

# The Charles H. Kellstadt Graduate School of Business DePaul University

## ECO 531: Business Models & Innovation Strategy

### Contact Information

Office: Remote

Brian A. Thompson

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### Hybrid Live Class Sessions: Tuesdays 5:45 p.m. – 7:15 p.m.

Join from PC, Mac, Linux, iOS or Android:

<https://depaul.zoom.us/j/92447089451?pwd=bk8zTVBKMUxxSEFYVHI3QWdrVTJ1QT09>

Password: 884872

### Office Hours Zoom

Office/Lab Hours: Mondays 5:00pm-6:00pm, Thursdays 5:00pm-6:00pm, and by appointment

Join from PC, Mac, Linux, iOS or Android:

<https://depaul.zoom.us/j/96729521328?pwd=NDJVRkpJb3lXZi9JNXRpMk9qRjlwdz09>

Password: 862074

### Course Format

This course will be conducted in a hybrid format. Please take a few minutes and watch the video in the Course Resources section of D2L titled “How to Approach this Class”. In this video, I provide details about how to maximize your learning experience through using all the available resources across the class. It is important to distinguish “Hybrid” from the “Asynchronous”. In the Hybrid format, we are meeting on a weekly basis on Tuesdays at 5:45pm as we would on campus but via Zoom. Whereas in an asynchronous format, there is no expectation that you attend class at a specified time. Because of the shortened time we have in each class session, I have pre-recorded content videos for you to view on your own schedule. This will allow us to use our class time more effectively for discussions, in-class activities, and extensions on the course content in a more engaging way. We will further augment our class sessions with discussions in D2L throughout the week. To actively engage in this course, you will need access to the following resources, and I also recommend that you engage in the following activities noted below:

- Computer with internet connectivity
- Email account (Please check your DePaul account regularly)
- Check D2L regularly (Important information will be posted in the News section)
- Read the course content (i.e. Assigned readings consisting of articles and textbook sections)
- Watch the related content videos prior to the upcoming class

### **A. Course Objectives**

This course is designed to intersect three main areas of interest: (a) Business Models, (b) Innovation Strategy, and (c) Competitive Strategy. Each of these areas will be explored through assessments of empirical papers, case study assignments, student presentations, structured lectures, and reviews of various readings central to the topic areas and course objectives. By nature, the economic principles and theories surrounding these topic areas will consume a significant portion of our attention. This course will provide you with new tools, key analytical skills, and critical building blocks for making strategic decision-making within organizations of varying sizes. We will pay particular attention to the tradeoffs in pursuing certain strategies given the market structure of the industry, the resources and capabilities of the firm, and the major macro trends facing the firm and its competitors. Other topics areas include: technology and innovation; decisions in research & development, the impact of network effects and standards, the role of intellectual property, and the evaluation of disruptive technologies.

### **B. Course Overview & Methodology**

*The course consists of four major concentration areas:*

- A. Strategic Choices & Firm Structure
- B. Innovation and Incentive Structures
- C. Business Models & Implementation
- D. Platform Economics and Competing Standards

Each area represents a key building block towards our course objectives. Our main intention is to understand and become familiar with the application of several concepts and frameworks through analysis and discussion of examples and cases. This will then help us develop broader principles about decision-making and strategy, which we can then apply in a wide variety of business and managerial contexts. By construction, business cases do not necessarily have one “right” answer. However, the frameworks and concepts we will learn and discuss will help us identify various insights and solutions that are more appropriate than others. The lectures and assigned readings will complement the cases by providing useful background information, additional examples, and further explanations of the most important concepts.

For a case discussion to be valuable, **it is essential that you come prepared.** It is also important that you deal with the cases as you find them. Unless explicitly recommended, please do not do additional research to find outside or post-case data on the firm or industry.

### C. Course Materials

Day, George S., Reibstein, David J., and Gunther, Robert E. *Wharton on Dynamic Competitive Strategy*. New York: John Wiley, 1997. Print. (New print options available as well)

*\*\*This book can also be purchased digitally on Amazon Kindle.*

Harvard Business School Case Packet. Please sign-in and purchase using this link:

<https://hbsp.harvard.edu/import/809951>

### D. Additional Course Material

I will post additional readings and lecture/case slides in D2L. Students are responsible for checking the site periodically to download additional class materials. I will not distribute these materials in class, so please get them in advance as needed.

### E. Grading

| <b>Course Evaluation</b>                     | <b>Total Point Value</b> |
|--|--------------------------|
| Case Assignments (Group)* (2 at 150pts each) | 300                      |
| Final Project (Group)*                       | 200                      |
| Final Exam (Individual)                      | 250                      |
| Participation & Engagement (Individual)      | 100                      |
| Discussion Leader*                           | 150                      |
| <b>Total Points Available</b>                | <b>1000</b>              |

#### Grading Scale

|                 |   |    |
|-----------------|---|----|
| 930-1000 Points | = | A  |
| 900-929 Points  | = | A- |
| 870-899 Points  | = | B+ |
| 830-869 Points  | = | B  |
| 800- 829 Points | = | B- |
| 770- 799 Points | = | C+ |
| 700-769 Points  | = | C  |

|                |   |   |
|----------------|---|---|
| 600-699 Points | = | D |
| 0-599 Points   | = | F |

