



Rotman Commerce UNIVERSITY OF TORONTO

Course Outline

RSM492H1S

Cooperative Strategy

Winter 2015

Course Meets: W 11a – 1p WW 120

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Course Scope and Mission¹

Collaboration is at the heart of every activity designed to create economic value. Even in rudimentary buy-sell transactions, parties must cooperate to implement their exchanges. At the same time, the reason agents engage in value-creating activities is to maximize the amount of value they capture. Therefore, from the simplest purchase agreement to the most complex technology development alliance, there is always a tension between collaboration to produce value and competition to capture it. From the “30,000 foot” level, the firm’s strategic problem is *always* about finding a balance between cooperation and competition.

Therefore, the starting point of RSM492 Cooperative Strategy is to develop students’ abilities to think clearly about this tension. The first half of the class focuses upon developing a quantitative, analytical tool known as the *Value-Capture Model (VCM)*. The VCM is Strategy’s modern analog to Finance’s CAPM. It provides a platform for analyzing strategic decisions and assessing all manner of strategic projects – from market entry to new product development to alliance formation. In the second half of the class, the focus shifts to applying value capture theory to the challenges associated with managing a wide range of collaborative projects between the firm and its partners in the creation of economic value.

The class is aimed primarily at students interested in developing a sophisticated, state-of-the-art set of tools for strategic management. This material goes far beyond the standard, informal frameworks encountered in basic strategy courses (e.g., Porter’s dated “Five Forces” model). As a result, RSM492 is an excellent choice for those pursuing a career in *management consulting*. In addition, this material complements Finance studies. Indeed, a large share of my students is typically made up of *Finance* majors. This is because assessing the “cash flow” part of discounted cash flow requires precise analysis of value capture under competition. This is generally true at the project level and always true at the firm level (i.e., to compute a firm’s market value).

¹ Please note that this is a major revision to earlier offerings of RSM492H1S. The content of this course applies the analytical framework developed in RSM418H1 (Advanced Strategic Analysis). Because most students taking this course will not be familiar with that framework, I develop it from scratch. Students should, therefore, be aware that there is significant overlap of content between the two courses.

Course Goals

It is my hope that, at the completion of the course, you will be equipped with:

1. Insights into the ever-present tension between cooperation and competition, the extra-competitive role of persuasion, and how these interact to effect successful value capture;
2. A complete, quantitative framework for analyzing all manner of business strategies;
3. Identify, prioritize and extract value from collaborative opportunities in the marketplace.

Is this Subject Right for You?

The great thing about learning ideas years before they become the “conventional wisdom” is that the student acquires knowledge that is scarce and valuable – as we will demonstrate in this course, knowledge of this type is what leads to superior value capture for those in possession of it. Students who select this elective do so precisely to learn advanced concepts that are not offered elsewhere.

That said, this class is not for everyone. Experience suggests that some students who enroll for this course come to regret it. The elements of the course that cause problems for these individuals are:

1. The material is mathematical and abstract. You are required to understand the meaning of notation such as $\left((G, v_G) \in O \right) \left(\sum_{i \in G} p_i \geq v_G \right)$. While I will explain what mathematical sentences like this mean the first time they are presented, students who are unfamiliar or uncomfortable with symbolic notation are at a disadvantage.
2. The class contains a large number of new concepts, definitions and propositions -- both in the formal and informal sense. Grasping the precise meaning of these items is only the first requirement; the ultimate challenge is applying them to real world situations. Students whose learning style is “cramming” at the last minute tend to do poorly.
3. The lion's share of the content and, therefore, homework and exams involves working through numerical problems. This is not a class for people who have a strong distaste for problem solving.
4. There is no textbook. All of the necessary content is delivered through my lectures. This places an added burden on the student (i.e., versus courses that are supplemented by highly polished textbooks).
5. The material intentionally draws on the latest research in strategy – much of it yet to be published. Thus, going beyond the textbook problem mentioned in item #4, there is not a large reservoir of clean case applications to illustrate exactly how to apply the material. *The student must be willing to step up and play the role of innovation pioneer*, to “commercialize” these ideas in business practice. Those uncomfortable in such a role find the material too insufficiently “practical” and, hence, of little use.

