



DEPARTMENT OF ECONOMICS

**COMPETITIVE STRATEGY
SPRING 2023**

Prof. Michael Moore
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Class meetings: Section 1, DL1 105, 9:30-10:45 AM
Section 2, WNR 109, 12:30-1:45 PM

Office Hours: By appointment. Zoom appointments acceptable.

Course overview and objectives

This course is designed for undergraduate economics majors who want to learn how to apply price theory and industrial organization (IO) economics to questions of competitive strategy. It examines the causes and consequences of industry structure and firm profitability, principally in the context of strategic decisions made by firms. It combines elements of price theory, including demand, costs, and welfare economics, IO concepts including the forms of market competition, barriers to entry and exit, exclusive dealing and other forms of contracting, anti-competitive tactics and antitrust, pricing with market power, non-price competition, platform competition and two-sided markets, intellectual property and dynamic competition, and problems and solutions arising due to information asymmetries and transaction costs.

Any student with an interest in applied microeconomics would benefit from this course, including those interested in careers in consulting and economic litigation, with an emphasis on antitrust. It is based on the core course in competitive strategy (STRT 431) that I have taught in the MBA program at the Kellogg School of Management. It is thus equivalent in structure and rigor to a required MBA strategy course.

The course is taught at the intermediate level. Students should be comfortable with basic calculus and elementary game theory (both non-cooperative and cooperative games, such as the prisoner's dilemma, tragedy of the commons, tit-for-tat strategies, etc.). Classes are a mixture of lecture and discussion. The discussion centers on business school cases, supplemented by articles taken from the business press. **Preparation and in-class participation are essential parts of the course.**

The fundamental question of strategy is both simple and difficult: "How can a firm earn long-run profits?" Learning how to answer this question using the tools of economics is the primary aim of this course.

A glib answer to this question is "Raise revenues, cut costs, and sell more stuff." This would indeed raise profits, but it avoids the difficult part of the question. Namely, given a firm's specific locations, products, financing, customers, competitors, and legal/regulatory constraints, what can it do to raise revenues? And, given a firm's specific products, technology, organization, and processes, what can it do to cut costs? How are attempts to do either linked by market forces? And finally, what can it do on either of these fronts that will not be eroded by the actions of its competitors, imitation, or new entry? These are all difficult questions, particularly when one asks them in the context of a specific company.

You will find that the primary emphasis of the course is not about understanding conceptually difficult material. Instead, the course focuses on learning how to apply simple—but powerful—ideas to specific situations. This will involve three primary skills.

- *Diagnosis.* Can you identify the salient details of a situation and understand their strategic significance and implications? The goal is to pick out what really matters among the facts at hand and to use economic frameworks to understand the significance of those facts.
- *Creativity.* One theme of the course is that you can't outperform your competitors by simply doing the same things they are doing. Finding creative, unique ways to do things is often the key to a successful, profitable strategy.
- *Judgment.* The frameworks and tools we develop in this course need to be applied intelligently. This class teaches you to be a better—meaning a more systematic, logical, complete, and critical—thinker about strategy. You should not expect to gain a useful body of business-related facts from this course. Instead, the aim is to teach you skills that will help you understand the significance of whatever set of facts you face in future contexts.

This is a distinctly “big picture” course. The goal is not to equip you with a lot of analytical formulas, but instead to give you a foundation for thinking about how a firm achieves its fundamental goal of maximizing long-run profitability. As you gather more tools in other classes, you will have a sense of how they work together in generating long-run profitability.

To be successful in this course, you must actively engage in thinking about the issues. There are no modules to download, no formulas to memorize, and no answers to find in a book. This course is about building your most fundamental skills in business, namely strategic thinking. Not preparing for class or expecting to passively absorb the material will do you about as much good as watching an exercise class from the sidelines.

Although the primary focus of this class will be the creation and capture of economic wealth, a variety of other objectives may apply to certain firms in particular contexts. The concepts and tools discussed in class can be used to formulate strategy with any objective in mind.

Course content

The course covers seven major topics. These topics are intellectual tools and conceptual frameworks useful for answering the question “How can a firm earn long-run profits?”

- Value Creation and Capture – How does a firm create value for customers, and how can it retain some of that value as profit?
- Industry Profitability – Why are some industries more profitable than others?
- Competitive Advantage – Why are some firms more profitable than others within the same industry?
- Sustainability – How can a firm, over the long term, maintain the profit arising from its competitive advantage?
- Flexibility vs. Commitment - What are the pros and cons of acting now vs. waiting to gather more information?
- Scope of the Firm – In which business opportunities and stages of production should firms be involved and which should they leave to other firms?
- Growth – How should a firm negotiate the pressures that growth places on a successful strategy?

Prerequisites

The sole course prerequisite is Econ 3010. Beyond that the only prerequisites are an understanding of basic price theory and a willingness to think hard, like an economist – intermediate supply-demand analysis rigorously applied. There is not a lot of math, and virtually no econometrics. Rather, the emphasis of the course is to learn to use basic price theory to understand the nature of strategic problems in business. More advanced topics are drawn from the

fields of microeconomics and industrial organization, with topics including pricing strategy, information asymmetries, externalities, contracting, real options, cooperative games, and theory of the second-best where they are useful. Because of my own background, there will be a heavy dose of antitrust economics, regulation, and public policy thrown in at various junctures.

