



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM392H1

Strategic Management

Winter 2019

Course Meets:

L0401 Mondays, 9-11am WO35

L0101 Mondays, 2-4pm RT 142

Instructor: Shannon Liu
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Teaching Assistant:
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Course Scope and Mission

Strategy as taught in this course is, about why some businesses are able to consistently turn a profit, and others are unable to do so. We are looking to identify sources beyond “luck” which explain why firms with equally good products and equally competent employees nonetheless perform so differently. In particular, we will study

1. why there are persistent differences in productivity and profit
2. how certain strategic choices “match” better than others
3. the ways in which a firm can influence its rivals’ behavior
4. when firms should grow, shrink, or expand in scope
5. how to motivate workers, managers, and suppliers
6. the role of beliefs in so-called “relational” contracts
7. special topics for strategy in an entrepreneurial firm

The content is taught largely from an economics perspective, and we will use content you learned in introductory microeconomics, including basic game theory. For each class, you will read an academic article looking at a problem of firm strategy, as well as a case (or cases); some of these cases draw on economic history, and many involve firms you will never have heard of. This is deliberate: we will not care about the specific problems firms in the cases face, but rather will attempt to suss out Platonic lessons related to why some firms become highly profitable and others do not.

The ultimate goal of this course is to improve your decision-making and critical thinking capabilities through the acquisition and internalization of strategy tools and through active discussion and debate with peers. The emphasis of the course, and particularly of class discussion, is on rigorous thinking and learning rather than finding the “right” answer.

We should also note that RSM 392 is designed to function like an MBA course and to prepare the students (a) for potential MBA courses in the future and (b) for the intensity of the professional experience. Note that the course builds heavily on the MBA Strategy courses offered by leading MBA programs. Consistent with this approach, we emphasize class participation, class discussion, and professionalism to a substantial degree.

Course Prerequisites: RSM219H1, RSM222H1

Required Readings

Course Package (cases + readings), required: see instructions **at the end of this syllabus** for how to purchase and access your course package. There are a number of non-case readings for this course. All are linked in this syllabus and available via the University of Toronto's online subscriptions.

Evaluation and Grades

Grades are a measure of the performance of a student in individual courses. Each student shall be judged on the basis of how well he or she has command of the course materials.

		<i>Due Date</i>
Class Contribution	10%	Ongoing
Topics in the News Presentation	10%	From Jan 28th on
Group Problem Sets	10%	1st March 4th, 2nd Mar 25th
Mid Term Exam	30%	Feb 11nd
Final Exam	40%	During FAS Final Examination Period

Class Contribution (10%)

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 class is highly interactive. Regular class attendance and class participation are therefore a critical part of this course. If for some reason you are not prepared, please let me know before the start of class so that I do not call on you and cause embarrassment. It is likely that I will open the class by asking someone to summarize the readings or cases briefly or answer a short question. With a reading, you should be able to outline the problem that the article addresses, describe the core points of the reading, and most importantly, offer your analysis of the strengths and weaknesses of the reading's central argument. With a case, you should be able to identify the key issues, problems, and opportunities facing the central protagonists, to articulate and evaluate alternative approaches to the problems, and to describe the course of action that you recommend and the reasons for your recommendations.

If you happen to have information from outside the case materials, please do NOT introduce it in the discussion without prior discussion with the instructor. The point of the case discussion is to adopt the perspective of the decision makers at the time of the case, and adding extra information shifts the discussion away from the issues we need to emphasize in the case. On the other hand, if you are particularly knowledgeable about a case, a firm or an industry we discuss, please let the instructor know so that your insights can be eventually brought to bear in the discussion.

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.

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.

Class contribution points are determined by peer evaluation. The points are based on the number of votes that a student receives (8%), and on the proportion of top-five vote getters for whom he or she voted (2%). More will be said on this in class.

Topics in the News (10%)

Before classes 4 through 12, aside from Midterm day, a different group of roughly four to five students will prepare a 10 minutes presentation about how the theoretical content we saw in the previous class relates to an article in the business press. You will also prepare a write-up of 2-3 pages (again, as a group) to be handed in. For example, if we are discussing formal incentives for workers, you will look through the business press of your choice - this can be local newspapers like the Financial Post, international papers like the South China Morning Post, or news magazines. By **Saturday morning at 8 a.m.**, you must send me the article you propose, and I will have it posted on Blackboard for other students to read. Your goal will be to briefly introduce what the firm or organization is doing, the alternatives they can pursue instead, and a theoretically-grounded argument about which option you feel is most appropriate. Other students in the class will then challenge your interpretation. You should feel free - indeed, I encourage you - to come to office hours as a group during your week so we can discuss how to prepare this.