**\*Groups will be randomly selected and posted to D2L**

**Case Assignments (Group):** Groups will submit a maximum three-page single spaced report on the assigned questions in preparation for each case discussion. This report should not exceed three typed single-spaced pages, and it is due in D2L on the date listed in the class schedule. Case reports will be graded on the following scale: 10 (outstanding); 9 (very good); 8 (good); 7 (fair); 6 (substandard). Scores may fall between these scales. It is important that you deal with the cases as you find them. Unless explicitly recommended, please do not do additional research to find outside or post-case data on the firm or industry. **Case assignments should be submitted using a MS Word doc. or docx. file (i.e. Please do not submit using a PDF file or Google doc.).**

**Participation & Engagement (Individual):** Preparation and participation are vital in this class, as in any class based on case and discussion board assignments. Learning opportunities are maximized when all students are actively engaged in the class discussions and their group interactions. Active engagement means not only that you have prepared and read the material, but that you are also paying attention to the comments of other students and seeking opportunities to make comments that move the discussion forward. Quality is preferred over quantity in that you should look for opportunities to demonstrate your understanding of the material through responding to and posting questions that stimulate further discussion. More specifically, I consider the following in assessing a student's 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?
- Fact-Based: Have you used specific data from the case, readings, or personal experiences to support the assertions that you are making?
- Logical: Is your reasoning consistent and logical?

**Discussion Leader (Group):** Each group will have the opportunity to lead a discussion during class on a given article (Please see the course schedule for your article assignment). The length of the discussion will vary based on the complexity of the article, audience participation, and the level of detail presented by the group. I encourage you to look for additional sources to extend the article discussion by integrating articles that may be more present in time or examples where the context of the article can be used to describe a real-world situation or opportunity. In other words, a key aspect here is to drive a discussion that is interesting and furthers your classmates understanding of the key takeaways and concepts presented in the article. A slide deck is required for your discussion to help facilitate better interaction with the audience. Using Panopto, Zoom or some other form of audio/video engagement is helpful in increasing audience engagement and understanding. Students can also use the PowerPoint "voice over" feature to engage in audio communication for your presentation if you choose to pre-record your presentation. The slide presentation should be less than 20 minutes leaving 5-10 minutes for Q&A. Please note that audio is not a requirement for the Discussion Leader assignment. Your slides should be submitted to the "Discussion Leader" dropbox and posted to the corresponding discussion

board by the respective due date listed in the course schedule. In some cases, I will open a discussion board following the article presentation, where we will continue the discussion online throughout the week (This will not be the case for each article). **Please submit using PowerPoint or PDF (i.e. Please do not use Google docs.)**

### **Final Case Project and Presentation (Group):**

The Final Project is an opportunity to integrate tools and frameworks from throughout the class to solve problems using recommendations grounded in the literature. Groups will be working with local businesses to assess, analyze, and ultimately make actionable business model focused recommendations based on the group analyses. Groups will have a brief (Remote) meeting with their designated company and use standard internet and external research to conduct initial due diligence and industry level analysis. The final deliverable will consist of a slide presentation, where the objective is to provide a strategic assessment of a key competitive situation or opportunity facing the designated company. This may also include external changes resulting from competitors, regulators, advances in technology, etc.; where the anticipated changes necessitate potential responses given your analysis. Appendix items consisting of data, data-driven analysis, etc. should be attached to the end of the slide deck. Students should center on substantive analysis using critical-thinking and analysis tools presented from the course. This analysis should include but is not limited to a detailed assessment of the current business model (firm and/or industry level), a predictive analysis of competitive forces facing the industry and firm, and recommendations resulting from your analysis. For example, your recommendation may consist of an alternative business model for a particular company driven by rapidly evolving changes in technology within its industry, or this analysis may consist of the expectation of future responses from competitors based on the current competitive situation. Our aim is not to present a business plan, but rather to fully assess a firm's competitive environment and/or analyze potential business opportunities for a given firm. You are encouraged to make specific use of tools and readings we have covered in class to strengthen your research and analysis (You should also extend this to additional readings from other classes and further research etc.). You should also consider reviewing relevant data that is available to support your analysis (i.e. macro, industry, etc.). The goal of the final project presentation will be to clearly set up your case and convince the class and business owner/representatives that your analysis and major conclusions are accurate and insightful reflecting on our course content. **Therefore, a key component of this analysis is that your recommendation must reflect considerations that are consistent with the literature.**

**Final Exam (Individual):** The final exam will be a comprehensive exam distributed in D2L during week 10 and due week 11. The Final Exam will include questions related to major lessons learned from the cases, lectures, and readings covered. For the case related questions, students will be given the name of the case prior to the exam. There will be a review sheet made available and a review session posted in D2L.

