



# Rotman Commerce UNIVERSITY OF TORONTO

## Course Outline

### RSM 492 H1S

Cooperative Strategy

Winter 2017

Course Meets:

L0101 Tuesdays, 2-4pm WO25

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## Course Scope and Mission

We are often told that cooperative situations that are “win-win”, rather than “winner-take-all”, offer the greatest potential for value appropriation. What does this really mean? How can we generate strategies that place firms in “win-win” scenarios? And in these situations, how do we choose the best cooperation partners and how can we maximize the value generated from these ventures? Almost all business leaders will find themselves establishing, maintaining, or competing with cooperative ventures. This course is particularly suitable to those with an interest in consulting, general management, and complex or high-technology ventures.

Through an admix of cases, course readings, and lectures, you will develop your ability to determine whether, when and how to executive cooperative strategies as part of your firms’ overall strategy. This course extends the fundamentals you learned in Core Strategy (i.e., Competitive Strategy), as well as complementing other electives such as Corporate Strategy, Technology Strategy, and Entrepreneurial Strategy.

In this course, we draw on recent advances in competitive strategy, organizational theory, and organizational economics. Although the course incorporates various theoretical perspectives, it is ultimately designed to focus on the essential issues and problems of cooperative strategy as experienced by managers. The objectives of this course are to provide analytical frameworks and tools that will sharpen your ability to:

- Recognize and evaluate collaborative opportunities;
- Evaluate potential partners;
- Structure a collaborative venture to extract value;
- Anticipate problems faced by cooperative ventures and to manage these effectively;
- Develop and assess a coherent, internally-consistent cooperative strategy.

We should also note that RSM 492 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:** RSM392H1

### Required Readings

Course Package (cases + readings), required

### 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.

<u>Work</u>		<u>Due Date</u>
Class Contribution	20%	Ongoing
Case Question Hand in	15%	no later than March 28
Mid Term Exam	25%	March 7
Final Exam	40%	During FAS Final Examination Period

#### ***Class Contribution (20%)***

The goal of class discussion is to arrive at a collective analysis of the issues presented by the day's materials. 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 should 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 at the end of the first month 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 in 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?
- **Advancement:** Do your comments move the class discussion forward or simply reiterate points that have already been made? Do you sustain a line of argument or point of view through a significant part of the class session, or is it an isolated comment?
- **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?
- **Integrative Thinking:** Is there a willingness to challenge the ideas that are being expressed? Is there a willingness to test new ideas? Does the participant integrate material from past classes or the readings where appropriate? Do the comments reflect cumulative learning over the course, or does the participant merely consider each case in isolation?
- **Clarity:** Are your comments succinct and understandable?
- **Quantity:** Do you participate on a regular basis?

These bullet points highlight two important parts of a good discussion: preparation (so that you can support your answers and make clear statements) and listening (so that you respond to the discussion as it unfolds). Positive contributions may include contributions such as: providing germane illustrations; motivating the use of a particular tool or technique; helpful recapitulation or summarizing; making observations that link or integrate concepts or discussion; responding effectively to questions; asking perceptive questions; illustrating specific points by appealing to your own experiences; quoting movies that neatly illustrate important elements of readings or cases; as well as presenting or supporting alternative, or unpopular, positions. Being “wrong” will not count against you, but it will also not help out. Making empty or repetitive comments that do not add to the discussion will also not help, and may hurt if these comments interfere with the ability to discuss issues in depth.

Students who dominate discussions, discourage, intimidate, or show a lack of respect for other participants, or diminish the value of the class in any way, will be penalized. In particular, 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.

### ***Case Question Hand-in (15%)***

Twice during the semester (once before and once after the midterm), you must write up (in sentence form) and hand in answers to the assignment questions for a particular week's case. These are to be handed in at the start of the class in which the case is being discussed. Case question(s) for write-up will be assigned at the start of the semester. Your hand-in should be no more than 2 pages (typed, double-spaced, 12 point font, stapled). Please include your name (full names, not nicknames) as well as your student ID number on your write-up. Only PAPER copies of this assignment will be accepted.

