



## **MGMT 223: BUSINESS STRATEGY**

Spring 2020

---

### **SYLLABUS**

Professor: Anoop Menon  
Phone: 898-6377  
e-mail: [armenon@wharton.upenn.edu](mailto:armenon@wharton.upenn.edu)  
Office: 2025 Steinberg Hall – Dietrich Hall

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 new 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 face of competition. We then move to strategy making in the face of environmental changes. Finally, we briefly touch upon a few other topics that affect competitive strategy.

Early in the course we will form student groups who will work during the semester on the mid-term and final projects. More information will be provided on the first day of class.

Your grade will be composed of the midterm presentation (15%), the final paper draft (8%), final paper presentation (8%), final paper (32%), and class participation (37%). 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, to avoid potential conflicts of interests on teams, you cannot take this class with the Pass/Fail option.

Please note that this syllabus is subject to change with prior announcements.

Also note that overheads will be posted after each class on Canvas.

The TA for this class is Jaeho Choi ([jhchoi@wharton.upenn.edu](mailto:jhchoi@wharton.upenn.edu)). The TA will be mainly responsible for your paper projects.

## **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.

## **Midterm presentation deck (Due 2/18, before class)**

Select a firm whose strategy you would like to analyze. (This should be a different firm from the one you are analyzing for the final paper.) Address the following questions:

- 1) Industry analysis:
  - a. What industry does the firm operate in?
  - b. Conduct an industry analysis (5 Forces + complementors)
  - c. Evaluate the overall industry attractiveness.
- 2) Positioning analysis:
  - a. Describe the strategic positioning of the firm within the industry.
  - b. How does the strategic positioning of the firm address or not address these structural, industry-level features identified earlier?
- 3) Value analysis:
  - a. Identify the market segment for which the firm’s (transactional) competitive advantage is the largest. Describe how you arrived at this conclusion.
  - b. For the segment identified above, address the following:
    - i. Pick a few of the particular activities that have a significant impact on the WTP, and describe how they drive WTP.
    - ii. Pick a few of the particular activities that have a significant impact on the cost, and describe how they drive it.
    - iii. Pick two pairs (4 total) of activities and show that there are complementarities between them.
    - iv. How secure is the firm from the threat of imitation from competitors? And from substitutes?
- 4) What are some challenges that this firm is facing going forward?

Please keep the presentation to 4 slides (plus 1 slide of references and (or) 1-2 slides of appendix exhibits if needed).

## **I. PREVIEWS**

### **1/16 Session 1: Course Logistics, What is Strategy? Five-Force Analysis**

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

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

### **1/21 Session 2: Preview Case**

*Case:* Intel Corporation: 1968-1997, 9-797-137

*Complete Team Sign-Up by 5pm on 1/22 via Canvas*

## **II. VALUE CREATION, APPROPRIATION, AND FIT**

### **1/23 Session 3: 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

### **1/28 Session 4: Value Creation, Value Appropriation**

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

*Group Topic Proposals for Midterm and Final Due at the Beginning of Class 1/28*

### **1/30 Session 5: Positioning, Tradeoffs, Complementarities and Fit**

Porter, Michael E. 1996. "What is Strategy?" *Harvard Business Review* (November-December): 3–20.

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: 179–208.

Skim: Siggelkow, Nicolaj. 2002. "Evolution toward Fit." *Administrative Science Quarterly*, 47: 125-159.

Optional: Collis, David J. and Michael G. Rukstad. 2008. "Can You Say What Your Strategy Is?" *Harvard Business Review*, April, pp. 82-90.

*Please turn in a hardcopy of Lincoln's activity system at the beginning of class – this is an individual assignment*

### **2/4 Session 6: Positioning Applied: Low Cost**

*Case:* Airborne Express (A), 9-798-070

### **2/6 Session 7: Positioning Applied: Differentiator**

*Case:* Tesla Motors, 9-714-413

### **2/11 Session 8: Positioning Applied**

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

## **III. IT'S YOUR TURN – PART I**

### **2/13 Time for Research: No Class**

### **2/18 Session 9: Midterm Presentations**

*The slide decks of all teams due at the beginning of class 2/18*

### **2/20 Session 10: Midterm Presentations**

## **IV. COMPETITION AND STRATEGIC THINKING**

### **2/25 Session 11: Competition 1**

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

### **2/27 Session 12: Competition 2**

*Case:* British Satellite Broadcasting vs. Sky Television: 9-794-031

### **3/3 Session 13: Competition 3**

*Case:* Alibaba's Taobao (A): 9-709-456

### **3/5 Session 14: TBD**

**3/10, 3/12 Spring Break: No Class**

## **V. STRATEGIC CHANGE**

### **3/17 Session 15: Strategic Inflection Points, Increasing Returns**

Grove, Andrew S. 1996. Only the Paranoid Survive. pp. 27–35.

Arthur, Brian W. 1996. “Increasing Returns and the New World of Business.” *Harvard Business Review* (July-August): 101–109.

### **3/19 Session 16: Architectural, Disruptive Change, Change in the Presence of Fit**

Bower, Joseph L., and Clayton Christensen. 1994. “Disruptive Technologies: Catching the Wave.” *Harvard Business Review*, January-February: 43–53.

Henderson, Rebecca M. and Kim B. Clark. 1990. “Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms.” *Administrative Science Quarterly* 35: 9–30.

Siggelkow, Nicolaj. 2001. “Change in the Presence of Fit: The Rise, the Fall, and the Renaissance of Liz Claiborne.” *Academy of Management Journal*, 44, pp. 838-857.

Optional: Sosa, Manuel, Steven D. Eppinger, and Craig M. Rowles. 2007. “Are Your Engineers Talking to One Another When They Should?” *Harvard Business Review*, November, pp. 133-142.

Optional: Christensen, Clayton M. 1997. The Innovator's Dilemma pp. 3–28.

### **3/24 Session 17: Barriers to Change 1**

*Case:* Kodak and the Digital Revolution (A): 9-705-448

### **3/26 Session 18: TBD**

*Final Group Paper Draft Due by 5pm on 3/26*

### **3/31 Session 19: Information Asymmetry and Entry**

*Case: Honda (A): 9-384-049*

### **4/2 Session 20: Barriers to Change 2**

*Case: will be distributed in previous class*

## **VI. TOPICS**

### **4/7 Session 21: Strategy and Cognition**

Gavetti, Giovanni. 2011. "The New Psychology of Strategic Leadership," *Harvard Business Review* (July-August): 118–125.

Menon, Anoop R. 2018. "Bringing Cognition into Strategic Interactions: Strategic Mental Models and Open Questions." *Strategic Management Journal*, 39(1): 168-192.

Optional: Kahneman, Daniel, Dan Lovallo, and Olivier Sibony. 2011. "Before You Make that Big Decision." *Harvard Business Review* (June): 51–60.

### **4/9 Session 22: Strategy, Big Data, Artificial Intelligence**

*Materials will be distributed in previous class*

## **VII. IT'S YOUR TURN – PART II**

**4/14 Time for Research: No Class**

**4/16 Session 23: Final Presentations**

**4/21 Session 24: Final Presentations**

**4/23 Session 25: Final Presentations**

**4/28 Session 26: Wrap-Up**

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

*Final Group Paper Due 5/4 at noon! ☺ E-mail peer evaluation form*