Course Prerequisites

Prerequisites: [RSM392H1](#).

Required Readings

Textbook: None

Course Package: Supplemental readings will be posted.

Cases: Go to the Coursepack link: <https://www.iveycases.com/CoursepackView.aspx?id=5608>. For technical assistance, please contact Ivey Publishing during business hours: Monday to Thursday: 8:00am-4:30pm (EST) Friday: 8:00am-4:00pm (EST) (e) cases@ivey.ca, (t) [519-661-3208](tel:519-661-3208). Please [log in](#) or [create an account](#). Access to your digital coursepack is for a period of 30 days from date of purchase. **This coursepack is for your personal use only and is not to be shared or distributed in any form.**

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. All assignments will be graded on a 100 point scale and then weighted as follows:

<u>Item</u>		<u>Due Date</u>
Case Write Up/Presentation	35%	See weekly schedule
Mid Term	25%	Feb 11
Final Exam	35%	Scheduled by the Faculty of Arts & Science
Participation	05%	Throughout

Assignment Details

Participation

Attending class, coming prepared, being attentive, participating in the in-class labs, and contributing to class discussions facilitates not only individual learning but also creates positive externalities for the class as a whole. To encourage the creation of these benefits, course participation is factored in to your assessment. Essentially, the assessment weighting means that, if your assessment from other components places you on the margin between two letter grades, your demonstrated level of preparedness, attentiveness, participation, and contribution will determine on which side of the divide your final grade will fall.

Exams

1. *Midterm* The midterm is open-book and covers all preceding lectures.
2. *Final* The final is open-book and comprehensive.

To reward improved performance over the term, final assessment will be computed as the higher of: i) the average of the midterm and the final; or ii) the final. For example, if the midterm grade is 80 and the final is 90, 60% of your grade will be assessed at 90. If the grades are 90 and 80, respectively, then 60% of your grade will be assessed at 85. Note the implication that taking the midterm can only help your final assessment. Failing to take the midterm will result in a midterm grade of zero.

Bonus credit From time to time, I may provide opportunities to complete small assignments for bonus credit. Note that final marks cannot exceed 100%.

Team Assignments

Teams There will be a number of case assignments, the plan being to do the five cases listed in the schedule, but the actual number and cases may vary depending upon how quickly we get through the material. The overall weighting of these assignments is as indicated.

Each case write-up is to be done by groups of approximately 4 students each (depending upon the number of students in the class). Teams should be self-organized: please send me an email with the names of your group members before the midterm.

Assignment For each discussion, some teams will be assigned to make a presentation. Those teams must hand in a 20 minute PowerPoint presentation (8-10 slides). The other teams will hand in a 2-page write-up summarizing they key logic and insights of their analysis. Assignments should be emailed to me by 3:00pm on the day before the scheduled due date. **All** students are expected to come prepared for the class discussion. Study questions will be communicated prior to the due date.

Information Sources Since strategy cases usually focus upon the issues facing a real company at a critical juncture in its history, you may know the actions actually taken by the company as well as their consequences.

Here, we are interested in thinking about how the analytical tools presented in this class might have informed these decisions, not in the decisions per se. It is expected that you work purely from the data in the case.

Focus In answering the assigned study questions, your task is not simply to answer them in a coherent fashion, but to provide insightful conclusion drawn from course content (the purpose of the cases is to apply the concepts from this class, not those learned elsewhere).

Originality Your case analyses are expected to be creative and original. You must not plagiarize others' work. Please review *The University of Toronto's Code of Behaviour on Academic Matters*.