Group Problem Sets (10%)

Twice during the semester, group problem sets are completed. Problem sets will be given at least two weeks before the due date. Students are required to prepare preliminary answers to the problems at home and to **work on the preparation independently**. The purpose of the group problem sets is to create environment for you to derive final answers to the problems in a team environment, often seen in the real business world. Teams will be created in the class a week before the due date. Hence the team have a week to meet up and complete the exercise. The size and composition of the groups will be altered for each problem set. No individual answers are submitted. Only the team answer is handed in, **hard-copy, in class of the due date**.

In-Class Midterm Exam (30%) An in-class midterm exam will take place on Monday, February 11. 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.

Final Exam (40%) 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.

Office Hours and Email Policy

The TAs and I will make important announcements in lectures and tutorials, on the Portal, or via e-mail to the class.

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 (Tuesdays 2-3:30 pm), 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, the TA (Zheng Gong) will be able to answer most of them by email. Please prefix the subject header with [RSM 392] so that I can sort and prioritize your message. If you don't receive a response after 72 hours please send me a reminder. My goal is to reply to your email within 48 hours, although there may be exceptions to this rule. Because I may not respond to email immediately, I encourage you to take advantage of other information about the course. For example, many issues related to format or requirements can be found in this syllabus. Quercus will also have resources from classes as well as any summary slides that might be available. Please note that I am unable to email you copies of individual cases and that I do not accept any assignments over email (or fax).

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 one week 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).

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 30% 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.

Alternative Exam Locations

In the past, students with special needs or conflicts have taken the exam in alternative locations. Given the multi-faceted nature of this class, it is my policy to be present and to answer questions while the exam is in progress. If you are at an alternative exam location, be sure to make prior arrangements so that I may access you in case you have questions only the instructor can answer.

Course Work & Academic Honesty

Submission of Assignments – Late submissions of any assignment may be considered; however, a resolution may be determined at the instructor's discretion and may include an academic penalty. The manner in which the assignment should be submitted (via Quercus or in-class) is noted on the

assignment description itself. No other methods may be used to submit the assignment unless an arrangement has been made in advance of the due date with the instructor. Missing or unreadable attachments submitted via Quercus will be considered late unless they are resubmitted before the assignment due date.

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: accessibility.services@utoronto.ca or <http://www.accessibility.utoronto.ca/>.

Academic Integrity

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.

Email

At times, the course instructor may decide to communicate important course information by email. As such, all UofT students are required to have a valid UTmail+ email address. You are responsible for ensuring that your UTmail+ email address is set up AND properly entered on the ROSI system. For more information please visit <http://help.ic.utoronto.ca/category/3/utmail.html>

Forwarding your utoronto.ca email to a Hotmail, Gmail, Yahoo or other type of email account is not advisable. In some cases, messages from utoronto.ca addresses sent to Hotmail, Gmail or Yahoo accounts are filtered as junk mail, which means that important messages from your course instructor may end up in your spam or junk mail folder.

Quercus

The online course page for this course is accessed through Quercus. To access the course page, go to the UofT Portal login at <https://q.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 <http://www.portalinfo.utoronto.ca/students> and review the Frequently Asked Questions.

Recording Lectures

Lectures and course materials prepared by the instructor are considered by the University to be an instructor's intellectual property covered by the Canadian Copyright Act. Students wishing to record a lecture or other course material in any way are required to ask the instructor's explicit permission and may not do so unless permission is granted (note: students who have been previously granted permission to record lectures as an accommodation for a disability are, of course, excepted). This includes tape recording, filming, photographing PowerPoint slides, Quercus materials, etc.

If permission is granted by the instructor (or via Accessibility Services), it is intended for the individual student's own study purposes and does not include permission to "publish" them in anyway. It is absolutely forbidden for a student to publish an instructor's notes to a website or sell them in any other form without formal permission.

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. You should not leave and re-enter the class. You should avoid engaging in side conversations after class has begun.

Focusing on the class. Unless you have a very strong reason to need one, laptops will not be permitted in class, as the course is discussion heavy. There is also good empirical [evidence](#) that notetaking on a laptop decreases how much conceptual content you remember.

