game Theory and Competition, Differentiation and Strategic Positioning, Dynamics and Sustainability, or Boundaries of the Firm – Due date is June 10 at 11:59 p.m.

Like before, the format is either PDF (preferred) or MS Word, and grading scale is on a maximum of 100 points. I will grade your submissions based on: (a) the quality and relevance of the articles you choose; (b) the quality of your summaries; and (c) **your ability to analyze and discuss the articles using the class material and additional readings (this is the main component)**. Clearly, your choice of article is also very important, as it is crucial that you select pieces that are substantial enough, and good matches for the topics you are required to highlight.

Discussions (individual): Preparation and participation in the discussion boards are vital in this class. Given our class goals and approach, we will maximize learning opportunities when we all actively share ideas and positions. Active engagement means not only that you have prepared the material in advance, but also that you pay attention to the comments of other students and seek opportunities to make observations that enrich and move the discussion forward.

There will be two types of discussions:

- Case Discussions: We will discuss all cases in the D2L discussion boards. The cases are important to help you develop your strategic and decision making intuition, ability, and skills. They will also be crucial in accomplishing the learning objectives and standards set for this class.
- Content Discussions: Each week -also on the D2L boards- there will be questions for discussion, debate, and reflection based on the lecture and reading content.

Each week you are required to (a) post a thread in response to the general content or case topic, and (b) respond to someone else's thread.

Please try to adhere to the following discussion standards and etiquette:

- Timely -adhere to the time window set aside for each discussion
- If you want to comment on a thread, reply to it -do not create a new thread
- Respectful -even when there is strong disagreement.
- Stimulate thinking
- Grounded in evidence and/or course material
- Encourage others to provide evidence and/or refer to course concepts
- Move the class understanding forward
- Do not ramble

Posts that simply state "I agree" or "I was going to say the same thing" are not actually discussion posts and will not be credited as such.

You may not write in all CAPS. If you want to emphasize a word or phrase you may write it in italics, underline it, or put an asterisk before and after the word or phrase.

I will monitor and actively participate in the discussion boards. I will keep track of your fulfillment of the posting requirements and the quality of your comments. I will also give you the opportunity to periodically submit a small portfolio of what you consider your best comments and posts.

Course Organization

The learning unit in this course is the week. Each quarter has 10 instructional weeks. In order to avoid bottlenecks of due dates with respect to your other classes, we will follow a weekly schedule that begins on Wednesday (i.e., new lecture videos and discussion questions will be posted on Wednesdays).

Academic Integrity

All work completed for this course must adhere to the University Academic Integrity Policy which you can review at <http://academicintegrity.depaul.edu>.

I may use plagiarism detection technology for all written work submitted for this class to ensure the work is the student's own creation and is not in violation of DePaul University's Academic Integrity Policy. Submission of work for this course constitutes (i) a pledge that the work is the student's own original work and (ii) consent to have the work submitted to verify that fact.

You are welcome to use outside sources for exams, discussion posts, and case reports. If you use any materials beyond the text and lecture videos, you must cite them properly. Proper citation includes using quotation marks if you paraphrase

Outline of Topics and Due Dates (Subject to Possible Changes)

Weeks 1 and 2 (April 1 and 8)

Topic: Introduction, Basic Economics of Strategy, and Value Creation and Capture

Readings: Marciano (pp. 4-25)

M. Porter. "What Is Strategy?," *Harvard Business Review* 74, 1996.

D. Collis and M. Rukstad, "Can You Say What Your Strategy Is?," *Harvard Business Review* 86, 2008.

F. Scott Morton. "Why Economics Has Been Fruitful for Strategy," *Financial Times*, Mastering Strategy Series 4, 1999.

E. Jorgenson, "Why Value Capture is the Most Important Business Idea You Haven't Read Enough About," *Evergreen Business Fortnightly*, 2015.

P. Verdin and K. Tackx, "Are You Creating or Capturing Value? A Dynamic Framework for Sustainable Strategy," *M-RCBG Associates Working Paper Series*, 2015.

Video Introduction (due April 8) – See Description on D2L Discussion Board

Case (due April 15): K. Corts, "Performance Indicator," Case 9-702-480, *Harvard Business School Publishing*, May 2002 (revised May 2003).

Week 3 (April 15)

Topic: Industry Analysis

Readings: Marciano (pp. 26-41)

M. Porter. "The Five Competitive Forces that Shape Strategy." *Harvard Business Review* 86, 2008.

J. Magretta, "The Five Forces: Competing for Profits," in *Understanding Michael Porter: The Essential Guide to Competition Strategy*, Harvard Business Review Press, 2011.

R. P. McAfee, "Industry Analysis," in *Competitive Solutions*, Princeton University Press, 2002.

T. Grundy, "Rethinking and Reinventing Michael Porter's Five Forces Model," *Strategic Change* 15, 2006.

Dalken, "Are Porter's Five Forces Still Applicable?," University of Twente, Faculty of Management and Governance, 2014.