Group vs Individual Grade All group members receive the same grade for their joint assignments. Rotman Commerce has extensive resources in place to support group work. Students should organize the groups up-front, with clarity on division of labor. If, for some reason, issues arise that threaten the smooth performance of assignments, students should proactively seek appropriate support.**

** The Rotman Commerce Team Coach, Nikoleta Vlamis, may be reached at nikoleta@nikoletaandassociates.com for an appointment. Nikoleta is an expert in team dynamics and facilitation. Note that Nikoleta's role is to provide guidance, support and advice on team matters – not to formally evaluate or assess teamwork for academic purposes.

Weekly Schedule

#	Date	Topic	Supplemental readings	Case Assignments
1	Jan 7	Overview, notation, basics		
2	Jan 14	Value creation & capture, added value, competitive ranges	Brandenburger & Stuart , 1996 Ryall (2013) (see Blackboard)	
3	Jan 21	“Coopetition”	Makowski & Ostroy , 2001 Dixit & Skeath 1999 (pp. 550-81.) (see Blackboard)	
4	Jan 28	Competitive bounds, persuasion	MacDonald & Ryall, 2004 Ryall – teaching note	
5	Feb 4	Competitive intensity	Montez et al., 2013	
6	Feb 11	MIDTERM		
7	Feb 25	Best reply strategies	Brandenburger & Stuart, 2007	
8	Mar 4	Capacity-related mergers		Case 1: Anheiser-Busch 9-799-026 (HBS)
9	Mar 11	Strategic complementarities		Case 2: Cirque du Soleil 9-709-411(HBS)
10	Mar 18	Strategic network positions	Ryall & Sorenson (2004)	Case 3: Systematic 909M47 (Ivey)
11	Mar 25	Platform strategies		Case 4: Intuit QuickBooks 9-714-433 (HBS)
12	Apr 1	De Novo collaborations –startups		Case 5: EKSF
Final Exam				

References

- [1] Brandenburger, A.M. and H.W. Stuart (1996) [Value –based Business Strategy](#). *Journal of Economics & Management Strategy* 5 (1), 5-24.
- [2] Brandenburger, A.M. and H.W. Stuart (2007) [Biform Games](#) . *Management Science* 53 (4), 537-49.
- [3] Dixit, A., and S. Skeath (1999). “Markets and Competition.” *Games of Strategy*, p. 550-81. **(see Blackboard)**
- [4] MacDonald, G., and M. D. Ryall (2004). [How Do Value Creation and Competition Determine Whether a Firm Appropriates Value?](#) *Management Science* 50 (1): p. 1319-1333.
- [5] Makowski, L. and J.M. Ostroy (2001). [Perfect Competition and the Creativity of the Market](#). *Journal of Economic Literature* 39 (2), 479-535.
- [6] Montez, J., F. Ruiz-Aliseda, and M. D. Ryall (2013). [Quantifying the negative – and positive – effects of competitive intensity on firm performance](#). Unpublished working paper.
- [7] [Ryall, M. D. \(2003\). Teaching Note: Interactions, Options and other objects of strategic analysis. Unpublished manuscript.](#)
- [8] Ryall, M. D., and O. Sorenson (2007). [Brokers and competitive advantage](#). *Management Science* 53(4) 566-583.
- [9] Ryall, M. D. (2013). The new dynamics of competition. *Harvard Business Review*. **(see Blackboard)**

POLICY AND PROCEDURE

Missed Tests and Assignments (including midterm 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.

Grade calculations with missed assessments. Assume the student has missed assessments the aggregate weight of which is x%. If $35\% + x\%$ is less than or equal to 80%, then the weight of the final will be adjusted to $35\% + x\%$. If $35\% + x\%$ is greater than 80%, then the final will be weighted 80% and a make-up exam will be arranged and weighted $35\% + x\% - 80\%$ (i.e., the difference versus the final's ceiling of 80%).

Late Assignments

Late submissions without special consideration will not be accepted and will be marked zero.

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

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.

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

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, Blackboard 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.