***In-Class Midterm Exam (25%)*** An in-class midterm exam will take place on Tuesday, March 7th. 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 by March 21, if not

earlier.

**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.

### **Email Policy & Office Hours**

Email is the best (and preferred) method of contact. 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. Blackboard 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. If you would like to meet with me in person, I encourage you to come to my regularly scheduled office hours (Mondays 1-2pm). If you can not make this time, please email me to set up an appointment and we will make arrangements for an alternate time. My office hours are drop-in, on a first-come first-served basis.

### **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 25% 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 65% 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 Blackboard 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 Blackboard 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](mailto: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.

### **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](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, 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.

### **Classroom Norms**

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

**Attending the class.** Each class benefits from the attendance and participation of all students. Your grade for participation will be affected by absences. You should sit in the assigned seat, if relevant, and display a legible name card at all times.

**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.** Laptops and other electronic devices should be turned off during class.

**Being prepared for class.** You should be ready to discuss any assigned readings and to answer any assigned questions for each day's class, including being ready to open a case assigned for that day.

**Respect.** You should act respectfully toward all class participants.

**Prepare using only class materials.** Before a case is analyzed in class, you should neither read an analysis of the cases nor discuss it with students who have previously discussed it in class (either in a previous year or in a different course or section). Similarly, you should not share the notes handed in class with another student who may take the course at some later time. If you are in violation of this policy, or know of someone who is, please discuss it with the professor.

## How to Prepare for Class

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:<sup>1</sup>
  - 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?

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

## Weekly Schedule

Session	Date	Topic	Case	Reading
1	Jan 10	Introduction	Toto Toilets (9-804-064), HBS	None
2	Jan 17	Competitive Strategy.	None.	-Porter "The Five Competitive Forces that Shape Strategy" <i>Harvard Business Review</i> , January 2008 <b>(article on Blackboard)</b> - Ghemawat & Rivkin "Creating Competitive Advantage" (798062-PDF-ENG) from HBS Press
3	Jan 24	Benefits of Cooperation	Intel (9-797-137), HBS	-Capron & Mitchell "Build, Borrow, Buy" Chapter 1 (pp 11-34) <b>(chapter on Blackboard)</b>
4	Jan 31	Co-Specialization	Millennium Pharmaceuticals (9-600-038), HBS	-Hoang, Rothaermel, "How to Manage Alliances Strategically" <i>Sloan Management Review</i> , Fall 2016 <b>(article on Blackboard)</b>
5	Feb 7	Evolution of Cooperation	Disney + Pixar (9-709-462), HBS	-Yoffie, Kwak, "With Friends Like These" <i>Harvard Business Review</i> , September 2006 <b>(article on Blackboard)</b>
6	Feb 14	Cooperation Among Competitors	Dandelion Chocolate, Chicago Booth Case (Provided by Prof. Pontikes)	-Hamel, Doz, Prahalad "Collaborate with your Competitors-And Win" <i>Harvard Business Review</i> , January-February 1989 <b>(article on Blackboard)</b>
	Feb 21	No class/Reading Week		
7	Feb 28	Cooperative Strategy Lecture	None.	-Brandenburger & Stuart "Co-opetition" Chapter 2 (pp. 11-39) <b>(chapter on Blackboard)</b>
8	Mar 7	Miderm	(In-class Midterm)	
9	Mar 14	Cooperation Platforms	Bloemenveiling Aalsmeer (9-706-441), HBS	-Eisenmann, Parker, VanAlstyne "Strategies for Two-Sided Markets" <i>Harvard Business Review</i> , October 2006 <b>(article on Blackboard)</b>



10	Mar 21	Social Solutions	eHarmony (9-709-424), HBS	-Piskorski "Social Strategies that Work" <i>Harvard Business Review</i> November 2011 <b>(article on Blackboard)</b>
11	Mar 28	Power of Crowds	InnoCentive (9-608-170), HBS	-Greve, Rowley, and Shipilov "Network Advantage" Chapter 1 (pp 23-47) <b>(chapter on Blackboard)</b>  -Boudreau & Lakhani "Using the Crowd as an Innovation Partner" <i>Harvard Business Review</i> April 2013 <b>(article on Blackboard)</b>
12	Apr 4	Course Conclusion		
<b>EXAM</b>	<b>Exam Period TBD (Apr 10—Apr 28)</b>			

**Instructions for Purchasing Cases for Winter 2017 RSM 492, Cooperative Strategy, Professor Chris Liu.**

If you have any questions or technical difficulties, **contact Ivey directly** during business hours:  
Monday to Thursday: 8:00am-4:30pm (EST), Friday: 8:00am-4:00pm (EST)  
(e) [cases@ivey.ca](mailto:cases@ivey.ca) (t) 519-661-3208 | (tf) 800-649-6355

link: <https://www.iveycases.com/CoursepackView.aspx?id=11106>

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.**

## Assignment Questions:

**Class 1:** Introduction to cooperative strategy. In this class we'll discuss the logic of Cooperative Strategy. We will illustrate these concepts in the case on Toto Toilets. Make sure to reach the case before class, as we will begin with a discussion of Toto.

Questions:

1. How did Toto successfully penetrate the Japanese market?
2. Why is Toto having less success in the US Market?
3. What specific actions would you recommend to Kazuo Soko?

**Class 2:** Competitive Strategy Lecture. This is a recap of competitive strategy, which you should already be familiar with. Be sure to refresh your knowledge of the two articles before class, as we will cover a lot of material quickly.

Questions:

1. What factors, at the industry-level, structure industry profitability?
2. How can a firm create competitive advantage?
3. How can a firm create sustainable competitive advantage?

**Class 3:** Cooperative Benefits: Intel.

Questions:

1. How would you explain Intel's dominance in DRAMs? In microprocessors?
2. How have cooperation opportunities solidified Intel's dominance in microprocessors?
3. In each of these cooperative situations, are there points of misaligned interests?

**Class 4:** Co-Specialization: Millennium Pharmaceuticals.

Questions:

1. Why do biotechnology firms seem to fare so poorly in their collaborations with pharmaceutical companies?
2. What is Millennium's overall strategy? Why is Millennium more successful than other biotechnology firms at its collaborative efforts?
3. Should Millennium undertake the proposed alliance with Lundberg?

**Class 5:** Evolution of Cooperation: Disney + Pixar.

Questions:

1. Are Disney and Pixar the best partners for one another? Why or why not?
2. What points of conflict are there? For example, how might the two firms have differences in the production of sequels and the timing of movie releases?
3. How did the relationship between Disney and Pixar change over time?

**Class 6:** Cooperation Among Competitors: Dandelion Chocolate.

Questions:

1. Analyze the environment for mass chocolate and craft chocolate. What are the similarities and differences between these two markets?
2. What is Dandelion's strategy? Does it support Dandelion's competitive advantages?
3. What are your thoughts on the future of the craft chocolate market? Is it viable in the long run? Why or why not?

**Class 7:** Cooperative Strategy Lecture.

**Class 8:** Midterm.

**Class 9:** Cooperation Platforms: Bloemenveiling Aalsmeer

Questions:

1. Does the VBA Cooperative create value for the Dutch growers? For the buyers? How is this value created?
2. Do you recommend that VBA admit non-Dutch growers as members?
3. If you were planning to start a cooperation platform, what market characteristics would you look for?

**Class 10:** Social Solutions: eHarmony

Questions:

1. Why do people want to meet others on-line instead of finding them in the real world?
2. Does eHarmony have a competitive advantages? If so, where does it come from?
3. How serious is the competitive threat to eHarmony?
4. Which of the four options should Waldorf pursue?

**Class 11:** Power of Crowds: InnoCentive

Questions:

1. Why would firms use InnoCentive's service to solve scientific and technical problems?
2. What kinds of problems are appropriate for Broadcast Search?
3. What are the trade-offs between choosing a market or a community for problem solving?
4. What are the advantages/pitfalls of introducing collaboration into InnoCentive environment.

**Class 12:** Course Conclusion.