Get to know your classmates. Please bring your name placards; even better, in the first few classes, please state your name when answering questions.

How to Prepare for Classes

Most of our classes involve a case, although there is one full class lecture (Industry Analysis), and there will be at least one class activity during the term.

- For every class, you should be prepared to answer any (or all) of the discussion questions provided in the syllabus should you be called on in class. Use the questions as a starting point to guide your preparation.

- For lectures: you should read the theoretical reading in your case book.
 - Start by skimming the reading, looking at headings and subheadings to understand what the reading discusses. Then examine any diagrams.
 - Then reread the questions for the lecture.
 - Use these questions as you read the text itself.
 - What are the central points of the reading? Why are these points important? What is not addressed? What assumptions are being made? In other words, be prepared to know the central points of the reading as well as share a critical analysis of your reading.
- For cases: while there's no set method of case preparation, one way involves the following:¹
 - Start by reading any theoretical readings or articles that are also assigned. Consider what the case is designed to accomplish—why this case, now, in this course? Use the theoretical readings as a way to frame your reading of the case
 - Read the exhibits first. What do they say about the case?
 - Then skim the case.
 - Examine any case questions, and think about how the case headings relate to those questions.
 - Read the case. Take notes on important issues. Draw links between the theoretical reading and the assigned case. Apply any tools discussed in the theoretical readings.
 - Reread the exhibits.
 - Answer the questions.
 - Also, don't forget what we've learned in prior classes. Often using those tools of analysis (5 forces, for example) will give you new insights into a particular case. Thus, the course will often build on concepts already taught rather than addressing a new subject in isolation each week.
 - It's often helpful to summarize your perspective of the case on a single page of notes. It requires you to focus on the larger issues at hand, rather than feeling that every fact is important.
 - Take a stand. What are the core issues in this case? Why are they so important? What should be done? What will happen if your idea is implemented?

¹ This section borrows heavily from Prof. Anita McGahan's notes on how to prepare cases (article forthcoming)

Weekly Schedule

	Date	Topic	Discussion Questions	Reading
1	Jan 7	Introduction	<p>What is strategy?</p> <p>Why, and to what extent, do firms differ in their productivity and profitability?</p> <p>Why aren't all profits competed away from successful firms?</p> <p>Why are business cases difficult to learn from without theory?</p>	<p>Porter, "What is strategy?" HBR, Nov-Dec 1996, Reprint #96608, Vol. 74 Issue 6, p61-78;</p> <p>Gavetti and Rivkin, "Use and Abuse of Analogies" (9-703-429), HBS.</p>
2	Jan 14	Industry Analysis and Value Capture	<p>How much do industries differ in their profitability?</p> <p>Is it best to enter "blue ocean" industries where you are a monopolist?</p> <p>Are rival firms always competitors?</p> <p>Why do some firms in a value chain earn large profits and some earn little?</p>	<p>HBS Case on Crown, Cork and Seal</p> <p>"The Right Game" by Brandenberger and Stuart</p> <p>Optional reading for more technical depth: "Value Capture Theory" by Gans and Ryall</p>
3	Jan 21	Differentiation	<p>What are vertical and horizontal differentiation?</p> <p>How can firms differentiate in their input markets?</p> <p>When is differentiating your product bad for profits?</p> <p>Should you always differentiate into higher-quality products?</p>	<p>HBS Case on Samsung</p> <p>"Taking Industry Structuring Seriously" by Makadok and Ross (only pages 509-523; the appendix is very technical and can be omitted)</p>
4	Jan 28	Pricing Strategies	<p>Why do we use prices in the first place?</p> <p>What other "mechanisms" can be used to transact, and when should they be used?</p> <p>When do prices get competed down to zero profitability?</p> <p>What causes price wars?</p>	<p>Kellogg writeup on "The Mother of All Pricing Battles"</p> <p>HBS Case on Virgin Mobile</p> <p>Chapter 7 of "Principles of Pricing" by Vohra and Krishnamurthi</p>
5	Feb 4	New Product Entry and Exit	<p>When considering entry, does the age of an industry matter?</p> <p>Why do incumbents get entrenched in some industries?</p>	<p>Ivey Case on Porter Airlines</p> <p>"Industry Life Cycles" by Klepper</p>

