



SI751 Syllabus: Competition, Innovation & Strategy

Spring 2011

Prof. Timothy Simcoe

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Course Overview:

“Competition, Innovation, and Strategy” is a capstone to the required curriculum. The main goal of the course is to build a fundamental understanding of how and why some firms achieve and sustain superior performance. Successful strategy design and implementation requires a holistic understanding of the firm’s external environment and of its internal resources and capabilities. It also requires a synthetic view on how the firm integrates functional activities in operations, marketing, finance, and other areas. The course is designed to develop this integrative view of the firm and its environment, along with appropriate analytical skills. Issues associated with professional ethics and corporate social responsibility are pervasive throughout the curriculum and you are encouraged to incorporate these perspectives in case analysis and classroom discussion. Global management is an important additional theme of the course: while many of the cases are US-based companies, you will be challenged to extend the conceptual framework to encompass global businesses and to apply any lessons learned to international contexts.

The course’s primary objectives are to develop students’ ability to understand and analyze the factors that affect organizations’ long-run economic performance and to provide them with the tools to make recommendations to organizations on how they can work towards achieving superior performance.

After taking this course you should be able to:

- assess the structure of firms’ external environments and understand how these affect expected long-run industry performance
- evaluate firms’ competitive positioning and interaction, and understand the factors that affect expected long-run firm performance
- develop appropriate and superior strategies at the business-unit and corporate levels
- assess the dynamics of competition and understand how economic, social, political, and technological forces can determine the need for strategic re-positioning and affect long-term profitability

Course Architecture:

The course is organized into a number of modules:

1. Introduction – This module introduces the course structure, content, and requirements. The first sessions emphasize the norms of class participation and active debate that are the cornerstones of learning in the course. The introduction also serves to examine fundamental facts about the variability of profits across and within industries.
2. Industry Analysis – This module investigates the factors that affect industry average profitability and determine long-lived differences in profitability across industries. The

module emphasizes a framework for thinking about differences in structural conditions across industries (Porter's Five Forces Framework), and examines changes in industry structure over time.

3. Positioning & Competitive Advantage – This module examines the sources of differences in profitability within industries. We explore the ways in which some firms achieve competitive advantage, which is defined as performance above the industry average. To develop insights on a firm's sources of competitive advantage, we will pay particular attention to its strategic position, its internal organizational choices, and the interaction between its strategy and its external environment.
4. Sustainability – In this module we assess threats to the sustainability of a firm's returns over the long term. Threats may come from many sources, including direct competitors, producers of substitute products, buyers, suppliers, and even its own managers and employees. Designing appropriate strategies to counter these threats depends on a deep understanding of the incentives for the many constituents involved in the competition.
5. Industry Transformation – The fifth module of the course introduces questions about the implications of industry transformation for competitive strategy. In this section, we focus intensely on analyzing the dynamics that will shape an industry in the future. The framework for this part of the course describes tools for analyzing how an industry structure undergoes transformation.
6. Corporate Strategy - In this module we shift the focus of the course away from business unit analysis and onto the decisions at the corporate level for multi-business-unit firms. In particular, we adopt the perspective of the corporate CEO. A CEO must make choices about both the breadth of firm activities and the governance structure of the firm. Decisions associated with firm breadth include choices about the set of industries in which a firm competes, the geographic spread of the firm's operations and the set of competitive positions that various business units take.
7. Wrap-Up – The final module of the course includes a summary and a final wrap-up lecture to tie together the ideas of the course.

Basic Course Requirements:

“Competition, Innovation, and Strategy” has four basic requirements: class participation; a mid-term exam; an individual case analysis; and a Team Paper. Following SMG policy, grades are allocated on a curve, with no more than 25% of the class receiving grades of A-, or higher and 10% of the class receiving grades of C+ or lower. Class participation, the Midterm exam, the Final Case Analysis, and the course paper are weighted 25%, 25%, 25%, and 25% respectively in the calculation of grades.

Satisfactory class participation entails attendance at every session of the course; preparation of all materials for every session; and active participation in class discussions. You may be absent twice during the term, though please notify your professor in advance of class if you have to miss a session. All subsequent absences will materially affect your final grade for the course. If you anticipate that you will miss more than two class sessions, then you should take SI751 in another term.

Case discussions will follow the Socratic method, and you should arrive at every class prepared to answer a “cold call” from the instructor on your analysis of the assigned material. Assessment of participation is based primarily on your active involvement in discussion of a case, based on careful study and rigorous thinking. Participation may also include contributions such as: providing germane illustrations; providing motivation for a tool or technique; helpful recapitulation or summarizing; making observations that link

or integrate concepts or discussion; responding effectively to questions; asking perceptive questions; presenting or supporting alternative, or unpopular, positions. Being “wrong” cannot decrease your grade, but will not increase it. Students who persistently attempt to dominate discussion, discourage or intimidate other participants, or otherwise diminish the value of the class, will be penalized. Around the middle point in the course, students will receive feedback from the instructor on their standing with regard to class participation. Class discussions will be conducted by the norms of a professional business meeting: you are expected to arrive on time and to comply with the scheduling of class breaks. In particular you are expected to treat colleagues with respect: to disagree with an idea without discrediting the speaker; to help others to articulate their points of view; and to use airtime judiciously.