Teaching Approach

Because the aim of the course is to build your own critical and analytical thinking abilities, you will spend much of your time preparing for and engaging in class discussion.

Many of our discussions will be based on business cases. Cases tend not to have a single, tidy solution. However, there are always better and worse answers, and valid and invalid inferences. Cases *never* contain all the information you would like to have to make a decision—in this way they are very much like real life. You may find it frustrating to be pushed to make a decision or to take a stand when you are not sure whether it is the “right” one; this is the nature of real-world decision-making in business and everywhere else. Cases often offer conflicting information. They will require you to make judgment calls. This kind of ambiguity is also a feature of real-world business decisions.

Finally, strategy is a field that asks a big question and so necessarily draws on many of the other functional areas of business. This course aims to give you an overall vision of how the different areas fit together in contributing to the success of the enterprise.

Preparation

Preparing for a case discussion means more than just reading the case. Each case assignment will include several preparation questions, as well as a written assignment that will help you articulate some of your thinking about the case in advance of the discussion. **I encourage you to review the questions *before* reading the case and to make some notes *after* reading the case in order to be prepared for class.**

There is no explicit preparation task to do as you read the conceptual readings on the syllabus, but it is a good idea always to be asking yourself, “Do I believe this argument? Where else does it apply? When would this approach not be useful?”

Much of our time in class will also be spent in discussing short articles that describe issues facing companies in a variety of industries and locations. You are expected to have read and to be prepared to discuss these articles, even when there are not explicit preparation questions provided for them. As you read the articles, you should think about how the conceptual tools that are the topic of the day are useful for understanding the issue described in the article. There may be times when we do not explicitly discuss assigned articles in class. This does not mean you should not think about them and how they apply as you review the relevant class. In fact, this would be a particularly useful way to gauge your grasp of the material (and to prepare for exams!)

If for some reason you are not prepared for class, I expect you to let me know in advance. You don’t need to give me an explanation. However, **if you haven’t told me otherwise, then you have implicitly committed to be ready to contribute to the class if I should call on you.**

READINGS

The required readings for the course are divided into two sets. One set of readings is in a **required case packet**. **This is available for purchase from Harvard Business School Publishing. You can purchase the case packet here:**

<https://hbsp.harvard.edu/import/1020839>

You will have to register (free). This packet includes most of the cases for the course (one or two others will be posted to Canvas) and some conceptual articles. On the course schedule at the end of this syllabus, and in the preparation assignments on Canvas, these readings are indicated with the words “*HBS case packet*.”

The remainder of the required readings can be accessed through the course website on Canvasb.

A few of the “readings” for class are actually videos or audios. You can find these in the relevant tabs on the Canvas website.

The **recommended** textbook is *The Economics of Strategy* by David Besanko, David Dranove, Mark Shanley and Scott Schaefer. The textbook readings noted in the schedule of readings are for background and reference. They are **not** required. Some students find them a useful resource for clarification of the conceptual material. You can get an earlier edition at a much lower cost than the current edition without much drop-off in quality, but you will have to locate the relevant passages on your own.

I will expect you to have read and to be prepared to discuss *all* required material assigned for the day, except the material in the textbook.

Background readings - See **Schedule of Course Readings** below.

Additional Materials

The following materials will be posted on the course’s Canvas website.

- **Course announcements:** Course announcements will be emailed to you via Canvas. I generally put critical course-related information in an email announcement rather than announcing it in class, so please do pay attention to such emails.
- **Assignments:** The website will contain preparation questions and case assignments for each case, as well as preparation guidance and occasional assignments for “non-case” days. These will be in the “Assignments” section of the Canvas site. You will also submit your assignments through this section of the website.
- **Slides and handouts from class:** Class slides will be posted to the Canvas site for each scheduled class day. Anything additional that I hand out in class will also be posted. If you miss something or lose something, you can find it there.
- **Extras and Updates:** I will sometimes post additional items related to our class discussion. These items, labeled “Extras and updates” are **optional** reading. They give further information about companies or issues we have discussed in class or provide additional examples where the tools or frameworks discussed in class would have useful application.

Assignments and Assessments

Individual case assignments (25%)

During the semester, you are required to write a one-two page response to a preparation question for all of the assigned cases. These case assignments will be graded on a credit/no-credit basis, 2 points each, up to a maximum of

25 points. I will provide guidelines for self-assessment after the cases have been turned in. I will not provide detailed comments on individual write-ups.

Together these written case assignments will account for 25% of your final grade. With N required write-ups, each submission is worth $25/N$ %. The preparation questions and assignments for each case will be posted in the “Assignments” section of the Canvas site. You may discuss these assignments with members of a study group (no more than 5 students/group), or with others in the course, but the final write-up must be your own. See the “Academic Integrity” section of the syllabus for more detailed guidance. You will submit your assignments online through Canvas.

Professor-graded assignments (5%)

For TWO of the above one-page assignments I (or a TA under my direction) will provide a more detailed review and comments of the individual submissions. One such case will be graded before the midterm, the other after the midterm but before the final. These will **each** count for an additional 2.5% of your final grade. I will not announce which cases will be graded in this manner in advance.

