To be effective, business leaders must understand the factors responsible for their firm’s past performance and be able to identify those changes (inside or outside the firm) that are most likely to help or hurt future performance. In this course, we introduce a wide variety of modern strategy frameworks and methodologies in order to help you develop the skills needed to be a successful manager with responsibility for the performance of a firm or business unit within a firm. We use cases and readings to explore a wide range of strategic problems, focusing particularly on the sources of competitive advantage and the interaction between industry structure and organizational capabilities.

This course is distinctive in emphasizing the perspective of the general manager in ensuring the firm’s success. The general manager’s role is unique in that he or she must be attuned to both the external (market) and internal (organizational) forces that shape firm performance. For this reason, general managers must have a deep understanding not only of economic processes outside the firm but also of managerial processes inside the firm. Even the best business plan is no better than the PowerPoint Slides it is presented on unless it is married with appropriate organizational strategies that allow the firm to execute on that plan. With this in mind, this course builds upon and integrates material from core course in Economics (15.722) and Organizational Processes (15.717).

**COURSE OBJECTIVES**
The objectives for the course are as follows:

- Developing and reinforcing a general management perspective
- Understanding the fundamental concepts of competitive strategy: industry analysis, strategy identification and evaluation, the relationship of strategy and organization, competitor analysis, firm and industry evolution, strategic and organizational responses to external changes.
- Integrating knowledge gained in previous and concurrent courses with a focus on understanding what part of that knowledge is most useful to general managers.
- Developing an awareness of the dynamic impact of strategic actions by the firm and its rivals on business and corporate strategy and the industry.
STUDY GROUPS
We ask that you stay in the study groups of three/four students which you already formed in the Fall. You are encouraged to “meet” regularly with your group to discuss each case before class meets, even when you are not writing a case memo (described below). Working in groups will give you a chance to learn from your colleagues. It also provides an opportunity to discuss your ideas in a setting approximating the management teams typically charged with these tasks.

BOOK
Usually, when students ask us “Is there a good strategy textbook you would recommend?”, our answer is no. There are lots of strategy textbooks around, and mostly they are not very good. Some of them are mediocre overall, but have one or two great chapters. Well, our answer to the question needs to be updated. There is indeed a good textbook on the market: “Strategic Management” by Frank T. Rothaermel (3rd edition, from McGraw-Hill).1 It’s an up-to-date overview of the strategy field from someone with no particular agenda (this is very rare!). The Kindle price is reasonable: $41. But let us be clear: we are not requiring its purchase; we are simply recommending it as a long-term reference. It may also be a good way of capturing some topics that we will not have a time to get to in class.

GRADING AND REQUIREMENTS
The class will be graded as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>15%</td>
</tr>
<tr>
<td>360˚ Group Evaluation</td>
<td>5%</td>
</tr>
<tr>
<td>Case Memos</td>
<td>10%+10%+10%</td>
</tr>
<tr>
<td>5 Forces Analysis</td>
<td>20%</td>
</tr>
<tr>
<td>Final Case Analysis</td>
<td>30%</td>
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Class Participation
Woody Allen is often quoted as claiming that “80% of life is just showing up” (the quote may be apocryphal). Attendance is indeed an important part of your class participation grade, but it is not the only thing that matters. The goal of class discussion is to arrive at a collective analysis of the issues presented by the day’s materials. Strategic analysis is not accomplished through the routine application of formulas, but rather through reasoned analysis under conditions of limited information and uncertainty. One of the primary goals of this course is to help you develop the ability both to clarify your own position on a strategic question and to be able to articulate and defend it clearly.

You should be prepared for every class. If for some reason you are not prepared, please let your instructor or TA know before the start of class. This saves us both the embarrassment of our calling on you. We may open the class by asking someone to summarize the readings or cases briefly, or answer a short question. With a reading, you should be able to outline the problem that the article addresses, describe the core points of the reading, and, most importantly, offer your analysis of the strengths and weaknesses of the reading’s central argument. With a case, you should be able to identify the key issues, problems, and opportunities facing the central protagonists, to articulate and evaluate alternative approaches to the problems, and to describe the course of action that you recommend and the reasons for your recommendations.

1 https://www.amazon.com/Strategic-Management-Concepts-Frank-Rothaermel-ebook/dp/B01BXQZ5FY/
Since every student is a co-producer of the class discussion, it is important that every class member listens carefully to one another and attempts to build on or constructively critique prior comments. Try to resist the temptation to jump to topics that are not specifically open for discussion. Some of the specific things that have an impact on effective class participation and on which you will be graded include:

- Is the participant a good listener?
- Are the points made relevant to the discussion? Are they linked to the comments of others and to the themes that the class is exploring together?
- Does the speaker sustain a line of argument or point of view through a significant part of the class session, or is it an isolated comment?
- Do the comments/questions add to our understanding of the situation? Are they incisive? Do they cut to the core of the problem?
- Is there a willingness to challenge the ideas that are being expressed?
- Is there a willingness to test new ideas, or are the comments “safe” (such as repetition of case facts without analysis or conclusions, or of a comment already made by someone)
- Does the participant integrate material from past classes or the readings where appropriate? Do the comments reflect cumulative learning over the course, or does the participant merely consider each case in isolation?