The Midterm Exam will be an in-class closed book test.

The third requirement is satisfactory performance on the Final Case Analysis. This assignment will draw on your knowledge of all the material covered in the course, and may emphasize the material covered in a specific module at the instructor’s discretion. This case analysis is done on a take home and open-book basis. You may use any and all information and materials you wish, but you must work individually. No collaboration of any sort is allowed, whether in person or electronically. The analysis will be distributed on a previously-indicated day and will be due exactly 48 hours after it is handed out. Logistics will be as follows:

- A hard copy of the case for the Final Analysis will be handed out in class. (Copyright restrictions prevent us from making case available on-line.)
- The final product will be a memo to a key decision maker in the case. The memo will be limited to 750 words (you must provide a word count), plus a maximum of one page of exhibits.
- You can work on this assignment at school or take it home (or to some other location) with you. No one will be available to answer questions about the case. If you need to make assumptions state them clearly as part of your memo.
- Hand-written memos will not be accepted. Hand-drawn charts or other graphical exhibits are okay (although not preferred), but must be neatly drawn, legibly labeled, and scanned into electronic format. Computer-equipped classrooms at SMG will be available for students who do not have access to a computer at home to type up their memo.
- You should need no more than 5-6 hours to complete the assignment. The extra time is provided to allow you some flexibility in your schedule.
- You must submit your memo electronically via SMGtools. Electronic submissions should be scanned with an anti-virus program before submitting them.

The fourth requirement of the course is successful completion of a team research paper. In this paper you are asked to identify a company that you believe will outperform competitors over the next five years and explain why. Halfway through the course, you will be asked to submit your team and firm preferences. Papers are due via SMG Tools before the last class of the term. Late papers will be penalized.

Please the class web site on SMG Tools for a detailed schedule of class topics, and a list of readings and discussion questions.

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Date	Session	Topic	Cases	Readings	Other
26-Jan	1	Introduction		Michael E. Porter, "What is Strategy?," HBR 1996; (R96608); Selected Profitability Data on US Industries and Companies (9-792-066)	
	2	Elements of Competitive Strategy	Ducati (9-701-132)		
2-Feb	3	The Five Forces Framework		Michael E. Porter, "Understanding Industry Structure" (9-707-493)	
	4	Industry Structural Analysis	Cola Wars Continue: Coke and Pepsi in 2006 (9-706-447)		
9-Feb	5	Generic Strategies & Competitive Positioning I	Starbucks (9A98M06)		
	6	Competitive Positioning I		Ghemawat and Rivkin "Creating Competitive Advantage" (9-798-062)	
16-Feb	7	Competitive Positioning II	Airborne Express (9-798-070)		
	8	Achieving Consistent Policies	Airborne Express, continued		
23-Feb	9	Sustainability I		Pankaj Ghemawat, "Sustaining Superior Performance" (9-798-008); Anita McGahan, "Sustaining Superior Profits: Customer and Supplier Relationships" (9-797-045)	Team Members Requested
	10	Sustainability II	Wal-Mart Stores Inc. (9-794-024)		
2-Mar	11	Sustainability & Competitive Dynamics	The Golden Age of Home Video Games: From the Reign of Atari to the Rise of Nintendo (9-704-487)		Team Orgs Requested
	12	Mid-term Review			
9-Mar	13	Mid-Term Exam			Team Orgs Assigned
16-Mar	X	SPRING BREAK (no class)			
23-Mar	14	Industry Transformation	Kodak (A) (9-703-503)		
	15	Understanding Disruptive Change		"Disruptive Technologies: Catching the Wave," by Joseph L. Bower and Clayton M. Christensen HBR On Point 3510	
30-Mar	16	Industry Change and Organizational Transformation	IBM Corporation: Turnaround (9-600-098)		
	17	Corporate Strategy I		Michael E. Porter, "From Competitive Advantage to Corporate Strategy," HBR 1977 (R87307) ; M. Pisorki, Note on Corporate Strategy (9-705-449)	
6-Apr	18	Corporate Strategy I	Gucci Group N.V. (A) (9-701-037)		
	19	Time for Team Projects			
13-Apr	20	Corporate Strategy – Vertical Integration	Birds Eye and the UK Frozen Food Industry (9-792-074)	"When your contract manufacturer becomes your competitor", HBR 2006 (R0609J)	
	21	Corporate Strategy – Alliances & JVs	Eli Lilly in India: Rethinking the Joint Venture Strategy (904M16)		
20-Apr	22	Entry Timing & Leadership Advantages	The Browser Wars, 1994-1998 (9-798-094)	Peter J. Coughlan, "The Leader's (Dis)Advantage" (9-701-084)	Final Take-Home Exam
	23	Corporate Governance	The Enron Collapse (IMD164)	Jensen "The Eclipse of the Public Corporation" HBR 1989 (R89504)	
27-Apr	24	Course Wrap-Up			Project Paper Due