



MANAGEMENT 654: COMPETITIVE STRATEGY

Fall 2010

Professor Evan Rawley

Phone: 215.746.2047

Email: rawley@wharton.upenn.edu

Webcafe: <http://webcafe.wharton.upenn.edu>

Office: 2203 Steinberg Hall-Dietrich Hall

Office hours: By appointment or drop by

COURSE DESCRIPTION

This course focuses on the competitive strategy of the firm, examining issues central to its long- and short-term competitive position. Students act in the roles of key decision-makers or their advisors and solve problems related to the development or maintenance of the competitive advantage of the firm. The first module of the course develops frameworks that are useful in analyzing industries and competitive dynamics. Next, we focus on competitive advantage and competitive positioning. We then address the economic logic and challenges associated with choices about horizontal and vertical integration.

The goal of the course is to develop an analytic tool kit for understanding strategic issues and to engage in the thought processes essential to incisive strategic analysis. We also expect that you will think critically about the tools, understand their strengths and limitations and evaluate the consequences of their use.

TEXT AND READINGS

The course readings and cases are collected in a course pack available from Wharton Reprographics on Study.net.

COMMUNICATION

The primary means of communication outside of class is the course web page on webCafé. You can reach the webCafé room for the course at <http://webcafe.wharton.upenn.edu>.

GRADING

Your grade will depend both on developing a deep knowledge of the concepts and on applying this knowledge in class discussion, an individual case analysis and the final exam.

Factor	Weight
Participation	30%
Samsung case (individual write-up)	20%
Final exam	50%
Total	100%

CLASS SESSIONS AND PARTICIPATION

Each class will consist of a combination of lecture and discussion of the day's topic. On most days, I will use case analysis to explore the issues at hand. Careful preparation is essential. I expect you to read all of the assigned materials for each session in advance of the class. In class, you should be prepared to analyze the concepts from the case and the readings and to discuss any questions provided in the syllabus. I do cold call.

I expect you to participate actively in class to help your learning and that of your peers. A productive learning environment requires active engagement of all class members. Three factors determine good class participation. First, given thorough and careful preparation, you should be able to identify the important managerial issues related to the case and/or readings. Second, you should be able to use that analysis to define a concise and logical position on the issues. You should be able to show how a particular concept is illustrated in the case or suggest how the substantive problem presented in the case can be solved. Third, you should be able to analyze constructively the positions your classmates take. The underlying condition for class participation is attendance. I expect you to attend all sessions. Note that, according to the MBA office, there is no recruiting reason for which you should miss class. Arriving late is disrespectful to your colleagues and is treated as a distinct event from being present at the start of class. If you cannot come to class, you should notify me by email in advance of the class. Finally, in order to facilitate lively, in-depth discussions and out of respect for each other, there are two simple ground rules regarding mobile devices and laptop computers: 1) please remember to turn off your phone, smart phone, Blackberry and/or other communication devices; and 2) no laptops open during class.

WRITTEN ASSIGNMENT

There is one written assignment required during the term. It is an **individual** assignment of writing up of **the two study questions** associated with the Samsung case on Wednesday November 24th. Your answer should be a **maximum** of 3 pages of text (12 pt. Times Roman font, single spaced, with margins no less than 1 inch). You may attach 1 or 2 exhibits based on your analysis if they directly support the arguments you make. A hard copy of the write-up is to be handed in at the beginning of the class session on the 24th.

Strong assignments will develop a logical argument using course concepts and, to the extent the case allows, validate this argument with quantitative information.

CASES

Cases give life to management theory and case stories facilitate learning. In this course, they give you an opportunity to put yourself in the shoes of managers as they make strategic choices. We have chosen both recent and more classical cases in the course to elucidate particular strategic concepts. Many of the cases focus on a critical moment in time for a company. Therefore, it is not appropriate to do research on what has happened to the company since the time the case was written. As managers, you will never have the luxury of 20/20 hindsight when you need to make strategic choices. The goal of the case preparation and discussion is to hone your own analytical skills using the information at hand.

FINAL EXAM

The final exam has been scheduled for Wednesday December 15th, 3-6 p.m. We will provide you with a short case or set of articles regarding a particular company strategic decision. We will then ask you to analyze the situation **using the concepts from the course** and write-up this analysis. The exam will be closed notes and closed book. We will provide more details about the exam during the course.

ETHICS AND USE OF PRIOR MATERIALS

	Materials							People				
MGMT 654 Competitive Strategy	Approved calculator	Laptop / other electronics	Summary sheet	Readings/ class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
Readings & Cases	A	A		A				W	W	W		
Individual Write-up	A	A		A								
Final Exam Prep	A	A		A				W	W	W		
Final Exam	A											
	A = Allowed material Blank Cell = Not allowed							W = Allowed to work together Blank Cell = Not allowed				
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others. Should you have questions, please contact your ethics liaison or professor.												

COURSE OUTLINE

INTRODUCTION

Class 1: Introduction and course overview (Mon 11/1)

INDUSTRY ANALYSIS AND COMPETITIVE DYNAMICS

Class 2: Introduction to Positioning (Wed 11/3)

- Reading: M. Porter, “The Five Competitive Forces that Shape Strategy,” *Harvard Business Review*, January, 2008.
- Case: **Cola Wars Continue: Coke and Pepsi in 2006**
 1. Use the 5-Forces framework to explain why the soft drink concentrate industry has been so profitable.
 2. Why is the soft drink concentrate industry dominated by two firms? Where can firms in the industry achieve scale economies?
 3. Briefly describe how the industry structure has changed in the 1990’s to the present. Can Coke and Pepsi sustain their profits in the U.S. in the wake of the growing popularity of non-carbonated drinks?