			<p>Why are new inventions adopted slowly?</p> <p>Why do some industries have frequent exit and entry of leading firms?</p>	
6	Feb 11	Midterm	(in-class midterm)	
7	Feb 25	Theory of the Firm	<p>Why do firms exist anyway?</p> <p>Why did firms arise historically?</p> <p>What should you make yourself and what should you buy?</p> <p>When should firms merge or separate?</p>	<p>HBS Case on Arauco</p> <p>HBS Case on Johnson Controls Kentucky Plant</p> <p>Handout on Formal Theories of the Firm</p>
8	Mar 4	Incentives for Workers and Managers	<p>Why can't you make workers do what you want?</p> <p>Why are teams hard to motivate?</p> <p>What is performance pay trying to accomplish?</p> <p>When can strong incentives perversely make outcomes worse?</p>	<p>HBS Case on Lincoln Electric</p> <p>HBS Case on Safelite</p> <p>"On the Folly of Rewarding A While Hoping for B" by Kerr</p> <p>"Excellent Police" by Fisman and Sullivan</p>
9	Mar 11	Relational Contracts	<p>Why are formal contracts so rare in business contexts?</p> <p>When can the promise of future business or promotions induce cooperation today?</p> <p>Why did General Motors decline in the 1980s instead of just copying Toyota's practices?</p>	<p>"Management Practices, Relational Contracts, and the Decline of General Motors" by Helper and Henderson</p> <p>Optional reading for more technical detail: "What do Managers Do?" by Gibbons and Henderson</p>
10	Mar 18	Learning Curves and Efficient Scale	<p>Why do bigger or more experienced firms have lower unit costs?</p> <p>When are decreasing unit costs a source of strategic advantage?</p> <p>How do you know, empirically, the nature of the learning curve in your industry?</p> <p>What are the dangers of taking advantage of learning curves?</p>	<p>HBS Case on Airborne Express</p> <p>Bessen chapter 2 "Skills of the Unskilled"</p>
11	March 25	Entrepreneurs hip	<p>Is "disruption" overrated?</p> <p>What makes an entrepreneurial firm different anyway?</p>	<p>NTU Case on Meituan-Dianping</p> <p>"Dynamic Commercialization Strategies" by Marx, Gans and Hsu (pages 1-24; appendix can be omitted)</p>

			Who becomes entrepreneurs? Is the ``MVP" model of entrepreneurship always best?	"More Entrepreneurs is Bad Public Policy" by Shane
12	April 1	Innovation	What do scientists in a firm actually do? Why may scientists be useful even if they invent nothing? Why do the non-research assets of your firm affect what types of scientists you want? How important is formal intellectual property?	HBS Case on GSK's Acquisition of Sirtris "Absorptive Capacity" by Cohen and Levinthal
EX AM	Exam Period TBD (Mid to Late April)			

For Course: **Strategic Management - RSM 392 Winter 2019**, Professor **Shannon Liu**

For assistance contact Ivey Publishing directly Monday to Thursday: 8:00am-4:30pm (EST) Friday: 8:00am-4:00pm (EST) at cases@ivey.ca or 519-661-3208

To purchase the course materials, follow the following steps:

1. Go to the Ivey Publishing website at www.iveycases.com
2. [Log in](#) to your existing account or click "[Register](#)" to create a new account and follow the prompts to complete the registration. If registering, choose the "Student User" role.
3. Click on this link or copy into your browser: <https://www.iveycases.com/CoursepackView.aspx?id=21563>
4. Click "Add to Cart".
5. You may choose to order in either **print** or **digital** format.
 - To order the material in digital format, check "digital download" and click "OK".
 - To order a printed copy for delivery, enter the print quantity required and click "OK". Please note that shipping charges will apply.
6. Go to the Shopping Cart (located at the top of the page), click "Checkout", and complete the checkout process.
7. When payment has been processed successfully, an Order Confirmation will be emailed to you immediately and you will see the Order Confirmation screen.
 - If you ordered digital copies: Click "Download your Digital Items" or go to "My Orders" to access the file.
 - If you ordered printed copies: Your order will be printed and shipped within 2 to 3 business days.
8. Go to the Shopping Cart (located at the top of the page), click "Checkout", and complete the checkout process.
9. When payment has been processed successfully, an Order Confirmation will be emailed to you immediately and you will see the Order Confirmation screen.
 - If you ordered digital copies: Click "Download your Digital Items" or go to "My Orders" to access the file.
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