Note on formatting: The formatting of the assignments should be 1-inch margins, 10- or 12-point font, and 1.5 line-spacing. Assignment write-ups should be uploaded via the “Assignments” section of Canvas.

Exam 1 (15%) –

The first exam for the course will be held during the scheduled class period for March 16. It will be based on material covered to that point in the course. More detailed information about the content and format of the exam will be made available as the date approaches.

Exam 2 (30%) – DURING EXAM PERIOD.

The second exam is a two-hour exam that will be taken online. It will be based primarily on material covered since the midterm. More detailed information about the content and format of the exam will be made available as the date approaches.

Do not make plans that conflict with either exam. Exam dates are not flexible.

Class participation (25%)

The class participation grade provides you with an *added* incentive to prepare for class—the value of your own learning should be the primary incentive. Case discussions work well as learning tools when everyone participates.

Your participation will be graded on quality, not quantity. You should try to provide insights, observations, inferences, or conclusions that not only express your viewpoint, but *also* be able to defend your analysis. Your comment should be relevant to the topic at hand and should advance the discussion. A simple opinion or viewpoint is not very valuable without any justification. I value comments that respond to, elaborate on, lend support to, contradict, or correct a comment by one of your classmates. Counter-productive comments include opinions without a justifying argument, pure repetition of previous point, and rambling, vacuous or disparaging comments.

Discussion constitutes a large portion of our class time; you will have ample opportunity to participate. I will cold call in class, both to give you an incentive to prepare for class, and to make sure the discussion is not dominated by a handful of students. At a minimum, everyone in class should be prepared to answer all of the preparation questions provided in advance.

Missing Classes

Learning to articulate your arguments and to evaluate and respond to the arguments of others is an important part of what you will learn in this class. If you miss class time, you will miss this, and there isn't a way to “make it up.” In

addition, your participation is a key component of the learning for all students, and therefore missing class creates a negative externality. Similarly, entering the class late is disruptive and creates a negative externality for your classmates. As a result, you should make every effort not to miss or be late to your class. ***If you are enrolled in the course and miss the first or second class or both,, you will be dropped from the course. The first two sessions meet on Thursday, JAN 19 and Tuesday, JAN 24.*** If you miss your class section or are late to your section more than twice, throughout the semester, it will begin to lower your class participation grade. If you must miss class, you should do the readings, prepare and turn in the assignments on time (late assignments will be accepted, but there will be points deducted if they are late), and arrange to get notes from a classmate about what you missed in class. I will not be generally available to review materials with students who miss classes. Recall that I will post the presentation slides (and anything else that I hand out in class) to the Canvas website. **You do not need to inform me that you will be missing class - I take attendance and record class participation for every class.** Excessive absences will adversely affect your final grade.

Grading

The assignments have a core set of findings that, if evidently understood, indicate **control** of the topic. I assign grades so that evidence of control is roughly equal to average, or slightly above average, performance. Typically, evidence of control would yield a grade of about 75-85%.

Beyond these core issues are more complex and/or subtle findings and conclusions that indicate deeper understanding and **mastery** of the course concepts.

It is important that you understand the implications of my grading scale. Course grades are assigned using the weights above. The following guidelines for this course will be applied: no more than 30-40% A/A-, about 10% C+ or lower, and 50-60% or so B+/B/B—.

Scores on graded submissions are weighted and added up. The recorded scores are then fit to the distribution. I will post relevant summary statistics for the various deliverables after they are graded.

As noted above, deliverables are structured so that any student with decent command of the material should be able to “get” the core ideas. There will also be, by design, some “deeper” insights that go beyond these core ideas, and that require mastery of the material. Typically, these deeper insights will constitute 10-20% of the grade for an assignment.

Two things to understand are 1) that the grading system necessarily entails that some very good, often excellent work, might not guarantee an A/A-, if a large number of the submissions are uniformly very good or excellent. The good news is that really bad work might not guarantee a C either (I guess that’s good news— although true in theory, it certainly has never happened!), and 2) that relatively small differences in overall performance can fall on one side or the other of a letter-grade threshold.

You are welcome to inquire any time as to where you stand in the class.

How to study for this course

The aim of this course is to make you more rigorous, critical, precise, and thorough in your analysis of strategy issues. In short, it is to teach you how to think about strategy **like an economist**. The only way to do this is to practice it steadily throughout the semester. You can’t learn it by “cramming” it all in just before the exam. You should think of this course like sports, or exercise, or learning a musical instrument: you can’t really learn anything, and you certainly can’t get better at it just watching from the sidelines. Practically, here are the most important steps to doing this.,

1. **Come to class prepared.** There is no substitute for this. If you haven’t read and thought about the material *in advance*, you won’t get much out of what is going on.

2. **Engage in class discussion.** Class time is fun, but it is not entertainment, and you shouldn't expect to just sit back and listen. Engaging means both listening critically to what other people are saying in order to evaluate whether you think their arguments are right and speaking up when you think you have something to contribute.

3. **Summarize and synthesize.** After every class session, write yourself a one- or two-page summary of what was covered in class: what did we talk about, and what lessons did you take away? What did you miss and why? Note that the purpose of this is to do it *yourself*. Forcing yourself to summarize and synthesize this way is how you internalize and obtain ownership of the material. If your study group splits this up and each group member does a day, you've missed the point; it's not about *having* the write-up, it's about *creating* it.

4. **Review the preparation questions.** Go back and review the preparation questions after class. What is your answer to the question after hearing the discussion? Pay particular attention to how the frameworks from the course help you to answer the question.

5. **Practice.** The only way to get good at thinking in a new way is to practice it. When you meet a strategy issue somewhere else (in the news, talking with someone, in another course, out shopping), use the tools and frameworks of the course to understand it. The purpose of the individual strategy analysis is to get you into the habit of doing this. Another good way to practice is by using the "Extras" posted in the "Day-by-Day" section of the Canvas site. When you read them, try to figure out what I think is interesting about them. Apply the frameworks from class to understand them better. If you see something relevant elsewhere, by all means bring it up I class!

6. **Consider studying with a group.** Some people find it helpful to study and discuss things with a group, some don't. You are looking for a group that discusses carefully and thoroughly but doesn't descend into a protracted argument about who's right. If you form a group and a member decides to "free ride," you are entirely within your rights to kick that person out of the group. Once you've discussed as much as you productively can, drop it and pick up the discussion in class rather than beating it to death.

Case and class preparation: Some guidelines

What makes a "good answer?" The most important thing is to know the difference between **explaining** and **describing**. Consider the following answers to the question "Why is MooseCorp earning high profits?"

- "They were profitable because they had strong patents" (Descriptive)
- "They were profitable because they had strong patents, which **prevented imitation**" (explaining using **strategy** concept)
- "They were profitable because they had strong patents, which created a **barrier to entry**" (explaining using **economics** concept)

In this sense, the strategy and economics concepts are the more substantive causes that you must relate to the salient case facts and outcomes.

Second, note that you can often push the analysis much deeper. I call this "Peeling the Onion." That is, when you think you've offered an explanation, ask yourself "what happens next?" Here's an example

- "The profitability protection afforded by the patents is, however, at risk – competitors will try to "invent around" them, they will use litigation to challenge them, consumers will sue or lobby for access, and eventually the patents will expire. This holds implications for the firm's current patent advantage and its underlying innovation strategy, including..."

Third, and finally, clear, concise explanations are essential. Thinking and writing are highly complementary skills. If your writing is not clear, then neither is your thinking. Ask yourselves what is important or essential. What is a detail that can be ignored? Avoid **laundry lists** and/or "**kitchen sink**" **explanations**. It's often helpful to have someone else read what you've written. **Read for clarity. If it's not clear to the reader, it's not clear!!**

Contact information

Contact information: You can reach me by email at mjm8w@virginia.edu. I will be available for office hours by appointment only. If you need to reach me by phone, my office phone is 312-925-3315. Email is a much more reliable way to leave me a message than voicemail or text message.

Classroom Etiquette

Students are expected to respect UVA's Honor Code.

Other rules:

- **Electronics must NOT be connected to the internet.**(except for assistive technologies with appropriate accommodation notification).¹ **You may not use tablets, laptops, mobile phones, or related devices in class to surf the web, text, email, chat, etc. This is for your benefit. You can use them for note-taking.** Recent research has shown consistently that students retain less material when they take notes on a laptop and that this poor performance can extend to students sitting near those using electronic devices. Given these negative effects, I do not allow the use of electronics in class. **Violating this policy will meaningfully affect your class participation grade.** If you are interested in more information, I've posted some articles summarizing this research along with the original research articles on the course Collab website.

If you are texting, surfing the internet, or otherwise distracting me and/or your classmates, you will be instructed to leave the classroom.

No recording of lectures is allowed without my permission. Unapproved recordings violate the intellectual property rights embodied in my copyrights and will be treated as a violation of the Honor Code, since these are effectively stealing.

- **Punctuality.** Class starts on time. It is distracting to your classmates and me for you to be climbing to your seat and settling in while they are trying to pay attention to the class. **If you are absent or late more than twice, it will lower your class participation grade.**
- **Seating chart.** Your assigned seat for the course will be the seat you choose for the class on January 24. I use assigned seats to help me keep track of class discussion and attendance, and also to have a place to direct prospective students and visitors to sit.
- **Beverages and snacks.** Out of courtesy to your classmates, don't bring something messy, noisy, or smelly to eat or drink in class.

Additional guidance on whatever issues arise will be provided during the semester, as needed.

ACADEMIC INTEGRITY

Students are expected to respect UVA's Honor Code at all times. The consequences of cheating can be failing an assignment for the course, or suspension or dismissal from the university.

Assignments

Written assignments must be the efforts solely of the individual turning them in. For individual assignments, you may use discussion with classmates to brainstorm issues, evaluate alternative approaches, and consider the merits of your recommendations. Use your own judgment to identify the important issues, to construct arguments and to

¹ Any student requesting accommodations related to a disability or other condition is required to register with the appropriate UVA office and provide me with an accommodation notification from that office, preferably within the first two weeks of class. All information will remain strictly confidential.

develop correct conclusions. The same rules apply to groups for group assignments. You are not to consult the Internet, friends at other business schools, or people who have taken the course already. Sharing our course materials with students outside the class will likewise be treated as a violation of the Honor Code.

Plagiarism

The members of any academic community are expected to NOT present material from other sources as their own work. UVA's academic integrity guidelines state: "A conscientious writer always distinguishes clearly between what has been learned from others and what he or she is personally contributing to the reader's understanding."

If you use text that is **exactly, mostly, or even partially someone else's words**, it needs to be attributed to that source and the quoted portion needs to be in quotation marks. If you use text that is **paraphrased** from another source, it needs to be attributed.

I **strongly** recommend against the practice of cutting and pasting from a source into a "working document" that will eventually become the final document handed in, unless you insert the appropriate quotation marks and citations at the same time.

In the context of this course, it is acceptable to refer to concepts, frameworks, and analytical tools from the readings or class lectures without citation. You may also refer to the factual material in cases without citation.

Passages downloaded, copied, cut and pasted from any source, including but not limited to internet sites, without attribution will be treated as plagiarized submissions.

Exams

You may study for exams with others. However, once the exam has begun, you should have absolutely no communication about the exam with anyone inside or outside the class who will be taking the exam. You will be allowed to bring in one 8.5 x 11 inch double-sided sheet of notes to the exams. You must bring a hard copy page of these notes, not an electronic file, and it must be readable without magnification devices.

SCHEDULE OF COURSE READINGS

Background and References:

The recommended textbook is *The Economics of Strategy* by David Besanko, David Dranove, Mark Shanley and Scott Schaefer, 6th edition or later. The textbook readings are for background and reference. They are **not** required reading. Some students find them a useful resource for clarification of the conceptual material. *You can get an earlier edition at a much lower cost without any drop-off in quality, but you will have to locate the relevant passages on your own. These can be found on amazon.com.*

Background readings that any budding microeconomist should read:

Landsberg, S. *Price Theory*.

Coase, R. "The Problem of Social Cost," in Coase, R. *The Firm, the Market, and the Law*.

Coase, R. "The Nature of the Firm," in Coase, R., *The Firm, the Market, and the Law*.

Williamson, O. *Markets and Hierarchies*.

Williamson, O. *The Economic Institutions of Capitalism*.

Schelling, T. *Strategy and Conflict*.

Schelling, T., *Micromotives and Macrobehaviors*

Schelling, T., *Choice and Consequence*

Carlton, D. and J. Perloff *Modern Industrial Organization*.

Cabral, L. *Introduction to Industrial Organization*.

Porter, M. *Competitive Strategy*.

More advanced readings for this course include

Tirole, J. *The Theory of Industrial Organization*

Phlips, L. *The Economics of Price Discrimination*

Phlips, L. *The Economics of Imperfect Information*

Phlips, L., *Competition Policy: A Game Theoretic Approach*

Hirshleifer, J., and P. Riley *The Economics of Information and Uncertainty*

Dixit, A., and R. Pindyck, *Investment Under Uncertainty*.

Chevalier-Rognant and Trigeorgis, *Competitive Strategy*.

JAN 19 (Thursday)

CLASS 1: Introduction to Strategy

- Syllabus, pp. 1-9.

Introduction to strategy

- M. Porter, “What is Strategy?” *Harvard Business Review*, Vol. 74, Nov/Dec 1996, pp. 39-73. (*HBS case packet*)
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp. 1-8.

Strategy and tradeoffs

- J. Mouawad, “The Race to Build a Better Business Class,” *New York Times*, August 3, 2013.
- A. Gasparro and H. Haddon, “Whole Foods Aims to Cut Prices but Keep its Cachet,” *Wall Street Journal*, April 16, 2017.
- Amazon Press Release, “Amazon and Whole Foods Market Announce Acquisition to Close this Monday, Will Work Together to Make High-Quality, Natural and Organic Food Affordable for Everyone,” August 24, 2017.

Strategy and context

- “A Guide in Africa,” *The Economist*, February 23, 2013.
- Video: Ashish Thakkar interview, *CNN African Voices* (*Video available on Collab*)
- D. Olopade, “Africa’s Tech Edge,” *The Atlantic*, May 2014.
- J. Crabtree, “M-Pesa’s Cautious Start in India,” *Financial Times*, December 27, 2012.

Strategy and saying no

- C. Sciaudone and J. Brice, “Brazilian Airline Azul Avoids Brazil’s Busiest Route,” *Bloomberg Businessweek*, August 7, 2014.

JAN 24 (Tuesday)

CLASS 2: Introduction to Strategy, continued

JAN 26 (Thursday)

CLASS 3: Value Creation and Capture

Value creation and capture: Microeconomic Foundations of Strategy

- Moore, M.J. “Microfoundations of the Value Creation and Capture Framework.” *UVA Draft Technical Note (posted to Collab)*.
- Moore, M.J. “L-Shaped Supply Curves,” *UVA Draft Technical Note (posted to collab)*.
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp. 10-31, 293-304.

The profit function

- C. Oster, “On the Hook: How AIG Wagered on a Maverick of the Bail-Bond Business and Lost,” *Wall Street Journal*, April 10, 2001.

Value creation and capture: Benefit- and Cost-based Strategies

- G. Castonguay and D. Pearson, “Car Makers Try to Make Bigger Profits on Smallest Models,” *Wall Street Journal*, March 7, 2014.
- M. Graham, “Amazon Brings Free Same-day Delivery to Chicago,” *Chicago Tribune*, October 21, 2015.
- P. Sonne, “Unilever Takes Palm Oil in Hand,” *Wall Street Journal*, April 24, 2012.
- M. Fackler, “Space’s Trash Collector? A Japanese Entrepreneur Wants the Job,” *New York Times*, November 28, 2016.

Value creation and capture in the digital economy

- E. Rusli, “Instagram Pictures Itself Making Money,” *Wall Street Journal*, September 8, 2013.

- V. Goel and S. Ember, “Instagram Announces Plans to Expand Advertising,” *New York Times*, June 2, 2015.
- J. Stewart, “How a Money-Losing Snap Could Be Worth \$24 Billion,” *New York Times*, March 2, 2017.
- J. Marshall and Y. Koh, “The Problem with Twitter Ads,” *Wall Street Journal*, April 30, 2015.

JAN 31 (Tuesday)

CLASS 4: Value Creation and Capture, continued

FEB 2 (Thursday)

CLASS 5: Value Creation and Capture Case Study

CF Industries

- CF INDUSTRIES (Kellogg 5-316-500) (*HBS case packet*)

FEB 7 (Tuesday)

CLASS 6: Added Value and Irreplaceability

Added value

- L. Cabral, “TV Power Games: *Friends* and *Law & Order*,” April 2010.

Added value in the smartphone industry

- A. Troianovski, “How the iPhone Zapped Carriers,” *Wall Street Journal*, December 21, 2011.
- A. Efrati, “Samsung Sparks Anxiety at Google,” *Wall Street Journal*, February 25, 2013.
- J. Cheng, “Samsung Drops Android for New Smartwatch,” *Wall Street Journal*, February 23, 2014.

Added value in pharmaceuticals

- M. Cortez, “Express Scripts Raises Pressure on Gilead for Drug Price,” *Bloomberg*, April 8, 2014.

Added value in cable television

- O. Gibson, “Sky and BT Retain Premier League TV Rights for Record 5.14bn,” *The Guardian*, February 10, 2015.
- “NBA Could More Than Double Its Annual Rights Fees in New TV Deals; Incoming Commissioner Adam Silver Will Be Key Decision-maker in 2014,” *Advertising Age*, June 5, 2013.
- A. Sharma and M. Futterman, “Fox Sports, Latest Underdog, Takes on ESPN,” *Wall Street Journal*, July 25, 2013.

FEB 9 (Thursday)

CLASS 7: Added Value Case Study

- INTEL CORP. - 1968-1997 (HBS 9-797-137) (*HBS case packet*)

FEB 14 (Tuesday)

CLASS 8: Industry Profitability

Industry analysis

- M. Porter, “The Five Competitive Forces that Shape Strategy,” *Harvard Business Review*, Reprint #R0801E. (*HBS case packet*)
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp. 285-288.

Rivalry

- N. Kleinfeld, “In Manhattan Pizza War, Price of Slice Keeps Dropping,” *New York Times*, March 30, 2012.
- S. Kapner and S. Terlep, “The Cosmetics Counter Was Long Immune to Discounting. Not Anymore,” *Wall Street Journal*, July 10, 2017.
- C. Paris, “South African Regulator Raids Container Operators for Alleged Price Fixing,” *Wall Street Journal*, September 29, 2016.

Entry barriers

- S. Needleman, “Street Fight: Food Trucks vs. Restaurants,” *Wall Street Journal*, August 9, 2012.
- T. Aeppel, “Remade in the USA: Detroit’s Wages Take on China’s,” *Wall Street Journal*, May 22, 2012.
- S. Reed, “What BP’s New Oil Strike Means,” *Bloomberg Businessweek*, September 1, 2009.
- T. Mickle and A. Abkowitz, “iPhone’s Toughest Rival in China is WeChat, a Messaging App,” *Wall Street Journal*, July 30, 2017.
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp. 258-264, 239-248, 196-206.

Substitutes

- J. Mitchell, “A Tough Lesson for College Textbook Publishers,” *Wall Street Journal*, August 27, 2014.
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp. 258-264, 239-248, 196-206.

Supplier power

- A. Gasparro, S. Needleman, and R. Dezember, “Sysco Buys Rival US Foods for \$3.5 Billion to Create Food-Distribution Giant,” *Wall Street Journal*, December 11, 2013.
- T. Mann, “Big Manufacturers Tighten Supply Chains as Low-Growth Forecasts Spread,” *Wall Street Journal*, December 23, 2015.

Buyer power

- D. Ingram, “Comcast, Time Warner Cable to Face ‘Monopsony’ Claims in Antitrust Case,” *Reuters*, April 23, 2014.

Industry analysis of Linear Technology

- G. Anders, “Pricing Power: In a Tech Backwater, A Fortress Rises,” *Wall Street Journal*, July 10, 2007.

FEB 16 (Thursday)**CLASS 9: Industry Profitability Case Study #1**Five Forces Analysis of Large Frame Aircraft Manufacturing

- D. Michaels, “Boeing and Airbus Duke it out to Win Lucrative Iberia Deal,” *Wall Street Journal*, March 10, 2003.
- THE GLOBAL AIRCRAFT MANUFACTURING INDUSTRY (Kellogg 5-312-505) (*HBS case packet*)
- Video: Boeing 787, *USA Today* (*Video available on Collab*)
- S. Carvalho, “Boeing Plans to Develop New Airplane to Replace 737 MAX by 2030,” *Reuters*, November 5, 2014.

FEB 21 (Tuesday)**CLASS 10: Industry Profitability Case Study #2, Part 1 – Economics**

- MINING POTASH (Kellogg KEL647) (*HBS case packet*).

FEB 23 (Thursday)**CLASS 11: Industry Profitability Case Study #2, Part 2 – Strategy**

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- MINING POTASH (Kellogg KEL647) (*HBS case packet*).

FEB 28 (Tuesday)

CLASS 12: Flexibility vs. Commitment

- Dixit, A., and R. Pindyck “The Options Approach to Capital Budgeting.” *Harvard Business Review*. (*case packet*).
- Ferreira, N., J. Kar, and L. Trigeorgis, “Option Games: The Key to Competing in Capital-Intensive Industries,” *Harvard Business Review* (*case packet*)

MAR 2 (Thursday)

CLASS 13: Flexibility vs. Commitment Case Study

- ACID RAIN: SOUTHERN COMPANY (A) (HBS 9-792-060) (*HBS case packet*)

SPRING BREAK, MARCH 4-12

MAR 14

CLASS 14 (Tuesday)

Sources of Competitive Advantage

- P. Thiel, “Competition is for Losers,” *Wall Street Journal*, September 12, 2014.
- P. Leinwand and C. Mainardi, “The Coherence Premium,” *Harvard Business Review*, June 2010, Reprint #R1006F. (*case packet*)

Assets, activities, advantage

- J. Whalen, “Alternative Medicine: A Big Drug Maker Moves to Play Down Mass-Market Pills,” *Wall Street Journal*, September 20, 2004.
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp. 301-327, 177-180.

Cost- and benefit-based competitive advantage

- S. Clifford, “Where Wal-Mart Failed, Aldi Succeeds,” *New York Times*, March 29, 2011.
- N. Singer and R. Abelson, “Can Johnson & Johnson Get Its Act Together?” *New York Times*, January 15, 2011.

Niche-based competitive advantage

- R. Pogrebin, “Third Place? In Auction World, Phillips is Making Strides,” *New York Times*, November 29, 2016.
- Video: M. Gladwell, “Choice, Happiness, and Spaghetti Sauce,” TED, February 2004. (*Video available on Collab.*)
- K. O’Keefe, “The Cheapest, Richest Casino in Macau,” *Wall Street Journal*, February 5, 2014.
- Audio: Episode 627 “The Miracle Apple” by the National Public Radio podcast *Planet Money*. (*Link available on Collab*)

MAR 16 (Thursday)

CLASS 15: IN-CLASS MIDTERM EXAM – THURSDAY, MARCH 16. No makeups, no exceptions. Do not schedule any conflicting activities for this class.

MAR 21 (Tuesday)

CLASS 16: Sources of Competitive Advantage Case Study

- ENTERPRISE RENT-A-CAR (Kellogg 5-311-508) (*HBS case packet*)

MAR 23 (Thursday)

CLASS 17: Sustainable Competitive Advantage

Heterogeneity

- M. Delio, “Loud Hogs for Easy Riders,” *Salon.com*, May 19, 2003.

Inimitability

- A. Troianovski, “German Firms Seed Web Shopping in the Developing World,” *Wall Street Journal*, January 14, 2014.
- Audio: D. Charles, “In Haiti, Aid Groups Squabble Over Rival Peanut Butter Factories,” *NPR*, October 5, 2012. (*Audio link available on Collab*)
- J. Rockoff, “Pharmaceutical Scouts Seek New Star Drugs for Cancer, Diabetes,” *Wall Street Journal*, March 9, 2014.

Appropriability

- B. Philbin and C. Driebusch, “Merrill Plots Raid on a Vulnerable Rival,” *Wall Street Journal*, October 1, 2012.
- S. Hansen, “How Zara Grew Into the World’s Largest Fashion Retailer,” *New York Times*, November 9, 2012.

Foresight

- J. Stewart, “How, and Why, Apple Overtook Microsoft,” *New York Times*, January 29, 2015.
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp., 363-390, 77-83.

MAR 28 (Tuesday)

CLASS 18: Sustainability Case Study

- NUCOR AT A CROSSROADS (HBS 9-793-039) (*HBS case packet*)
- Video: “Making New from Old,” *CBS News 60 Minutes*, February 15, 2009. (*Video available on Collab*)
- J. Miller, “Why Netflix is Actually Aiming for More Cancellations,” *Vanity Fair*, May 31, 2017.

MAR 30 (Thursday)

CLASS 19: Adapting to Change

Strategy and change

- L. Scism, “Driverless Cars Threaten to Crash Insurers’ Earnings,” *Wall Street Journal*, July 26, 2016.
- Audio: Podcast of Episode 403 “NUMMI” by the radio program *This American Life*. (*Link available on Collab*) (This is a 1-hour podcast. You may listen to it while you commute, at the gym, washing dishes, etc., but you do need to listen to it before class.)

The evolution of bookstores

- E. McClelland, “How Borders Lost Its Soul,” *Salon.com*, February 19, 2011.
- Video: J. Bezos, “Web and Internet Pioneers,” June 1997. (*Video available on Collab*)
- E. Klein, “Amazon Workers Rediscover Grapes of Wrath,” *Bloomberg*, September 28, 2011.
- B. Jopson, “Amazon Finds Upside to Sales Tax Payment,” *Financial Times*, July 10, 2012.
- J. Letzing, “Amazon Adds that Robotic Touch,” *Wall Street Journal*, March 19, 2012.

- C. Armistead, “Balancing the Books: How Waterstones Came Back from the Dead,” *The Guardian*, February 3, 2017.
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp., 390-394.

APR 4 (Tuesday)

CLASS 20: Adaptability Case Study

- IBM: ADAPTING STRATEGY TO A CHANGING ENVIRONMENT (*to be posted to Collab*)

APR 6 (Thursday)

CLASS 21: Boundaries of the Firm, Part 1

Coordination and synergies

- N. Wingfield, “A New Phase for World of Warcraft’s Lead Designer: His Own Start-Up,” *New York Times*, September 11, 2016.
- A. Martin, “Car Sharing Catches on as Zipcar Sells to Avis,” *New York Times*, January 2, 2013.
- C. Holahan, “Google’s DoubleClick Strategic Move,” *Businessweek*, April 14, 2007.
- S. Ovide, “Microsoft’s Web Woes to Wipe out Profit,” *Wall Street Journal*, July 3, 2012.

Challenges to coordination

- L. Stevens and G. Bensing, “Amazon Seeks to Ease Ties with UPS,” *Wall Street Journal*, December 22, 2015.
- G. Bensing, “Amazon Finds Air Freight Partner,” *Wall Street Journal*, March 9, 2016.
- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp. 61-76, 83-92.

APR 11 (Tuesday)

CLASS 22: Boundaries of the Firm, Part 2

- *Optional*: Besanko, Dranove, Shanley, and Schaefer, pp. 98-127, 401-421, 132-144, 146-158.

Incentive and information costs of coordination

- A. Zimmerman and N. Shah, “American Taste for Cheap Clothes Fed Bangladesh Boom,” *Wall Street Journal*, May 12, 2013.
- R. Huq, “The Economics of a \$6.75 Shirt,” *Wall Street Journal*, May 16, 2013.
- A. Gupta and H. Wang, “How Nestlé Finds Clean Milk in China,” *Bloomberg Businessweek*, June 20, 2013.

Opportunism and uncertainty costs of coordination

- E. Dou, “Taiwan’s PC Design Firms Brace for Change,” *Wall Street Journal*, November 15, 2012.

Foreclosure and the mark-up fallacy

- S. Carey and A. Gonzalez, “Delta to Buy Refinery in Effort to Lower Jet-Fuel Costs,” *Wall Street Journal*, April 30, 2012.

To integrate or not to integrate

- C. Terhune, “Growing Pains: To Bag China’s Snack Market, Pepsi Takes Up Potato Farming,” *Wall Street Journal*, December 19, 2005.
- V. O’Connell, “Diamond Industry Makeover Sends Fifth Avenue to Africa,” *Wall Street Journal*, October 26, 2009.
- D. Cimilluca, B. McKay, and J. McCracken, “Coke Nears Deal for Bottler,” *Wall Street Journal*, February 25, 2010.
- M. Esterl, “Coke Under Pressure as Sales Abroad Weaken,” *Wall Street Journal*, July 30, 2014.

APR 13 (Thursday)

January 15, 2023

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CLASS 23: Synergy Case Study

- THE WALT DISNEY CO.: THE ENTERTAINMENT KING (HBS 9-701-035) (*HBS case packet*)
- M. Graser, "Disney Buys LucasFilm, New 'Star Wars' Planned," *Variety*, October 30, 2012.

APR 18 (Tuesday)

CLASS 24: Long-term Structure

- **Cola Wars Continue. HBS Case** (*HBS Case Packet*)

APR 20 (Thursday)

CLASS 25: Strategy and Growth

- N. Wingfield, "Worries that Microsoft is Growing Too Tricky to Manage," *New York Times*, September 8, 2013.
- M. Yglesias, "Apple May Have Finally Gotten Too Big for Its Unusual Corporate Structure," *Vox*, November 27, 2016.
- STARBUCKS: A STORY OF GROWTH (Kellogg 5-211-259) (*HBS case packet*)
- J. Jargon, "Howard Schultz Stepping Down as Starbucks CEO to Focus on Higher-End Shops," *Wall Street Journal*, December 1, 2016.

APR 25 (Tuesday)

CLASS 26: Antitrust, Regulation, and Competitive Strategy

- Yao, D. "Note on Antitrust and Competitive Tactics." HBS 703493 (*HBS Case Packet*)
- Hughes, Moore, and Snyder. "Napsterizing Pharmaceuticals." NBER Working Paper. Posted to Collab.

APR 27 (Thursday)

CLASS 27: Antitrust, Regulation, and Competitive Strategy Case Study #1

- DeBeers and the Global Diamond Industry." HBS 905M40. (*HBS Case Packet*).

MAY 2

CLASS 28: Antitrust, Regulation, and Competitive Strategy Case Study #2. Course Summary

- **Burroughs-Wellcome and AZT (A).** HBS 792004. (*HBS Case Packet*).

FINAL EXAM. As scheduled in exam period. No makeups, no exceptions. Do not schedule any conflicting activities for this class.