Strategy I

Summer Intensive, 2011

Professor Christina Fang

B01.2103.U2: Alternate Schedule; TBA

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Office Hours: By appointment.

COURSE OVERVIEW

This course is motivated by a simple question with a set of complicated answers: “What allows certain firms to earn positive economic profits while others deliver negative returns?” To answer this question, we will investigate three potential answers:

- Variance in profitability is tied to the external environment – industry structure and the structural niches occupied by the firms in that industry
- Variance in profitability is tied to the internal functions of the firm – the choices made to support the strategy and the firm’s ability to accumulate and utilize resources
- Variance in profitability is tied to superior managerial decision-making

It is important to recognize upfront that neither strategic analysis nor this course can be as perfectly organized as the outline suggests. This is not accounting or statistics which begin with core, universally accepted principles and then build to harder problems and applications. Instead, business strategy is complicated and messy throughout, and we will be learning a set of new tools and concepts to answer questions that arise throughout the class:

- Five Forces Analysis – how external forces affects a firm’s profitability.
- Value Chain Analysis – how internal activities of the firm affects a firm’s profitability.
- Resource Based View of the Firm – what resources are valuable to a firm.
- Managerial Decision Making – what decision traps managers should avoid.
COURSE ORGANIZATION

Our course consists of three different components:

Readings: There is no single text assigned to this course. Instead, a mix of classic and more modern readings in the area of strategy have been selected to provide the background and frameworks for our case discussions. I will not be lecturing to the readings, but they will be important for conducting our case discussions. Therefore, unless you tell me otherwise (by asking questions), I will assume that you have read the assigned readings, understand the basic concepts in the readings, and can relate them to the cases.

In addition, we will also read selected chapters from two popular books:


In both cases, it is more economical to purchase the paper back versions directly from Amazon or Barnes and Noble, rather than to pay for copyright clearance for selected chapters. I recommend that you get both books since they are easy to read and highly entertaining.

Cases: This is a case-based class, and the centerpiece of all of our activities in this class will be our case discussions. We will use cases extensively in this class to illustrate how to apply conceptual frameworks and arguments to actual business situations. For a case discussion to be a valuable learning experience, it is essential that you come prepared to discuss the cases and readings assigned for that class. In addition, the case discussion questions serve as the focus of class discussion. In preparing for the case discussion, I ask that you deal with the cases as you find them; do not seek outside or post-case data on the firm or industry. Of course, if you already have such information from previous experience, this can be very useful in case discussion. Please let me know about it in advance, and I will make a point to call on you at the appropriate time. Seeking material from students who have taken the course before is a violation of the honor code.

All cases are part of your digital coursepack. I ask that all students print the cases and bring them to class.

Mini Lectures: Mini-lectures before and after class discussions will set the stage or summarize course concepts. This will include some key takeaways from case discussions, when and how to use various frameworks, and suggestions of common mistakes with course frameworks. All slides for these mini-lectures will be available on Blackboard.
COURSE GRADING

This course uses a variant of contract grading, where your final grade is determined (in part) on whether you choose to complete an optional final exam. Thus, there are two basic parts of the grade – a “base grade,” derived from your performance on the required elements of the class, and an optional or “extra credit” portion that is the take-home final exam.

The “base grade” ranges from a B+ (at the highest) down to a B- or lower as necessary. The breakdown for this grade is as follows (descriptions of different levels of performance on each of these elements are included on the following page):

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class participation (in class and online)</td>
<td>20%</td>
</tr>
<tr>
<td>Group Exercises (in class)</td>
<td>10%</td>
</tr>
<tr>
<td>Group Mini-Project (in class)</td>
<td>20%</td>
</tr>
<tr>
<td>Quizzes (two, both in class)</td>
<td>50%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

This breakdown is for the “base grade” only, which ranges up to a B+. In addition, there is a take-home final exam that students may choose to take. This optional final can raise your final grade by as much as two grades – so, from a B+ to an A, or a B- to a B+. Please note that, in contract grading, the decision of whether or not to complete the final exam should be based on your final grade preferences and expectations, not on your performance in the other elements of the class. All students on track for something lower than a B- will be contacted by me before the final class.

In addition to in-class discussion, there will be opportunities for discussion on the Blackboard page for this class (extending and continuing in-class discussions), and those postings represent additional opportunities for graded class participation (though these are not a viable substitute for in-class participation, just a supplement). Generally, these online conversations will be topics that we did not get the opportunity to discuss in enough detail during class time that we will continue to address during the time between classes.