Case (due April 22): S. Bradley, and S. Cavanaugh, "Crown Cork & Seal in 1989," Case 9-793-035, *Harvard Business School Publishing*, Mar. 1993 (revised Dec. 2011).

Week 4 (April 22)

Topic: Competitive Advantage

Readings: Marciano (pp. 61-69)

D. Collis and C. Montgomery, "Competing on Resources," *Harvard Business Review* 73, 1995.

P. Ghemawat, "Sustainable Advantage," *Harvard Business Review* 64, 1986.

M. Peteraf, "The Cornerstones of Competitive Advantage: A Resource-Based View," *Strategic Management Journal* 14, 1993.

J. Barney, "Looking Inside for Competitive Advantage," *The Academy of Management Executive* 9, 1995.

Madhani, "Resource Based View of Competitive Advantage: An Overview," *ICFAI University Press*, 2015.

Case (due April 29): M. Arthaud-Day, and F. Rothaermel, "Grok (in 2013): Action Intelligence for Fast Data," *McGraw-Hill*, Case MH0025, Jan. 2014.

Weeks 5 and 6 (April 29 and May 6)

Topic: Game Theory and Competition

- Readings:
- A. Brandenburger and B. Nalebuff, "The Right Game: Use Game Theory to Shape Strategy," *Harvard Business Review* 74, 1995.
 - B. Greenwald, and J. Khan, "Cooperation. The Do's and Don't's," in *Competition Demystified*, Portfolio, 2005.
 - M. Bengtson and F. Kock, "Coopetition' in Business Networks—to Cooperate and Compete Simultaneously," *Industrial Marketing Management* 29, 2000.
 - P. Ghemawat and P. Del Sol, "Commitment versus Flexibility?," *California Management Review* 40, 1998.
 - D. Yoffie and M. Kwak, "Judo Strategy: Ten Techniques for Beating a Stronger Opponent," *Business Strategy Review* 13, 2002.

Midterm Paper Due on May 6

- Case (due May 13): S. Marciano and P. Ghemawat, "De Beers at the Millenium," Case 9-706-518, *Harvard Business School Publishing*, June, 2006 (revised Feb. 2007).
De Beers short articles.

Week 7
(May 13)

Topic: Differentiation and Strategic Positioning

Readings: Marciano (pp. 42-49)

M. Porter, "Industry Segmentation and Competitive Advantage," in *Competitive Advantage*, New York: The Free Press, 1985.

D. Evans and K. Webster, "Designing The Right Product Offerings," *Sloan Management Review*, 2007.

A. Levie, "Competing Against the Big Guys," *Tech Crunch*, 2011.

M. de Jong and M. van Dijk, "Disrupting Beliefs: A New Approach to Business Model Innovation," *McKinsey Quarterly*, 2015.

R.D. Banker, R. Mashruwala, and A. Tripathy, "Does a Differentiation Strategy Lead to More Sustainable Financial Performance Than a Cost Leadership Strategy?," *Management Decision* 52, 2014.

- Case (Due May 20): M. Busse, J. Swinkels, and G. Merkley. "Enterprise Rent-A-Car," Case KEL612, *Kellogg Graduate School of Management*, Sept. 2011 (revised Feb. 2016).

Week 8
(May 20)

Topic: Dynamics and Sustainability

Readings: Marciano (pp. 49-61)

W. Brian Arthur, "Increasing Returns and the New World of Business," *Harvard Business Review*, 1996.

H. Halaburda and F. Oberholzer-Gee, "The Limits of Scale." *Harvard Business Review*, 2014.

O. Bossert and D. Desmert, "The Platform Play: How to Operate like Tech Company," *McKinsey Digital*, 2019.

A. Salazar, "Platform Competition: A Research Framework and Synthesis of Game-Theoretic Studies," Manchester Metropolitan University, 2015.

T. Eisenman, G. Parker, and M. Van Alstyne, "Platform Envelopment," *Strategic Management Journal* 32, 2010.

Case (Due May 27): F. Rothaermel, "Alphabet's Google," Case MH0055, *McGraw-Hill*, Sept. 2017.

Week 9
(May 27)

Topic: Organization and the Boundaries of the Firm

Readings: Marciano (pp. 82-95)

Piskorski, M., "Note on Corporate Strategy," Harvard Business School Background Note 705-449, 2006.

T. Hubbard, "Integration Strategies and the Scope of the Firm," In *Mastering Strategy*, Prentice Hall, 2000.

R. Grant, "Vertical Integration and the Scope of the Firm," in *Contemporary Strategy Analysis*, 2013.

Case (Optional Report Due June 3): J. Alcacer, D. Collis, and M. Furey, "The Walt Disney Company and Pixar Inc.: To Acquire or Not to Acquire?," Case 9-709-462, *Harvard Business School Publishing*, Mar. 2009 (revised Jan. 2010).

Week 10
(June 3)

Guest: TBA

Final Paper Due on June 10