1. Course Introduction and Overview:

Establishing, sustaining and reinventing competitive advantage is at the core of how firms create value for their customers, stakeholders, multiple parties they do business with and for society at large. Pursuit and preservation of competitive advantage and ideas about the source of advantage is what drives choices by decision-makers. These choices and their collision in the marketplace eventually shape the outcomes of private enterprise. Strategy for a business unit is, in essence, an integrated set of such choices (involving answers to questions such as “where to play”, “how to win”, “how much to commit”, “how to organize”, etc.) that generates superior financial returns over a sustained period of time.

Beyond the core idea of business unit strategy, there are several other issues that are important to consider. First, one such issue is that of competition and its role in the shaping of business unit strategy. Strategy can also be developed in uncontested spaces. Second, a business unit typically resides within a larger organization, which pursues opportunities for growth, innovation and diversification. This means that the organization houses multiple business units; the strategist who oversees choices at the organizational level must also be skilled at managing a portfolio comprising different businesses, geographies and capabilities. The management of a firm’s portfolio is known as “corporate” strategy. Third, a particularly important special case of corporate strategy arises when the portfolio being managed involves businesses and markets that cross international lines. The issues become particularly complicated by the fact that, in addition to the diversity of multiple countries, the strategist also has to contend with the fact that many of these countries are in transition – the so-called “emerging” or “frontier” markets.

Thus, there are several layers to the “strategy onion”: The industry or market; the firm itself and whether it is competitively positioned or is venturing into uncontested space; the organizational portfolio; the country context. We shall try and peel the onion and work our way through all of these layers. (Let us hope that our eyes don’t burn in the process and our eyes become sharper at insight and foresight instead, both of which are essential parts of the strategist’s trade-craft.)

The purpose of this course is to introduce you to the tools and approaches that strategists use and to practice using them in the context of a variety of cases where strategic choices have to be made. However, be forewarned that the strategist’s job involves as much art as science. Judgment, connecting the dots and placing
informed bets are just as important as sharp data-driven or analytically derived decisions. Consider some common challenges:

- Strategy involves choices. When you decide on where to play, you are, simultaneously, making a decision on where not to play. How sure are you when you are making such a choice? What if you are wrong or there is uncertainty in your market? Do you have the chance to make changes later? Usually, there are costs to making changes; or the up-front choice is irreversible for all practical purposes.

- When you choose not to play in some part of the market or have a clearly defined position on how you plan to win, this opens the door to a rival to play where you are not playing or position themselves in contrast to you.

- Your choices could easily be imitated in many instances. In these cases, any advantage can disappear when the competition catches up. In other words, you have to anticipate the responses to your choices and build them into your decision-making process in the first place.

- Since an understanding of the competitors—including what they are currently doing, plan to do and might do in response to your choices—is so critical to formulating good strategy, this gives rise to a new problem. Doing research on competitors and anticipating their behaviors is hard; your strategic choices could be based on flawed assumptions.

- The execution of strategic choice often requires an entire organization to act in ways consistent with the choice. As organizations get larger, have many product lines, many decision makers and managers with varying incentives and the firm becomes globally dispersed, this introduces complexity and plenty of opportunities for execution failure.

- An important feature of strategy is that it involves integrity and consistency across several different decisions that mutually reinforce each other. When you play in multiple markets, especially across international boundaries, managing such consistency is harder. What works in one country may not work in another.

- Many organizations do not even have a strategy. Some have a broad, high level goal or “vision statement” and mistakenly think of that as a strategy. Others may believe they have one but they cannot articulate it. If they cannot articulate it, they cannot act on it.

In this short course, you will learn the strategist’s core skills: to make a set of integrated choices, to anticipate the key challenges and techniques for addressing them. You will learn conceptual frameworks of strategy, apply the frameworks and develop practical approaches to decision-making within the context of various case studies. The core conceptual frameworks and practical takeaways will be discussed in class lectures and wrap-up discussions. In parallel, you will also be working on a group project that will give you an opportunity to apply the concepts to doing business in an evolving international context.
2. Course Overview
The course is divided into five phases. The first phase establishes the foundations of the different facets of strategy that will be studied. The core of each class will be a case (in some classes, there will be more than one case), which will form the basis for discussion. Students are expected to study the cases and be prepared to discuss the issues highlighted by the assignment questions.

There is one required book for the class:


Additional readings listed under each class, which help with the preparation, are also suggested, but not mandated.