The quizzes will cover the application of course concepts to new “case” situations, and will not directly test your knowledge of the cases covered in class. However, the quizzes will be smaller versions of the case discussions in class, so these represent good practice for the quizzes.

Overall, I will follow the school’s guidelines for core courses: no more than 30%-35% of enrolled students will receive an A or A-. To some extent, students will self-select based on their choice to complete the final exam. Keep in mind that pursuing an “A” (by turning in the take-home final exam) does not guarantee you of a higher grade.

PLEASE NOTE: Due to the compressed nature of this class, there will be no opportunities for a makeup of a missed element or for extra credit (beyond the final exam).

For those who choose to complete a take home final, the exam will be distributed electronically immediately after our final class will be due 1 week later by 9pm. The final will be based on a real life case and will be similar to our two in class quizzes and exercises.
## GRADING RUBRICS

<table>
<thead>
<tr>
<th>Participation</th>
<th>Quizzes</th>
<th>Group Project</th>
<th>Exercises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent (B+)</td>
<td>Shows adequate understanding of course concepts, can apply them with no mistakes, and draws insightful conclusions based on analysis</td>
<td>Addresses the questions asked and presents relevant, exceptional and generalizable conclusions drawn from the analysis</td>
<td>All completed adequately</td>
</tr>
<tr>
<td>Acceptable (B)</td>
<td>Shows basic understanding of course concepts, can apply them adequately and draws basic conclusions</td>
<td>Addresses the questions asked and presents some basic conclusions drawn from the analysis</td>
<td>All completed adequately</td>
</tr>
<tr>
<td>Needs Improvement (B-)</td>
<td>Understands basic concepts but makes some mistakes applying them to facts; conclusions are too observational</td>
<td>Understands basic concepts but makes some mistakes applying them to facts; conclusions are too observational</td>
<td>All completed adequately</td>
</tr>
<tr>
<td>Unacceptable (C or lower)</td>
<td>Unable to show understanding of frameworks and analysis techniques</td>
<td>Unable to show understanding of frameworks and analysis techniques</td>
<td>Inadequate or missing</td>
</tr>
</tbody>
</table>
COURSE POLICIES

Attendance: Attendance, preparation, and participation are essential in this class, as in any class based on the case method. Missing any class time will significantly harm your ability to learn the material, and will have an impact on your grade. If you miss all or part of one three-hour session I will assume that your absence is legitimate. Missing two or more of the six sessions is not generally acceptable in a class this short and will have a significant impact on your overall grade.

Everyone is expected to participate actively in class discussions and the class Blackboard discussion board. Some of you may feel more comfortable with in-class comments, some of you may feel more comfortable with discussion board contributions. However, everyone should participate in the course conversation in one (or both) of these two venues. We will depend on everyone's active involvement to make the class successful. Comments, questions, and case insights are all valuable and desired. If you need to miss class, please email me ahead of time.

Laptops, cell phones and smart phones: I do not allow students to use laptops during class time (except during Meetings 4 and 5 for group projects and simulation), though you are welcome to bring laptops to class. Because I will not be testing “case facts” on the quizzes or the final exam, taking notes on case details will not be helpful. Instead, I will be testing 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 “key takeaways” electronically throughout the course, as well as electronic copies of any slides that I show. Laptops, even when used to take notes in class, also constitute a significant distraction to other students in the classroom that outweighs any potential benefits. Cell phones and smart phones may not be used in class.

Formation of Groups: Groups will be formed in class. To help you network with your classmates, especially those whom you don’t already know, we will have opportunities to work in different groups.

Honor Code: Please remember that you are governed the MBA Honor Code. You can find more information on the MBA Honor Code at http://www.stern.nyu.edu/mba/studact/mjc/hec.html.

Students with Disabilities: If you have a qualified disability and will require academic accommodation during this course, please contact the Moses Center for Students with Disabilities (CSD, 998-4980) and me as soon as possible.
Meeting:  1

Date:   August 20th, 2011 (Saturday) 9-12pm

Topic:  Introduction

Readings:

Our syllabus in its entirety.

Case:


Study Questions:

1. According to Lewis, the Oakland A’s seems to have discovered an opportunity in the market for baseball players. Why had not the other teams discovered this opportunity before?

2. What were the problems of implementing this different approach to selecting and evaluating players? Why was Billy Bean able to do it?

3. Do you believe that there are similar opportunities in business? Provide an example of an industry where a similar opportunity could exist.