Class 3: Complements and the Ecology of Competition (Mon 11/8)

- Reading: A. Brandenburger and B. Nalebuff. Chapter 2, “Co-opetition”, *Co-opetition* Doubleday: New York, NY.
- Case: **Apple vs. Google**
 1. What is Apple’s business model and who are the key players in its value net? What is Google’s business model and who are the key players in its value net? What are the similarities and differences?
 2. Where should we expect cooperation and where should we expect competition between Apple and Google?
 3. How would Google’s and Apple’s recent strategic moves affect industry structure and profitability?
 4. What would be your recommendation to Steve Jobs and Eric Schmidt in order to seize the full value of the strategic opportunity in the mobile market?

Class 4: Strategic interaction (Wed 11/10)

- Reading: B. Greenwald and J. Kahn. “Games companies play: A structured approach to competitive strategy. Part II: Entry/preemption games” in B. Greenwald and J. Kahn (2005) *Competition Demystified*.
- Case: **Ryanair: Dogfight over Europe: Ryanair (A)**
 1. What is your assessment of Ryanair’s launch strategy?
 2. How do you expect Aer Lingus and British Airways (BA) to respond? Why? (Think about what each brings to the party.)
 3. Draw the extensive form of the game between Ryanair and the two incumbents. What are the different payoffs to Aer Lingus/BA (treat them collectively as one actor) for different strategic actions? Said differently, how costly would it be for Aer Lingus/BA to retaliate against Ryanair’s launch rather than accommodate it? (It will help to develop, using assumptions where needed, a view on the cost structures of Ryanair vs. Aer Lingus/BA.)

COMPETITIVE POSITIONING AND COMPETITIVE ADVANTAGE

Class 5: Introduction to Positioning (Mon 11/15)

- Reading: P. Ghemawat, “Creating Competitive Advantage,” Chapter 3 in *Strategy and the Business*
- Case: **Ice-Fili**
 1. Examine the detriments of the profitability of the ice cream manufacturing industry in Russia in 2002? What are the key trends influencing the structural drivers of profitability in the industry?
 2. Analyze Ice-Fili's competitive position in the Russian ice cream industry. Does Ice-Fili have a competitive advantage? If yes, is the competitive advantage sustainable? What changes would you recommend to Ice-Fili’s business strategy going forward?

Class 6: Activity Systems and Positioning (Wed 11/17)

- Reading: M. Porter. “What is Strategy?” *Harvard Business Review*, November-December 1996
- Case: **Revitalizing Dell**
 1. What are some of the key choices Dell made in how it competed to distinguish it from its primary competitors in the 1990’s?
 2. Prior to the recent efforts by competitors to match Dell (circa 1997), how big was Dell’s competitive advantage? See if you can use the numbers in the case and reasonable estimates to quantify the advantage on a per-PC basis. How has Dell used this advantage in the market? (Think about the customer willingness to pay.)
 3. Why was it hard for competitors to respond to the challenge posed by Dell’s competitive advantage in the 1990’s?
 4. How can you explain Dell challenges in recent years?

Class 7: Resources and Firm Capabilities (Mon 11/22)

- Case: **Nucor at the Crossroads**
 1. Why has Nucor performed so well in the past?
 2. How attractive do the economics of thin-slab casting look? Is thin-slab casting likely to afford Nucor a sustainable competitive advantage in flat-rolled products?
 3. How should Nucor think about the uncertainties surrounding thin-slab casting? What should Nucor's managers do?
 4. As a consultant to Iverson, would you recommend entering the flat-rolled sheet market with the new CSP technology?

Class 8: Positioning and Competitive Advantage (Wed 11/24)

- Case: **Samsung**
 1. What are the sources of Samsung's competitive advantage? Validate your arguments regarding competitive advantage with evidence from the case.
 2. What recommendation would you make to Chairman Lee regarding Samsung's response to the threat of large-scale Chinese entry?

CORPORATE STRATEGY

Class 9: Bridging Business Unit Strategy and Corporate Strategy (Mon 11/29)

- Case **Sunrise Medical**
 1. How do Quickie's and Guardian's strategies in wheelchairs compare? Does either have a competitive advantage in wheelchairs and, if so, is it sustainable?
 2. Should Chandler allow Guardian to introduce a lightweight standard wheelchair? Consider the pros and cons of Quickie participating in this effort.

Class 10: Corporate Strategy (Wed 12/1)

- Reading: P. Ghemawat, "Choosing Corporate Scope," Chapter 6, *Strategy and the Business Landscape*.

Class 11: The scope of the firm (Mon 12/6)

- Case: **The Boundaries of the Magic Kingdom**
 1. Think about Disney's choices about horizontal and vertical integration. Analyze the linkages among Disney's business units: a) To what extent are the business units leveraging common resources? b) Are the linkages among the business units of the type that could not be coordinated using contracts among independent firms? Does the answer to these questions play out differently among different parts of their operations?
 2. Consider Disney's acquisition of the ABC television network (ABC/Capital Cities). From the perspective of the time of the acquisition, do you see an economic logic for the acquisition? Is the logic one of scope economies or vertical integration? To what extent does the logic of vertical integration play out differently in the context of broadcast television versus cable properties (such as ESPN)? Given what we know today, how does your opinion about the value of the acquisition change?

Class 12: Wrap up and conclusions (Wed 12/8)