Advanced Strategy Analysis  
New York University, Stern School of Business  
Spring, 2011  
B65.3328

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TF Office Hours: TBD  
Classroom Location: TBD

Introduction
This course is designed as an advanced elective in strategy and will also draw on experiences throughout your MBA career in finance, marketing, operations, and accounting. The course is framed around the idea of strategic decision-making and will examine the types of significant strategic decisions that top management teams make across a variety of companies. Key objectives for the class include:

- An overview of the types of key strategic decisions that top management teams make and how (based on research in a variety of disciplines) to make those decisions “correctly.” Types of decisions covered include market entry, new products, scope of the firm, and coping with failure.
- An introduction to the process view of strategic decision-making that includes thinking about how decisions actually get made (irrespective of the “correct” approach above).
- Guidance and practice in how to do good research for strategic decision-making, including different approaches to strategic thinking, research tools, and making recommendations.

Broadly speaking, the decisions we will look at fall into three categories – decisions about the boundaries of the firm, decisions about strategic investments, and decisions about the sustainability of competitive advantage over time. You will be asked as a group to take on the role of a cross-functional top management team, both in your approach to the cases that form the backbone of the in-class experience and in the group project that comprises the primary out-of-class deliverable. In the process you will get the chance to delve more deeply into some core strategy concepts that you may have touched on only briefly as well as learn some new strategy and management concepts.

Who Should Take This Course?
This course is aimed at a broad audience, as it is designed as a capstone course for the entire MBA program approached from a strategic decision-making perspective. The most obvious application would be for those interested in strategic consulting opportunities, either for a consulting firm or as an internal consultant for a large firm. Based on my personal experiences, I have designed this class as something of a “Strategy Consulting 101” course, where you will be asked to assess the types of decisions with the types of analysis that strategy consultants would employ. Another obvious application would be for those interested in financial research careers, assessing the rationales behind the key strategic decisions that firms make and how likely they are to be successful. We will rely on the analysis of people in those positions in understanding some decisions, and we will work on learning how to do good research on the decisions of firms based on publicly available information. Finally, as this course provides insight into the strategic decision-making process of the entire top management team, it is helpful for all students with aspirations of taking on general or functional management roles, either in small entrepreneurial settings or in large, established firms.
This Course in Relation to Other Classes at NYU Stern

This course has been designed as a capstone course, in theory taken near the end of a student’s MBA experience. While there are no prerequisites (other than core strategy), there are a number of other courses that may be potentially beneficial to have taken before taking this class. These include courses in finance (covering NPV and other project-level analysis, and financial mechanisms of corporate control), accounting (covering the rigorous analysis of financial statements), marketing (covering brand development, market planning, and competitive positioning), operations (covering statistical analysis, decision-making processes, and firm-level operations management), and management (covering organizational growth, strategy implementation, team dynamics, and leadership). Obviously no single student is expected to have taken all of these classes, but your cross-functional team should possess most or all of this knowledge.

This course is designed to complement other related classes instead of substituting for them. For example, Competitive Strategy in the Marketplace (B70.2361) takes a competitive approach to strategy, while this class investigates the internal functioning of the firm and non-competitive relationships. Additionally, Game Theory & Business Strategy (B65.3323) provides theoretical tools of game theory that can be applied in many of the hands-on cases, exercises, and projects in this class.

Groups and Group Work

This class is designed to be 100% group-driven. All assignments either can be completed in groups (homework and case preparation) or are required to be completed in groups (in-class exercises, group project activities). Participation will be graded on an individual basis, but preparation for class in groups is absolutely allowable. Students will form groups at the beginning of the semester and will keep those groups for all assignments throughout the semester. Target group size is six students.

The groups in this class are meant to mimic top management teams. Therefore, it is strongly advised that each group have at least one person with significant operations/statistics skills (a COO), finance and financial statement skills (a CFO), marketing and customer-focused skills (a CMO), and strategic and leadership skills (a CEO). The CEO is not necessarily “in charge” of the group, as all decisions should be made collectively. Groups will get the most out of the experience of this class if they attempt to “role play” to their skills as best they can, approaching each case and the group project from the perspective of their chosen role. This will give you the experience of working with others in a cross-functional team to accomplish significant organization-level goals.

