



MANAGEMENT 654: COMPETITIVE STRATEGY
Fall 2011

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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.

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%
Team Positioning exercise	15%
Individual write-up	20%
Final exam	35%
Total	100%

CLASS SESSIONS AND PARTICIPATION

Classes will consist of a mixture of lecture and case discussion. 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 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 or other communication devices; and 2) no laptops open during class.

WRITE-UPS

There are two written assignments during the term. One is a team exercise due by 8pm on Tuesday November 8th. See the class description for class session 4 for more details. There is an individual write-up due at the beginning of class on Wednesday November 23rd (please bring a hard-copy to class that day). This write-up should address the two questions indicated in the syllabus. 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. Strong assignments will develop a logical argument using course concepts and, to the extent the case allows, validate this argument with quantitative information.

FINAL EXAM

The final exam has been scheduled for Tuesday December 20th, 3-5 p.m. We will provide you with a short case or set of articles regarding a particular company's strategic decision. We will then ask you to analyze the situation **using the concepts from the course**. 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 10/31)

INDUSTRY ANALYSIS AND COMPETITIVE DYNAMICS

Class 2: Structural analysis of industry (Wed 11/2)

- 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? What are the bases for scale economies in this industry?
 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 11/7)

- Reading: Gawer and Cusumano "How Companies Become Platform Leaders", *Sloan Management Review*, Winter 2008
- Case: Smart Phones (items #4 to #7)
 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. How would Google's and Apple's recent strategic moves affect industry structure and profitability?
 3. Explain the predicament that Nokia faces and analyze it's recent decision to partner with Microsoft.

COMPETITIVE POSITIONING AND COMPETITIVE ADVANTAGE

Class 4: Introduction to Competitive Positioning (Wed 11/9)

- Reading: P. Ghemawat, "Creating Competitive Advantage," Chapter 3 in *Strategy and the Business Landscape*.
M. Porter, "Structural Analysis within Industry" in *Competitive Strategy*.
M. Porter. "What is Strategy?" *Harvard Business Review*, November-December 1996

- Case Create your own

In your learning teams, select two firms competing in the same industry with qualitatively different strategies (however, do not use the Personal Computer industry or the Pharmaceutical industry as an example context). As a team, prepare 2-3 slides by 8pm Tuesday November 8th and place a copy in your team's folder in Canvas). These slides should (a) illustrate the value chain for the two firms and highlight the distinctive choices between the two firms and (b) provide a strategic group map for the industry [not just these two focal firms].

Class 5: Positioning Analysis (Mon 11/14)

- Case: Edward Jones
 1. What are some of the distinctive choices Edward Jones has made in its competitive position?
 2. Have recent changes in the competitive environment made those choices more or less viable?

Class 6: Activity Systems and Positioning (Wed 11/16)

- 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?
 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 11/21)

- Reading: C. Montgomery and D. Collis, Chapter 2 "Resources and Rents" in *Corporate Strategy: Resources and the Scope of the Firm*. Irwin: New York, NY.
- 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?

Class 8: Bridging Business Unit Strategy and Corporate Strategy (Wed 11/23)

- 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 9: The Logic of Firm Boundaries (Mon 11/28)

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

Class 10: The Diversified Firm (Wed 11/30)

- Case: The Boundaries of the Magic Kingdom
 1. 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 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? To what extent does the logic of vertical integration play out differently in the context of broadcast television versus cable properties?

Class 11: Corporate Development (Mon 12/5)

- Case: Emerging Business Opportunities at IBM
 1. Why do large companies like IBM find it so difficult to create new businesses? What are the primary barriers to success?
 2. What is your evaluation of the "horizons of growth" model? What are the distinguishing features of emerging H3 businesses?
 3. How did the EBO management system evolve over time? What are the key elements of the current EBO management system? What is your evaluation of this system?
 4. Any action recommendations for Harreld with respect to those businesses now reaching H2 status, the number of EBOs, or other issues?

Class 12: Wrap up and conclusions (Wed 12/7)

Read in advance of class: "Tennessee Producer Tries New Tactic in Sofas: Speed" WSJ. Posted on Canvas.