Interesting Links:

Michael Lewis talks about Moneyball:
http://www.youtube.com/watch?v=emwhkJTwcY

On the use of analytical methods to evaluate hits in the movie and the music industries

On the difficulties and biases in evaluating players in Basketball

On the use of statistics in political predictions
http://www.fivethirtyeight.com/
Meeting: 2

Date: August 20th, 2011 (Saturday) 1-4pm

Topic: External Analysis

Readings:

(available on Blackboard)

Case:

Apple computer 2006 (coursepack)

Study Questions:

1. Apply Porter’s 5 Forces. Taking the late 1980’s and early 1990’s as the time frame and consider the "non-Apple" part of the computer industry, "Wintel," as a market segment. How would you characterize rivalry among firms in this segment? Since Apple was not a “Wintel” company and had a proprietary technology, did this rivalry matter for Apple?

2. In the 1990’s, at the same time Apple’s financial performance was strong, prescient insiders commented that Apple was “on a glide path to history”. What economic forces were working to undermine Apple's competitive position in the computer industry?

3. Has Jobs finally solved Apple’s long-standing problems? Evaluate the iPod:
   - How significant is the market for and sustainable is Apple’s advantage in the iPod?
   - Does the iPod give Apple a gateway to other markets (even computers)?
Meeting: 3

Date: August 22nd, 2011 (Monday) 6-9pm

Topic: Internal Analysis

Readings:

(available on Blackboard)

Case:

eHarmony (coursepack)

Study Questions:

1. Why do people want to meet others on-line instead of finding them in the real world?

2. How structurally attractive is the on-line personals market?

3. List eHarmony’s resources and capabilities that distinguish it from other companies. Does each of these resources and capabilities fulfill the criteria set out in Barney (1995)? Why or why not?

4. Which of the four options should Waldorf pursue?

QUIZ #1 ADMINISTERED AT THE START OF MEETING 3
Meeting:  4
Date:   August 24th, 2011 (Wednesday) 6-9pm
Topic:   Strategy Implementation

Looking at learning as a necessity, not a luxury. With business moving at such a fast pace, it does not take much to get behind in today’s marketplace. Today’s leaders are voracious learners. – Michael Dell (Direct From Dell, p. 136).

Readings:


Case:

Honda (A) (B) (coursepack)

Note: Case (A) is based on the BCG report and gives an early account of why Honda succeeded. Richard Pascale subsequently interviewed managers from Honda and wrote Case (B).

Study Questions:

1. What according to Case A, were the main reasons for Honda’s success?

2. If you compare Case A with Case B, in what sense was the description in Case A misleading? Were the lessons drawn in Case A valid? Where the recommendations made by BCG flawed?

3. How did Honda’s strategy develop in reality? Do you believe that this development is an illustration of bad or good management?

4. What are the lessons that can be learned from the development of Honda’s strategy? Is it possible and desirable to make such process more systematic, rather than relying on ‘luck’ or ‘serendipity’?

5. What do you believe are the main lessons to be learned from the development of IKEA’s strategy?

QUIZ #2 ADMINISTERED AT THE START OF MEETING 4
Meeting: 5

Date: August 27th, 2011 (Saturday) 9-12pm

Topic: Decision Traps Managers Should Avoid

Readings:


Case: “Create Your Own Case” Group Mini-Project.

In class you will form 4-person teams and work together for this group project. Each team will select ONE leading firm from any industry (e.g. one that has been featured recently in popular business press).

As a team, you list the strategic principles that are commonly believed to have led to its success. Evaluate the extent to which these principles are sound and valid.

In particular, in what ways they may not be sound? If so, what additional data or evidence do you need in order to be convinced about the validity of these arguments? To what extent do the decision traps we identify in today’s class apply in your case?

You can consider either product-based (e.g., consumer products or consumer electronics) or service-based (e.g., consulting or investment banking) industries. Feel free to pick an industry with which one or more team members are very familiar. You may also use online library resources to find out more about your companies.
Meeting: 6
Date: August 27th, 2011 (Saturday) 1-4pm
Topic: Strategic Decision Making – A Simulation

Readings:


Strategic Innovation Simulation Foreground Reading

Before Class Preparation:

1. Register and play at least one round of the simulation *individually* before class.

2. Summarize some of the lessons you have learned from running the simulation *individually*.

3. Ensure that at least one member of the team brings a laptop to the class. In class we will run this simulation in groups.

*Note: This simulation is run online. Once its URL is posted (sometime before class), each student is required to register an individual account and purchase access to the online simulation from Harvard Business Publishing ($12.50 per person).*