It is expected that, over the course of the semester, all group members will contribute equally. That does not necessarily mean that every group member must contribute equally on every aspect of the class, though it may. For example, finance-oriented students may take the lead on all NPV and/or ratio analysis elements of the class and play a secondary role on other parts of the coursework. I leave it up to each group to decide how to allocate resources throughout the semester. The one requirement is that all group members be involved at least to some extent in each of the four graded parts of the group project, meaning that the project cannot be written completely by 1-2 group members. All group members are not required to present the project in class, but all should be involved in the discussion and creation of the presentation. My hope is that all groups can solve group process-related issues on their own (as part of the learning experience), but I encourage students to contact me if they have significant concerns about group process. I reserve the right to allow group members to evaluate the contribution of others in the group if necessary.
Learning and Evaluation Components

The grading for this course is built around two primary components – the in-class, case-based experience and the group project. The specific grading breakdown is as follows:

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<thead>
<tr>
<th>Component</th>
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<tr>
<td>Class Participation</td>
<td>30%</td>
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<tr>
<td>Homework &amp; In-Class Exercises</td>
<td>10%</td>
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<tr>
<td>Draft Group Project (Session 8)</td>
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<td>Peer Project Feedback (Session 9)</td>
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<tr>
<td>Project Presentation (Session 11)</td>
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<td>Final Project (post-Session 12)</td>
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<td><strong>TOTAL</strong></td>
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Class Participation (30%): The class discussions will be case-based with 1-2 cases or activities per class session. I will keep track of your class participation on a class-by-class basis. Overall, your participation will be graded on your willingness to contribute in a positive way to the classroom discussion (the baseline expectation) and on your ability to offer well-developed and advanced insights that help move the discussion forward. Grading will weighted more towards quality versus quantity of contributions. There will be opportunities for online discussions via Blackboard that supplement in-class discussion.

Homework & In-Class Exercises (10%): Nearly every class session will feature either a small homework or in-class assignment that will be collected for evaluation. In each case, evaluation will be based on having completed the assignment on time and having made a significant effort to do a good job, not on the “correctness” of the answer (these aren’t necessarily meant to be easy). More information will be provided in class.

Group Project (60% total): The centerpiece of the class will be a semester-long group project. The broad scope of the assignment will be to choose a single company (ideally publicly-traded and either single-business or relatively narrow in scope) and follow its history over a long period of time. The analysis will center on the choice of two or three key strategic decisions that the firm made through this history. For each decision, the group will assess the context of the decision, the rationale behind the decision and how the decision was intended to create value, how the firm did or did not support the plan to create value, whether that plan was a realistic way to create value, and what the long-term outcome of the decision was. Students should use financial statement analysis, NPV estimates, regression analysis, and strategy and marketing analysis to complete the project. Additional details will be provided in class.

There are four parts of the group project assignment. First, groups will turn in a rough draft of their project before Session 8. This draft will be graded (with expectations befitting an early draft) and feedback provided, and this draft will count for 10% of the grade. Second, in addition to turning its project in to the instructor, each group will also turn their project in to one other group, who will be responsible for reading the project and providing written feedback that the writing group can use to improve their draft. I will grade the feedback given by each group for its quality, completeness, and the degree to which it is effective and constructive for 10% of the overall grade. To be clear, you will not be graded based on the feedback that you receive, but on the feedback that you give. This feedback will be due one week after the draft is turned in – before Session 9. Third, each group will have the opportunity to present their project to the class in Session 11. This presentation will count for 20% of the final grade. Fourth, the written project will be due to me before midnight on Sunday, May 8, 2011, and will count for 20% of the grade.
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 (or their NPV analysis or anything else of the kind), 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. I expect to be able to tell exactly when you are claiming an idea or analysis to be your own and when it has been borrowed.

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.

Other Course Policies

Course Materials: All materials listed in the course schedule are required for class. In order to find all of the materials, please follow these instructions:

• Go to the NYU Professional Bookstore online (link below) and search for my digital coursepack (ISBN: TBD, or put my last name in the title field). You will need to purchase the coursepack here, as this will provide a link to xanEdu that you will need for most cases and some readings.
  https://www.bookstores.nyu.edu/WKSCRIPTS3/wkf?BEGIN.ORDER.PROCESS

• Log onto Blackboard to access the remainder of the readings and additional case materials. In addition, I will post slides for each class before class, but probably not much more than a day in advance (just-in-time production). Pre-class slides will be “censored” with full versions available after each class session.

Attendance: Attendance, preparation, and participation are essential in this class. Missing any class time will significantly harm your ability to learn the material and will have an impact on your grade (through missed participation opportunities as well as any missed assignments). If you miss all or part of any single three-hour session I will assume that your absence is legitimate. Missing more than two class sessions (regardless of the reason) is not acceptable and will have a significant impact on your overall grade.