The following books are recommended for those students who are interested in a deeper understanding of the subject; available at the Ginn Library Circulation Desk:

- Robert M. Grant, “Contemporary Strategy Analysis” (Feb 9, 2010), a widely used text that provides a very thorough view on strategy with contemporary examples.
- Chan Kim and Renee Mauborgne, “Blue Ocean Strategy” (Feb 3, 2005), a more specialized book about strategy in uncontested spaces and value innovation.
- David Besanko, David Dranove, Mark Shanley and Scott Schaefer, “Economics of Strategy” (Sep 23, 2009), an excellent, albeit specialized, textbook that takes a perspective building on microeconomics and industrial organization foundations.
- Garth Saloner, Andrea Shepherd and Joel Podolny, “Strategic Management” (2001), a text used in several MBA programs, also written from a microeconomic perspective.
- Joan Magretta, “Understanding Michael Porter” (Dec 6, 2011), a nice synthesis of the widely-used work on strategy by the world’s most influential strategist, Michael Porter.
Details on each phase are as follows (with a preliminary list of readings):

A. Setting the Stage: Strategy in an International Business Context  
(Class I, August 13, 2012)

- **Case**: “Robert Mondavi and the Wine Industry”; Michael A. Roberto  
  Sept 12, 2005 (HBS 302102)

- **Reading**: David Collis and Michael Rukstad, “Can You Say What Your  
  Strategy Is?”; Apr 2008 (HBR R0804E)


B. Where to Play: Industry Structure Analysis  
(Class II, August 14, 2012)

- **Case**: “Cola Wars Continue: Coke and Pepsi in 2010”; David B. Yoffie,  
  Renee Kim; May 26, 2011 (HBS 711462)

- **Reading**: Ghemawat, Chapter 2.

- **Reading**: Grant, Chapters 3 and 4.

- **Reading**: Saloner et al., Chapter 6.

- **Reading**: Besanko et al., Chapter 12.

- **Reading**: Michael Porter, “The Five Competitive Forces that Shape  
  Strategy”; Jan 1, 2008 (HBR R0801E)

- **Reading**: Michael Porter, “Understanding Industry Structure”;  
  Aug 13, 2007 (HBS Note 707493)

C. How to Win: Competitiveness  
(Classes III, IV, V)  
  a. Building and sustaining competitive advantage  
  (Class III, August 15, 2012)

- **Case**: “Samsung Electronics”; Jordan Siegel, James Jinho Chang;  
  Feb 27, 2009 (HBS 705508)

- **Reading**: Ghemawat, Chapter 3 and 5.

- **Reading**: Grant, Chapters 8 -10.

- **Reading**: Saloner et al., Chapter 3 and 5.

- **Reading**: Besanko et al., Chapters 13, 14.

- **Reading**: Pankaj Ghemawat and Jan Rivkin, “Creating Competitive  
  Advantage”; Feb 25, 2006 (HBS Note 9798062)

  (HBR 96608)
b. Anticipating competitive dynamics *(Class IV and V, August 16, 17, 2012)*

- **Case:** “Dogfight over Europe: Ryanair”; Jan W. Rivkin; Nov 21 2007 (HBS 700115)
- **Case:** “Microsoft XBox”; Andrei Hagiu; Feb 6, 2077 (HBS 707501)
- Ghemawat, Chapter 4 and 5.
- **Reading:** Saloner et al., Chapters 7-8, Appendix.
- **Reading:** Besanko et al., Chapter 8-11.
- **Reading:** Oberholzer and Yao, “Game Theory and Business Strategy”; Mar 26, 2007 (HBS Note 705471)
- **Reading:** George Day and David Reibstein, “Wharton on Dynamic Competitive Strategy”; Wiley 1997

**C. Strategy in Uncontested Space (Class VI, August 17, 2012)**

- **Case:** “The Evolution of the Circus Industry”; W. Chan Kim, Renee Mauborgne, Ben M. Bensaou, Matt Williamson; Jun 1, 2009 (BOS007)
- **Reading:** Chan Kim and Renee Mauborgne, “Value Innovation: The Strategic Logic of High Growth”; Jul 1, 2004 (HBR R0407P)
- Chan Kim and Renee Mauborgne, “Blue Ocean Strategy”; Oct 1, 2004 (HBR R0410D)

**D. Corporate Strategy (Classes VII, VIII)**

a. Vertical integration, innovation and related diversification *(Class VII, August 20, 2012)*

- **Case:** “Disney and Pixar Acquisition”; Juan Alcacer, David J. Collis, Mary Furey; Jan 15, 2010 (HBS 709462)
- **Reading:** Ghemawat, Chapter 6.
- **Reading:** Grant, Chapters 14.
- **Reading:** Besanko et al., Chapters 5, 6, 15.
- **Reading:** Bhaskar Chakravorti, “A Note on Corporate Entrepreneurship: Challenge or Opportunity?”; Jun 25, 2010 (HBS Note 9810145)
b. Unrelated diversification (Class VIII, August 21, 2012)

- **Case:** "Corporate Strategy at Berkshire Partners"; Julie M. Wulf, Scott Waggoner; Feb 05, 2010 (HBS710414)
- **Case:** “Alibaba Group”; Julie m. Wulf; Apr 26, 2010 (HBS 710436)
- **Case:** “House of Tata, 1995: The Next Generation (A)”; Tarun Khanna, Krishna G. Palepu, Danielle Melito; Aug 30, 2006 (HBS 798037)

- **Reading:** Ghemawat, Chapter 6.
- **Reading:** Grant, Chapters 16-17.
- **Reading:** Saloner et al., Chapter 14, 15.
- **Reading:** Besanko et al., Chapter 7.

E. International Strategy: (Class IX, August 23, 2012)

- **Case:** “Globalization of CEMEX”; Pankaj Ghemawat, Jamie L. Matthews; Nov 29, 2004 (HBS 701017)

- **Reading:** Ghemawat, Chapter 7.
- **Reading:** Saloner et al., Chapter 13.
- **Reading:** Michael Porter, “Competing Across Locations: Enhancing Competitive Advantage through Global Strategy”; Jun 7, 1999 (HBS 2026)
- **Reading:** Christopher Bartlett and Sumantara Ghoshal, “Managing Across Borders: New Strategic Requirements” *MIT Sloan Management Review*

Group Projects and Final Wrap-up: Class X, August 24, 2012.

Final Exam: August 24, 2012.

**NOTE 1:** There are TWO classes on Friday, August 17th. There will be no formal class session on Wednesday, August 22nd. Instead, the day should be spent towards finalizing the work relating to the group project.

**NOTE 2:** All cases to be discussed in the class are marked with a box around it, above. Students are expected to read the cases in advance in preparation for the class. You may organize into study groups to prepare; I would encourage it.
NOTE 3: All announcements and case preparation questions will be posted on TRUNK. Cases and articles are available from Harvard Business School Publishing for downloading and purchase.

Cases (required):  http://cb.hbsp.harvard.edu/cb/access/14320103
Readings (optional):  http://cb.hbsp.harvard.edu/cb/access/14334087

3. Grading
The grade will be determined as follows:
Class participation: 30%
Group project\(^1\) 30%
Final exam 40%

Class Participation:
The “participation” is really the third of three “P”s: Preparation; Presence; Participation. The third is an outcome of the first two. The students must collectively take responsibility to carry the discussion with selective nudging by me. The following characteristics of a class discussion will contribute to the grade:

- High Quality: relevance; advancing the class discussion and delving deeper into the underlying issues and drivers; fact-based; logical argumentation; originality and creativity.

To this you must add:
- Frequency
- Consistency.

The classroom is a make-believe environment, where you transport yourself into the context of the case being discussed. But this is where we can work together to develop your mix of skills and attitudes as a leader. Specifically, this involves developing the ability to listen, to think on your feet and discern when to speak, to integrate ideas, analyses and judgment, to speak with clarity and conviction, to change minds and move a collective effort forward – and to do all of this while enjoying the “warmth of seeing others do well”, as an entrepreneur once told me as the essence of an innovative team.

How does this manifest itself in class participation? I believe it can take different forms. It might be a shared experience, an analysis that draws on quantitative and qualitative case facts, or a thoughtful question voiced at that perfect juncture in the conversation. Other examples include a strong opening that frames our debate, a provocative or creative comment that shifts the direction of discussion, help in a role play, a synthesis of part or all of the class discussion, a decisive and well thought through action recommendation, or an exchange that challenges another student’s analysis in a rigorous and constructive way.

\(^1\) Members of each group will be asked to provide a qualitative score for each colleague to indicate how much their colleague contributed to their own learning during the project.
Group Project:
- Students will be organized into teams.
- Each team will pick an emerging market, identify a company (it can be domestic or international, established or a new venture) that developed a position of competitive advantage in the chosen market.
- Research the company using secondary sources (and, of course, feel free to use primary sources as well, if you have access). Give some background on the company, its product, the market and its competitive positioning (or explain if it is in uncontested space). Explain how the industry structure and competitiveness as well as the contextual readiness contributed to the establishment of competitive advantage and superior financial returns. Next explain your logic for whether the advantage is sustainable. Why or why not?
- Finally, consider a different emerging market. Can the company expand into this market? Why or why not? Explain it in terms of industry structure, competitiveness and the contextual readiness analysis.
- Total length of the case study: 5-7 pages.
- Be prepared to discuss some key insights during a discussion on the final day of class.

Final Exam:
The exam will involve a written analysis and discussion of a case study.

Other Classroom Etiquette:
- Please bring your name card and have it displayed clearly so that everyone can address you by name whenever possible.
- Please apply the airplane take-off and landing rules throughout the class: refrain from using any device with an on-or-off switch (e.g. laptops, phones, music players, etc.). Calculators are an exception. Keep your mental seat-belts on and keep yourself seated in an upright position.
- Please raise your hand to indicate your interest in speaking and speak only when asked to.
- Listen carefully when others are speaking and keep your hand down when someone else is making their point.
- Please be respectful of others even when you disagree with them.
- Consider it an obligation to bring in new ideas and fresh insight.