**Course Schedule\*\* (Please note all assignments are due at 5:45pmCST on the date listed)**

**Week 1: Introduction, The Strategic Framework, Strategic Advantages I (3/30)**

Readings:

Day & Reibstein: Chapter 1: Assessing Competitive Arenas: Who Are Your Competitors? (pp.20-47)

McFillen, J. M., O'Neil, D. A., Balzer, W. K., & Varney, G. H. (2013). Organizational diagnosis: An evidence-based approach. *Journal of Change Management*, 13(2), 223-246.

**Week 2: Strategic Advantages II, Competitive Advantage (4/6)**

***Final Project Company Introduction Interviews (Groups 1-3 @ 5:30pm)***

***Final Project Company Introduction Interviews (Groups 4-6 @ 6:30pm)***

Readings

Day & Reibstein: Chapter 7: Co-evolution: Towards a Third Frame for Analyzing Competitive Decision-Making (pp. 177-197)

**Week 3: Introduction to Innovation, Disruptive Opportunities (4/13)**

***Discussion Leader #1 (4/13)***

Readings:

Day & Reibstein: Chapter 11: Preemptive Strategies (pp. 256-276)

**(Discussion Paper #1)** Ariely, D., & Norton, M. I. (2008). How actions create—not just reveal—preferences. *Trends in cognitive sciences*, 12(1), 13-16.

**Week 4: The Competitive Environment, Business Models I (4/20)**

***Discussion Leader #2 & #3***

Readings:

Chapter 10: Creative Strategies for Responding to Competitive Actions (pp.237-255)

**(Discussion Paper #2)** Gans, J.S., Stern, S. (2002). "The Product Market and the Market for "Ideas": Commercialization Strategies for Technology Entrepreneurs". *Research Policy*. 32(333-350).

**(Discussion Paper #3)** Casadesus-Masanell, Ramon, and Ricart, Joan. "From Strategy to Business Models and onto Tactics." *Long Range Planning* 43 (2010). 195-215.

### **Week 5: Business Models II**

#### ***Case Due: Zynga (A) & (B): (4/27)***

Readings:

Day & Reibstein: Chapter 12: Signaling to Competitors (pp. 277-292)

Casadesus-Masanell, Ramon, and Ricart, Joan. "How to Design a Winning Business Model." *Harvard Business Review* 100, nos. 1-2 (January–February 2011).

### **Week 6: Business Models III & Corporate Strategy**

#### ***Discussion Leader #4 & #5: Due (5/4)***

Readings:

**(Discussion Paper #4)** Rysman, M. (2009). "The Economics of Two-Sided Markets". *Journal of Economic Perspectives*, 23(3), 125-143.

**(Discussion Paper #5)** Markides, Constantinos and Constantinos Charitou (2004), "Competing with Dual Business Models: A Contingency Approach," *Academy of Management Executive*, Vol. 18 (3), 22-36.

### **Week 7: Innovation and Organizational Structure**

#### ***Discussion Leader #6 Due (5/11)***

Readings:

Day & Reibstein: Chapter 9: Understanding Competitive Relationships (pp. 220-232)

**(Discussion Paper #6)** Francis, J., Smith, A. 1995 "Agency Costs and Innovation: Some Empirical Evidence." *Journal of Accounting & Economics* (19): 383-409.

### **Week 8: Implementation Strategies, Strategic Decision-Making (5/18)**

#### ***Case Due: Airbnb***

#### **Final Exam Review Session**

Readings:

Day & Reibstein: Chapter 6: Behavioral Theory and Naïve Strategic Reasoning (pp. 151-176)

## **Week 9: Final Case Projects Due\* (5/27)**

### **Final Project Presentations #1**

**\*All slide decks will be due on 5/27**

## **Week 10: Course Wrap-up (6/1)**

### **Final Project Presentations #2**

### **Final Exam Distributed**

## **Week 11: Final Exam Due (6/8)**

### **Academic Integrity Policy**

As a condition of their enrollment in this course, students are expected to understand and abide by DePaul University's Academic Integrity Policy (AIP) as outlined in [http://offices.depaul.edu/oaa/faculty-resources/teaching/academic-integrity/Documents/AcademicIntegrityPolicy\\_2012.pdf](http://offices.depaul.edu/oaa/faculty-resources/teaching/academic-integrity/Documents/AcademicIntegrityPolicy_2012.pdf) A violation of the AIP will result in sanctions, including a failing grade for the course.

#### **F. Dean of Student's Office**

The Dean of Students Office (DOS) helps students in navigating the university, particularly during difficult situations, such as personal, financial, medical, and/or family crises. DOS assists students with Absence Notifications to faculty, Late Withdrawals, and Community Resource Referrals. They also have resources and programs to support health and wellness, violence prevention, substance abuse and drug prevention, and LGBTQ student services. You may contact DOS at <http://studentaffairs.depaul.edu/dos/>.

#### **G. Center for Students with Disabilities (CSD)**

Students who feel they may need an accommodation based on the impact of a disability should contact me privately to discuss their specific needs. All discussion will remain confidential. To ensure that you receive the most reasonable accommodation based on your needs, contact me as early as possible in the quarter (preferably within the first week or two of the course) and be sure to contact one of the CSD offices for support and additional service. Lincoln Park: Student Center 370, (773)325-1677; Loop: Lewis Center 1420. (312)362-8002.