Laptops: I do not allow students to use laptops during class time, though you are welcome to bring laptops to class. Because there is no test of “case facts,” taking detailed notes on case details will not be helpful (though you may wish to sketch out the process that we go through in each conversation). Instead, what you will need to be successful in the class will be process knowledge – your ability to correctly apply frameworks and analyses we discuss in class. My experience is that the best way to learn this process is to engage in it actively during in-class case discussions. I will provide you with all slides that I show. Laptops, even when used to take notes, constitute a distraction to other students that outweighs any potential benefits.

Cold Calling: Although not the only means by which I will run class discussions, I reserve the right to cold call students during case discussions. Therefore, students should be prepared to be cold called at any

1 For the sake of disclosure, this note has been borrowed from Professor Nicolaj Siggelkow at Wharton.
time during class. Cold calling is designed to move discussion along and give all students in class a chance to participate, not to intimidate or create a hostile environment. If you are unprepared for any section and let me know before class (via email or when you arrive in the classroom) I will not cold call you during that session.

**In-Class Seating:** To help me keep track of class participation, I ask that students pick seats in Session 1 and remain in roughly the same space for the entire class. If any student has a significant reason why they need to move seats during the semester, they should talk with me directly before doing so.
Course Schedule

Session 0:  
2/1/2011 (Full-time)  
Also: Path dependence and decision-making  
Optional (Part-time)  
Case: Delta Airlines: The Low-Cost Carrier Threat (in electronic coursepack)  

Case Questions:  
1) During the 1990s none of the five largest air carriers in the US earned its cost of capital. Why do such low rates of return on investment persist in the airline industry?  
2) Despite the challenging industry environment, airlines like Southwest and JetBlue earn enviable returns. How?  
3) Why have all of the low-cost subsidiaries of legacy airlines, including Delta Express, failed?  
4) What are the strategic options available to Delta Airlines?

Session 1:  
2/8/2011  
Also: Decision-making processes in firms  
Case: Levi’s “Personal Pair” (in electronic coursepack)  
Read: Siggelkow, “Evolution Towards Fit” (Administrative Science Quarterly)  
Yoffie & Kwak, “Mastering Balance: How to Beat a Stronger Opponent” (California Management Review)  
Eisenhardt et. al. “Conflict and Strategic Choice: How Top Management Teams Disagree” (California Management Review)

Case Questions:  
1) What is the potential strategic significance of the Personal Pair proposal? How might it position Levi Strauss relative to its chief rivals?  
2) Run the numbers in the case to analyze the profitability and investment per pair of jeans under the proposed program.  
3) What is the source of these numbers? Are there any assumptions that you think unreasonable?  
4) Would this program create a sustainable competitive advantage? Why or why not?  
5) If the program were to run afoul of predictions, how and why would you expect problems?
Session 2:

Topic: How should post-merger integration be handled?

Also: Approaches to strategic thinking and analysis

Case: *Lycos: The Tripod Decision* (in electronic coursepack)

Read: Siggelkow, “Change in the Presence of Fit: The Rise, the Fall, and the Renaissance of Liz Claiborne” (Academy of Management Journal)

Liedtka, “Using Hypothesis-Driven Thinking in Strategy Consulting” (Darden Publishing)

Martin, “Design Thinking: How Thinking Like a Designer Can Create Sustainable Competitive Advantage” (Harvard Business Publishing)

Case Questions:

1) In late 1997, Bob Davis, CEO of Lycos, is “not overly thrilled with the competitive landscape” (p.3 of the case). Why is Davis worried? How did Lycos get into this tough spot?
2) Was acquiring Tripod the right way to improve Lycos’ competitive position?
3) Now that Tripod has been acquired, what are the internally consistent options for integrating it into Lycos?
4) Which integration option do you support? Why?

PAPER TOPIC PROPOSALS DUE BEFORE SESSION 3

Session 3:

Topic: Should the firm vertically integrate?

Also: Doing primary & secondary research

Case: *Arauco: Forward Integration or Horizontal Expansion?* (in electronic coursepack)

Read: Stuckey & White, “When and When Not To Vertically Integrate” (Sloan Management Review)

Palich et. al., “Curvilinearity in the Diversification-Performance Linkage: An Examination of Over Three Decades of Research” (Strategic Management Journal)

Case Questions:

1) Should Arauco build the Nueva Aldea project?
2) What are the sources of Arauco’s competitive advantage?
3) Should Arauco own both forests and pulp production facilities? Does the Alto Parana project help you answer this question?
Session 4:  Topic: How should the firm relate to others in its value network?
*WINTEL Simulation* (done in class)  

Case Questions: 1) Nintendo successfully recreated the home video game business following the Atari-era boom and bust. How did it do so?  
2) How was Nintendo able to capture value from the home video game business?