Throughout the class, the TA and instructors will work together to evaluate class participation.

360° Group Evaluation
Each group member will be evaluated by all group members at the end of the quarter. Substantial evidence that group work has been unevenly completed will be penalized.

5-Forces Analysis
We will ask you to perform a five forces analysis of your own industry. This will be due on February 9th (by 11:59pm). Please keep it under four pages.

Case Memos
Each study group will be required to complete three case memos, the first due February 8th, the second due March 15th, the third due April 5th. Study questions will be e-mailed long in advance to guide your efforts, and the memoranda should focus on answering these questions. The work should reflect the thinking of everyone on the team (hint: everyone should be prepared to defend his or her answer in class). Each memorandum should be typed and 1.5-spaced, 12 point font with one-inch margins. A three-page limit applies to the text. You may attach as many numerical calculations or exhibits as you wish.

Final Case Analysis
A final case analysis, to be performed individually, will be due on Monday April 17th (by 11:59pm). The goal of this exercise will be to demonstrate that you have mastered the frameworks we will have covered in class, and possess the ability to deploy them judiciously in an integrative fashion. Group discussion is discouraged. Every student must compose their answer on an individual basis, and hand in the assignment by the due date.
**All Assignments must be submitted on Stellar.**

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Case</th>
<th>Due</th>
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<tbody>
<tr>
<td>Case Memo #1</td>
<td>Enterprise Rent-a-Car (KEL612)</td>
<td>Wednesday, February 8 (11:59PM)</td>
</tr>
<tr>
<td>5-Forces Analysis</td>
<td>Your Own Industry</td>
<td>Thursday, February 9 (11:59PM)</td>
</tr>
<tr>
<td>Case Memo #2</td>
<td>Netflix (HBS #9-607-138)</td>
<td>Wednesday, March 15 (11:59PM)</td>
</tr>
<tr>
<td>Case Memo #3</td>
<td>BSB vs. SKY (HBS #9-794-031)</td>
<td>Wednesday, April 5 (11:59PM)</td>
</tr>
<tr>
<td>Final Case Analysis</td>
<td>TBA</td>
<td>Monday, April 17 (11:59PM)</td>
</tr>
</tbody>
</table>
TEACHING ASSISTANCE AND HELP SESSIONS

The teaching assistants, Caroline Fry and Christopher Leroy, are available to conduct individual or group “help” sessions on an occasional basis for any students who might find them useful. You should also feel free either to approach the teaching assistants or to make an appointment to see your professors if you have any questions regarding the course or the material.

SCHEDULE OF SESSIONS AND READINGS

Week-End 1, January 27-28, 2017
The Competitive Environment

Lecture: Value Creation & Value Capture
Lecture: Industry Structure and the Five Forces Framework
Case: Cola Wars Continue: Coke and Pepsi in 2010 [HBS #9-711-462, on study.net]

Readings:
Porter, Michael. Understanding Industry Structure [HBS # 707493-PDF-ENG, on study.net]

Optional Reading
New York Times Innovation Report, March 24, 2014, selected excerpts: Executive Summary (pp. 1-8); Digital First (pp. 81-82); Discussion (pp. 83-96). [on Stellar]

Week-End 2, February 10-11, 2017
Firm-Level Strategy

Lecture: The Logic of Competitive Advantage
Case: Enterprise Rent-A-Car [KEL612, on study.net]

Reference Reading:
Ghemawat, Pankaj, and Jan W. Rivkin. Creating Competitive Advantage [HBS #9-798-062, on study.net].
Week-End 3, February 24-25, 2017
Putting Competitive Advantage to Work

Team Exercise: For Trader Joe’s, a New York Taste Test [on Stellar]

Week-End 4, March 19-20, 2017
Thinking Clearly About Disruption

Lecture

Case: Netflix [HBS #9-607-138, on study.net]

Readings:


Optional Reading

Bresnahan, Timothy F., Shane Greenstein, and Rebecca M. Henderson. 2012. “Schumpeterian Competition and Diseconomies of Scope: Illustration from the Histories of Microsoft and IBM.” In Josh Lerner and Scott Stern (Eds.), The Rate & Direction of Inventive Activity Revisited, pp. 203-271. Chicago, IL: University of Chicago Press. [on Stellar]

Platform Strategies

Lecture: The Economics of Multi-Sided Platforms

Team Exercise: Dealing with On-line Discrimination at AirBnB

Readings:

Week-End 5, April 7-8, 2017

Game Theory & Strategy
Lecture: The Dynamics of Competition and Entry
Case: British Satellite Broadcasting vs. Sky Television [HBS #9-794-031, on study.net]

Readings:

Changing Strategy & Strategy Implementation
Lecture: Corporate Strategy and the Elusive Quest for Synergies
Case: Lego (A): The Crisis [HBS #9-713-478, on study.net]

Readings: