



Competitive Strategy

EMBA Fall 2007

Professor: Bruce Kogut
Bruce.kogut@columbia.edu

Strategy is defined in many ways:

- the anticipation of what you need to do now in order to do what you want later
- the anticipation of what your competitors will do
- the construction of viable companies that execute quicker than competitors
- the identification of the sources of value for a particular firm or industry.
- achieving your objectives effectively.

The course on competitive strategy is designed to analyze strategy from these different view points through case discussion, good readings, and active class participation.

This course on strategy is constructed largely around two questions:

Why some companies are more successful than others and what can we learn from their experiences to identify tools that pick out the key drivers to superior performance?

People are interested in these questions because they are responsible for strategic decisions, or they want to invest in the next Google, or they want to give advice to companies how to improve their performance. Or you might be interested in this question in case someone makes you a proposition that you can't turn down...

The course begins with the application of a few well-known tools to understand the attractiveness and evolution of industries, the extent to which a company has a sustainable competitive advantage, the creation of innovative value propositions, and corporate advantage in multi-business firms. We build up and out from these sessions in order to consider strategy from the perspective of growth (diversification, vertical integration, internationalization) and then from the view of the board and top management. At the end of the course, you should be able to apply these ideas to profit making and to non-profit organizations.

CASE PREPARATION

The success of our class will depend upon everyone's preparation of the cases.

For sessions where a case is assigned, please come to class prepared with analysis that addresses the assignment questions listed in the course outline. When appropriate, seek to apply the conceptual material covered in the readings and lectures to the cases. In class, comments that link to previous comments – either by building on them or by challenging them – are especially encouraged. In order to better approximate real business situations, case analysis both during class and in your written work is to be based solely on information in the case. Please do not seek additional information. If you have prior experience that is particularly relevant to a given case, please alert me by e-mail and I will try to incorporate your knowledge into the class discussion.

TEXTBOOKS

There is no required textbook for the course. If you are looking for an overview of the subject, *Strategy and the Business Landscape* by Pankaj Ghemawat is recommended. *Modern Competitive Strategy* by Gordon Walker provides a slightly longer and very solid introduction. If you want a longer treatment, *Contemporary Strategy Analysis* by Robert Grant, or *Strategic Management* by Garth Saloner, Andrea Shepard, and Joel Podolny are very good. *Economics of Strategy* by David Besanko, David Dranove, and Mark Shanley is an excellent, if more specialized, textbook.

GRADING

Case Assignment

Strategy analysis and formulation is most commonly done by teams. The course makes extensive use of group work. A group written assignment is required. Details will be discussed on the first day of class.

Final Exam:

The final will also be a closed book/closed notes in-class exam given during exam time. The final exam will take 2 hours and the format of the final will be as follows: 15 written answers, 15 multiple choice/true false.

Please discuss with me timing conflicts with the final exam as soon as possible.

Participation

Learning opportunities are maximized when all participants are actively engaged in class discussion. Active engagement means that you are listening carefully to the comments of other students and seeking opportunities to make comments that move the class discussion forward. The evaluation of content will be based on the following:

- **Relevance:** Are your comments clearly related to the case and to the comments of others?
- **Advancement:** Does your comment move the class discussion forward? Does it take the discussion farther or deeper than the previous comments?
- **Fact-Based:** Have you used specific data from the case, from readings, or from personal experience to support the assertions that you are making?
- **Logical:** Is your reasoning consistent and logical? Do you use economic concepts correctly?

Case discussion constitutes at least half the class time, so there will be ample opportunity for each of you to participate. And please realize that as long as you have invested time to read the case and consider the questions, you will almost certainly have valuable contributions to make during the discussion.

The grading scheme is as follows:

Class Participation 25%

Group Assignments 25%

Final Exam 50%

Note: Attendance, preparation, and participation are essential in this class, as in any class based on the case method. It is appreciated if you let me know you will miss class; I assume that the reasons are legitimate. If you miss class, I will accept a write up of the case questions for the case discussion you missed.

Additional Course Materials:

I will rely on our course website for communication of administrative issues related to the course. I will also post the following items on the website:

- Lecture Notes/Slides
- Cases that are not in the packet
- Sample Exam Questions

PROFESSOR

Bruce Kogut holds the Bernstein Chair of Ethics, Leadership, and Governance and is the Director of the Sanford Bernstein Center. He was previously a chaired professor at the Wharton School, where he directed the Emerging Economies Program and the Reginald H. Jones Center for research on strategy. Most recently, he was the Eli Lilly Chair at INSEAD and the founder of the Social Entrepreneurship program.

Born in New York at Mt. Sinai Hospital, he grew up in Los Angeles, and did his advanced studies at Berkeley, Columbia, and MIT. He has been a visiting professor/researcher at Rand, Humboldt Universitaet in Berlin, Wissenschaftszentrum in Berlin, Ecole Polytechnique in Paris, Santa Fe Institute, and the Stockholm School of Economics, which awarded him an honorary doctorate degree. He has been a member of many non-profit boards, including the Skolkovo School of Business in Moscow, and is currently a director for 3i Infotech, an Indian financial services software company, as well as for its UK subsidiary.

His research has been published in economics, sociology, management, and policy journals. He was one of the first to publish on value chains – especially in an international setting-, joint ventures, real options and strategy, knowledge and organizations, and emergence of financial market networks. Currently, he works on the application of simulation models to the venture capital markets and to the comparative analysis of governance across countries. His work is highly cited and has won several awards. He is the editor of the European Management Review.

His daughter is a sophomore at Columbia and his son is finishing his terminal year of high school in Paris. His wife Monika Knutsson is a designer and is pleased to move to New York. He has a deep interest in the social sector, has worked closely with Ashoka, Schwab Foundation, Unlimited, the Hub, Acevo, and remains committed to the idea that business methods can be powerfully matched to the entrepreneurial spirit found in non-profit and social enterprises.

Session 1/2 What is strategy?

Readings: "The Origins of Strategy," in Chapter 1, Pankaj Ghemawat, Strategy and the Business Landscape

Case: The Evolution of the Bottled Water Industry, INSEAD

Preparation: 1. Why bottled water?
2. What drives the success of these companies?
3. Who is best placed to sustain a profitable position?

Session 3/4 Industry Attractiveness

Readings: "Industry Analysis," chapter 7, David Besanko, David Dranove, and Mark Shanley, Economics of Strategy.

Case: The Music Industry on the Brink of the Digital Age

Preparation: 1. Why have a handful of major record companies dominated the global music industry?
2. Is the internet more or less of a threat to the position and profitability of the majors than prior changes to hit the industry like the compact disk, MTV and new genres like rock n' roll?

Session 5/6 Value-based Strategies

Readings: Brandenburger and Stuart, "Value-Based Business Strategy", Journal of Economics & Management Strategy, Vol. 5, 1996, 5-24

Pankaj Ghemawat and Jan Rivkin, "Creating Competitive Advantage," in Ghemawat, chapter 3.

Case: Printer Wars: Dell and the printer business, INSEAD
Dell in the News. BusinessWeek coverage of Dell Computer Corporation from 1988 until 2007 (compiled by Peter Zemsky)

Preparation: 1. Should Dell enter the printer business? Why/ why not? 2. Recommend an entry strategy for Dell into the printing business (i.e., what products, what customers, what distribution strategy, what technology, etc).
3. How should HP respond to an entry move?

Session 7/8 Sustainability

- Readings:** Eisenmann, Parker, and van Alstyne, "Strategies for Two-sided Markets," Harvard Business Review, October 2006.
- James Collins and Jerry Porras, "Big Hairy Audacious Goals", Chapter 5, Built to Last, Harper Collins, pp.91-114
- Case:** Google, HBS.
- Preparation:**
1. What explains Google's success?
 2. Why should we believe that this success will be sustained?
 3. Is there a limit to this growth and if so, when?

Session 9/10 Diversification and Growth

- Readings:** Grant, R. "Diversification Strategy", Chapter 14, Contemporary Strategy Analysis, pp. 443-471
- Case:** Extending the easy business mode: what should easygroup do next, INSEAD
- Preparation:**
1. How successful are the internet café and easyCar businesses? Why?
 2. What is the easyGroup corporate strategy?
 3. What are the key conclusions from an industry analysis of the UK cinema exhibition industry?
 4. Evaluate easyGroup's proposed strategy for entering the UK cinema industry. What are the underlying assumptions? How likely are they to hold?

Session
11/12

Strategies for Vertical Integration

- Readings:** John Stuckey and David White, "When and When NOT to Vertically Integrate", Sloan Management Review, vol. 34, 1993.
- Case:** Nucleon, HBS
- Preparation:**
1. What should Nucleon do for sourcing its manufacturing needs?
 2. Evaluate the different integration choices both in qualitative and quantitative terms.

Session
13/14

Alliances for Achieving Strategic Objectives: Corporate Social Responsibility

- Readings:** S. Rosen, J. Simon, J. Vincent, W. MacLeod, M. Fox and D. Thea, "AIDS Is Your Business," Harvard Business Review, February 2003, pp. 5-11.
- Case:** Eli Lilly, Multi drug resistant tuberculosis partnership, INSEAD
- Preparation:**
1. What is strategic challenge in addressing tuberculosis in the world?
 2. How did Lilly seek to contribute to TB eradication?
 3. Should they stay in the market or withdraw?

Session
15/16

Global Industries and Taste

- Readings:** George S. Yip and George A. Coundouriotis, "Diagnosing Global Strategy Potential: The World Chocolate Confectionery Industry," Planning Review, Vol. 19(1), 1991: 4-14.
- "Seven myths to ponder before going global",
Subramanian Rangan, Financial Times, November 29, 1999 Part 10
- Case:** Mercedes-Benz, HBS

- Preparation:
1. What is your assessment of Mercedes' product expansion strategy?
 2. Does the Alabama plant make sense?
 3. Why would the Chrysler deal help them?
 4. Why did the Chrysler deal not help them?

Session 17/18 **Consolidated and Fragmented Industries: How do Emerging Market Companies Enter**

- Readings: "Competition in Concentrated Markets," chapter 8, in Garth Saloner, Andrea Shepherd, and Joel Podolny, Strategic Management.
- Case: Cemex (HBS)
- Preparation: 1. Why has cement become a global business? 2. What explains the success of Cemex? 3. Why don't competitors react?

Session 19/20 **Governance and Strategy from the Board Room**

- Readings: P. K. Cornelius and B. Kogut, "Introduction", Corporate Governance and Capital Flows in a Global Economy, Oxford University Press, 2003
- Case: Vivendi (A& B), HBS
- Preparation: 1. What was the French system of governance?
2. Did American governance fail Vivendi?
3. Did Messier make a mistake in strategy that a board could have prevented?

Session 21/22 **Technology and Inspiration**

- Readings: <http://www.youtube.com/watch?v=D1R-jKKp3NA>
- Case: iPod vs. Cell Phone: A Mobile Music Revolution?, HBS Case
- Preparation: 1. What is your analysis of the question: who will be winner of this competition?