Session 5:  Topic: How can the firm ally – both internally and externally – to create value?  
*Micro-Design Exercise* (on Blackboard)  
Read:  *Hansen & Nohria, “How to Build Collaborative Advantage”* (Sloan Management Review)  
*Campbell & Reuer, “International Alliance Negotiations: Legal Issues for General Managers”* (Business Horizons)

Case Questions: 1) Complete your personal worksheet for Micro-Design.  
2) For Hero-Honda, why did each party enter into the strategic alliance?  
3) Were the parties’ objectives compatible?  
4) From Hero’s perspective, should the alliance have been managed differently?  
5) What challenges does Hero face going forward?
Session 6: Topic: How valuable is a strategic asset to the firm?  
3/22/2011  
Case: *A-Rod: Signing the Best Player in Baseball* (in electronic coursepack)  
Read: Barney, “Strategic Factor Markets” (Management Science)  
*Sunstein & Thaler, “Who’s On First?”* (The New Republic)  

Case Questions:  
1) What is the pre-tax present value of the incremental costs of signing Alex Rodriguez?  
2) How many extra tickets do you expect the Rangers to sell each year if they sign Rodriguez? What is the pre-tax present value of those additional spectators?  
3) What is the change in the probability of the Rangers participating in the American League Championship Series and the World Series? What are the expected pre-tax cash flows and the associated pre-tax present value?  
4) Will the signing of Alex Rodriguez increase the potential sales price of the Rangers? If so, what is the pre-tax present value? Assume that the Rangers would be sold in ten years, right after the expiration of Alex Rodriguez’s contract.  
5) Should the Rangers sign Alex Rodriguez? If you find that the pre-tax present value of the incremental costs exceeds the pre-tax present value of the incremental benefits, how much would ticket prices have to increase for the Rangers to break even?  

Session 7: Topic: How should the firm enter a new product market?  
3/29/2011  
Case: *Philips’ Compact Disc Introduction* (in electronic coursepack)  
Read: Dixit & Nalebuff, “Anticipating your Rival’s Response” (book chapter)  

Case Questions:  
1) Was it a mistake for Philips to engage Sony in a joint venture to establish an industry standard in compact discs? What are the tradeoffs to standardization?  
2) How does the relative attractiveness of waiting to build a plant and of preempting vary across the scenarios? Should Philips establish a US plant immediately or wait one year before deciding?  

**PAPER DRAFT DUE TO INSTRUCTOR AND REVIEW GROUP BEFORE SESSION 8**
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Session 8:  
4/5/2011  
Topic: Should the firm invest in a new product?  
Case: *Airbus A3XX: Developing the World’s Largest Commercial Jet* (in electronic coursepack)  
*Ghemawat & del Sol, “Commitment versus Flexibility?”* (California Management Review)  

Case Questions:  
1) How should Airbus cope with the uncertainty of this decision? What are the pros and cons of alternative choices?  
2) What is Boeing’s likely response, and how does that affect Airbus’ choice?  
3) How many planes must be sold per year to break even? Is that realistic?

PEER PROJECT FEEDBACK DUE BEFORE SESSION 9

Session 9:  
4/12/2011  
Topic: How can the firm turn around its poor performance?  
Also: Sustaining high performance  
Case: *TBD – Ripped from the Headlines!*  

Case Questions: TBD

Session 10:  
4/19/2011  
Topic: How should the firm respond to crises?  
Case: *Merck: Managing Vioxx* (in electronic coursepack)  

Case Questions:  
1) Calculate the value of Vioxx over its remaining patent life.  
2) How would you evaluate Merck’s efforts to validate the efficacy and safety of Vioxx?

Session 11: IN-CLASS PRESENTATIONS OF GROUP PROJECTS  
4/26/2011
Session 12:  Topic:  Why do firms sometimes struggle to succeed?
5/3/2011  Also:  Two-sided and platform markets
Case:  Microsoft’s Search (in electronic coursepack)

Case Questions:
1)  How has Microsoft responded to competitive threats and opportunities in the past? What patterns do you see? What is your assessment?
2)  How large is Microsoft’s competitive disadvantage in Internet search and search-related advertising in 2008? If the industry remains on its current trajectory, how will Microsoft’s disadvantage evolve over time?
3)  Why is Microsoft pursuing the market for search and search-related advertising?
4)  What integrated strategic option should Microsoft’s executives – especially Satya Nadella, Jay Giroto, and Gary Flake – pursue?

FINAL PROJECT DUE BY MIDNIGHT ON SUNDAY MAY 8, 2011