



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM392H1

Strategic Management

Fall 2015

Course Meets:

L0201 Mondays, 11-1pm RT 142

L0101. Mondays, 3-5pm RT 142

L0301 Mondays, 1-3pm RT 142

Instructor: Kevin Bryan

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Homepage: <http://www.rotman.utoronto.ca/FacultyAndResearch/Faculty/FacultyBios/Bryan.aspx>

Office Hours: 95 St. George, Room 7034; Tuesdays, 2-330pm and by appointment

Teaching Assistants: unassigned

Course Scope and Mission

This course will introduce you to the basic concepts, frameworks and methodologies useful to managers in crafting and executing business strategy. The course focuses on the fundamental conditions that enable a firm to conceive, develop, and sustain a superior strategic position. We will introduce and apply analytical tools that will help you identify and systematically assess (1) the various environmental forces acting upon a firm, (2) a firm's internal source of competitive advantage, (3) the likely behavior of a firm's rivals (and the ways in which a firm can influence its rivals' behavior), and (4) the long-run sustainability of a firm's competitive advantage. We will also briefly discuss strategy in an entrepreneurial firm.

This class uses cases and academic research to help you develop a toolkit for analyzing strategic situations. Content is largely non-technical, but it is nonetheless rigorous. We are looking to identify sources beyond "luck" which explain why firms with equally good products and equally competent employees nonetheless differ enormously in their profitability. When we introduce cases or examples from economic history, it is not simply to tell stories, but rather to demonstrate the underlying Platonic nature of sustained competitive advantage.

Course Prerequisites: RSM 219H1, RSM 222H1

Required Readings

Course Package (cases + readings), required: see instructions on Blackboard for how to purchase and access your course package.

There are a number of non-case readings for this course. All are available via the University of Toronto account.

Evaluation and Grades

You should expect the overall distribution of grades in this course to be similar to the average in Rotman Commerce courses as a whole.

		<i>Due Date</i>
Class Contribution	15%	Ongoing
Reading Summaries	15%	Weekly
Mid Term Exam	35%	In class, please see schedule
Final Exam	35%	During FAS Final Examination Period

Class Contribution (15%)

Strategic analysis is not accomplished through the routine application of formulas, but rather through reasoned analysis under conditions of limited information and uncertainty. One of the primary goals of this course is to help you develop the ability both to clarify your own position on a strategic question and to be able to articulate and defend it clearly.

You **must** be prepared for every class; this means you have done the assigned reading and thought about how to interpret it **before** arriving. Beyond your own learning, ensuring that you have done the reading is a sign of respect for your classmates.

It is my hope that our class can serve as a riskless environment in which we all feel comfortable testing new ideas and pushing the boundaries of our thinking. This may be a different experience than you have had in previous classes, but exploring your ideas out loud by participating in the discussion will serve you well in other classes and in your future careers. I know that some of you may be shy or uncomfortable speaking publicly and/or English is not your first language. *If you are particularly worried about your in-class contributions, please check in within the first two weeks of the semester and I can work with you in creative ways to help your contributions.* For example, I could coordinate with you on an issue for you to raise in class or a question for you to answer. **There is, however, no alternative to participating in class discussions.** But if you do fall into this category, please come see me early in the term and we will work together to come up with ways to facilitate your participation. See the section on Preparing for Class for more specific details on what you should do to ensure you'll feel comfortable when discussion starts.

Class contribution will be graded using the following criteria:

- **Relevance:** Are you a good listener? Are your comments clearly related to the case and to the comments of others? Are your comments linked to the themes that the class is exploring together?
- **Support:** Have you used specific data from the case, from the readings, or from your personal experiences to back up the assertions that you are making?
- **Clarity:** Are your comments succinct and understandable?
- **Quantity:** Do you participate on a regular basis?

It goes without saying, but you are expected to treat colleagues with respect: to disagree with an idea without discrediting the speaker; to helping others to articulate their points of view; and to use airtime judiciously. Please treat others as respected colleagues.

Article Summaries (15%)

Before classes 2 through 12, aside from Midterm day, you are obligated to write two paragraphs summarizing the assigned readings. When there is a case and a non-case reading, you ought focus on answering the question, “In what way does the case elucidate issues raised in the non-case reading.” You should not spend much time on these summaries – they are simply a commitment device to ensure that you and your fellow students have prepared in advance for a fruitful in-class discussion.

In-Class Midterm Exam (35%) An in-class midterm exam will take place during week 7, in class. This will be an individual, closed book exam. The midterm exam will consist of multiple-choice and/or short-answer questions. I will provide more information on the structure of the exam in advance of the midterm date. The midterm will be graded and returned to you within two weeks.

Final Exam (35%) There will be a closed-book 3-hour individual final exam scheduled during the exam period. This exam will consist of multiple-choice, short-answer, and long-answer (i.e., paragraph) questions that span the entire semester’s coursework. I will provide you with more information on the structure of the exam by the final day of class.

Attendance of Other Sections

I teach three sections of this class on Monday. You must attend the section in which you are registered. Due to exceptional circumstances, however, you may attend a different section (each section will cover the same material) provided that you receive permission from me in advance to attend a particular section.

Office Hours and Email Policy

If at any point you feel lost or having a problem regarding a particular concept, please come to my office hours. In general, you are encouraged to come to my office hours to discuss the course and how you can improve your understanding of the material. If you cannot meet during the regularly scheduled time, we will make arrangements for an alternate time.

Generally, it is best to ask questions in class, after class, or in office hours. If you need to reach me outside of class and office hours, however, you can send me an email. For *administrative questions*, you ought to contact the TAs first.

Missed Assignments/Examinations

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within **48 hours** of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed test or course deliverable.

Note that the physician’s report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.

Students who miss the in-class midterm exam and provide the appropriate documentation will have their grade percentages reallocated. The 35% of your grade that would have been accounted for by

the midterm will be allocated to your final exam. Thus, if you miss the midterm, your final exam will count for 70% of your grade.

Course Work & Academic Honesty

Submission of Assignments – All assignments should be submitted via Blackboard, and article summaries are due **before** class begins. Late assignments will be given a score of zero. Please contact your TA if you are having technical problems submitting.

Accessibility Needs

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: disability.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

Academic Integrity

Below is the standard boilerplate about not cheating. I should warn you that I take cheating in my course very seriously. In the broadest sense, cheating means representing the work of others as your own, whether on exams or on homework. **DO NOT CHEAT IN THIS COURSE.**

Academic Integrity is a fundamental value essential to the pursuit of learning and scholarships at the University of Toronto. Participating honestly, respectfully, responsibly, and fairly in this academic community ensures that the UofT degree that you earn will continue to be valued and respected as a true signifier of a student's individual work and academic achievement. As a result, the University treats cases of academic misconduct very seriously.

The University of Toronto's Code of Behaviour on Academic Matters

<http://www.governingcouncil.utoronto.ca/policies/behaveac.htm> outlines the behaviours that constitute academic misconduct, the process for addressing academic offences, and the penalties that may be imposed. You are expected to be familiar with the contents of this document. Potential offences include, but are not limited to:

In papers and assignments:

- Using someone else's ideas or words without appropriate acknowledgement.
- Submitting your own work in more than one course without the permission of the instructor.
- Making up sources or facts.
- Obtaining or providing unauthorized assistance on any assignment (this includes collaborating with others on assignments that are supposed to be completed individually).

On test and exams:

- Using or possessing any unauthorized aid, including a cell phone.
- Looking at someone else's answers
- Misrepresenting your identity.
- Submitting an altered test for re-grading.

Misrepresentation:

- Falsifying institutional documents or grades.
- Falsifying or altering any documentation required by the University, including (but not limited to), medical notes.

All suspected cases of academic dishonesty will be investigated by the following procedures outlined in the *Code of Behaviour on Academic Matters*. If you have any question about what is or is not permitted in the course, please do not hesitate to contact the course instructor. If you have any questions about appropriate research and citation methods, you are expected to seek out

additional information from the instructor or other UofT resources such as College Writing Centres or the Academic Success Centre.

Blackboard and the Course Page

The online course page for this course is accessed through Blackboard. To access the course page, go to the UofT Portal login at <https://portal.utoronto.ca/> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ROSI, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at www.portalinfo.utoronto.ca/students and review the Frequently Asked Questions.

Recording Lectures

You may feel free to record lectures in a manner that doesn't disturb other students if you wish; I only ask that you do not upload these recordings to the internet.

Classroom Norms

Consistent with the general goal of mutual respect, students are reminded to demonstrate:

Arriving on time. Late arrivals are disruptive to both lectures and class discussion, and show disrespect to those who are on time. Class starts 10 minutes after the hour.

Minimizing disruptions. All cell phones and pagers should be turned off during class. It is particularly disrespectful of your classmates to use your phone/send texts/send emails during class. You will receive demerits in your class participation grade for disrupting your classmate's experience in this way.

Focusing on the class. I prefer that you do not have laptops open in class, as the course is discussion heavy; contact me personally with any questions on this count.

Weekly Schedule

Week 1 - Introduction

Readings: None.

We will cover: the story of Hudson's Bay, What is strategy anyway?, Ought firms try to make better products at lower prices?, The Use and Misuse of Analogy, the Syllabus and other details

Week 2 – Industry Analysis

Readings: Ivey case Porter Airlines, Dranove et al Chapter 8 (on Blackboard)

We will cover: basics of industry analysis, should you only enter industries you can monopolize a la Theil?, "Cooption", the dangers of naïve industry analysis, Advantage v. Sustainable Advantage a la Ghemawat, Five Forces vs. Valuenet vs. alternatives

Week 3 – Firm Boundaries

Readings: HBS Case Walt Disney, Chandler 1992 "Organizational Capabilities and the Economic History of the Industrial Enterprise"

<http://www.jstor.org/discover/10.2307/2138304?uid=3738456&uid=2&uid=4&sid=21104760984701>

We will cover: why does a firm exist at all?, Schumpeter and socialism, the rise of the modern firm in the early 20th century, horizontal vs. vertical integration, empirical evidence on the nebulous "core competencies"

Week 4 – Differentiation

Readings: HBS Case Samsung, Makadok and Ross 2013 "Taking Industry Structuring Seriously" <http://onlinelibrary.wiley.com/doi/10.1002/smj.2033/abstract> (you do not need to read the appendix, as it is technical, though if you have a good technical background you may find it worthwhile)

We will cover: Cournot and Bertrand models with differentiated products (only the intuition, don't worry), vertical versus horizontal differentiation, differentiation in input markets

Week 5 – New Product Entry and Exit

Readings: HBS Case Neopets, Klepper 1996 "Industry Life Cycles"

<http://icc.oxfordjournals.org/content/6/1/145.abstract>

We will cover: the industry life cycle, entry as a spinoff versus entry de novo, industry "shakeouts"

Week 6 – Learning Curves and Efficient Scale

Readings: HBS Case Airborne Express, Thompson 2001 "How Much Did the Liberty Shipbuilders Learn?"

<http://www.jstor.org/discover/10.1086/318605?uid=3738456&uid=2&uid=4&sid=21104760984701>

We will cover: network effects, learning curves versus the disadvantages of moving first, organizational learning and forgetting, limits of the learning curve a la Abernathy and Wayne

Week 7 – MIDTERM

Classes 8 through 12 will shift toward the internal organization of firms

Week 8 – Incentives for Workers and Managers

Readings: HBS Case Lincoln Electric, Kerr 1975 "On the Folly of Rewarding A While Hoping for B"

<http://www.jstor.org/discover/10.2307/255378?uid=3738456&uid=2&uid=4&sid=21104760984701>

We will cover: the agency problem (you can't make your workers do anything...), moral hazard vs. adverse selection, risk-sharing, multitasking, team incentives, China in the gaige Kaifeng period

Week 9 – Relational Contracts

Readings: HBS Case The Walt Disney Company and Pixar, Helper 2014 “Management Practices, Relational Contracts, and the Decline of General Motors”
<https://www.aeaweb.org/articles.php?doi=10.1257/jep.28.1.49>

We will cover: employees can be paid in two ways, when are promises credible?, the rarity of formal contracts with supplier and other relationships

Week 10 – Knowledge and the Firm

Readings: Milgrom and Roberts “Economic Organization & Management” pp 88-119 (in course packet), Hayek 1945 “The Use of Knowledge in Society”
<http://www.jstor.org/discover/10.2307/1809376?uid=3738456&uid=2&uid=4&sid=21104760984701>,
Shalizi 2012 “In Soviet Union, Optimization Problem Solves You!”
<http://vserver1.cscs.lsa.umich.edu/~crshalizi/weblog/918.html>

We will cover: socialist calculation, incentives for information gathering among managers, inferring information from the market, the andon cord, knowledge transfer as a rationale for firm structure

Week 11 – Entrepreneurial Strategy I

Readings: HBS Case Netflix, Gans Murray and Stern 2014 “Entrepreneurs Need Strategy” (on Blackboard)

We will cover: Disrupt, Compete or Cooperate, the fundamental question for entrepreneurial firms, Is “Disruption” overrated?, what makes an entrepreneurial firm different anyway?, complementary assets

Week 12 - Entrepreneurial Strategy II

Readings: HBS Case GSK's Acquisition of Sirtris, Hall et al 2014 “The Choice Between Formal and Informal Intellectual Property”
http://eml.berkeley.edu/~bhhall/papers/HHRS14_IP_choice_lit_survey_JEL.pdf

We will cover: What do scientists in a firm actually do?, How should science be employed, absorptive capacity, the question of intellectual property, the potential negatives of formal IP