



## Course Outline

### RSM392H1

Strategic Management

Fall 2019

Course Meets:

L0601          Mondays, 3-5pm          Room: WO 35

---

Instructor:                  Patrick Rooney

E-Mail:                      patrick.rooney@mail.utoronto.ca

Office Hours:              105 St. George, Room 548; Tues, 2-3:30pm or by appointment

**To get to Room 548:** Walk into the north entrance of Rotman, and turn left past the front desk. On your left, you will see two elevators. Go up to the 5<sup>th</sup> floor, and turn right. Round the corner, and the floor will open up into a long hallway. 548 is at the end of the hallway next to a small set of stairs at right.

### Course Scope and Mission

The field of strategy seeks to understand why some businesses are able to consistently turn a profit while others are unable to do so. In this course, we will explore various sources (other than “luck”) which explain why firms with equally good products and equally competent employees nonetheless perform so differently. In particular, we will study:

1. Why there are persistent differences in productivity and profit among firms
2. How certain strategic choices “match” better than others
3. How firms can influence their rivals’ behaviours
4. When firms should shrink or expand in scope
5. How to motivate workers, managers, and suppliers
6. When to use formal versus informal contracts among individuals in the firm
7. How to make and implement strategy in an entrepreneurial firm

The content is mostly taught from an economics perspective, and we will use content you learned in introductory microeconomics, such as game theory. For each class, you will read an academic article looking at a problem of firm strategy, as well as a case (or cases). We will not care primarily about the *specific* problems that firms in the cases face, but rather will attempt to draw *generalizable* lessons about why some firms outperform others.

The ultimate goal of this course is to improve your decision-making and critical thinking capabilities through applying strategy tools in peer discussion and argumentative writing. The emphasis of the course is on rigorous thinking and learning rather than finding the “right” answer.

This course is designed to function like an MBA course and to prepare the students (a) for potential future MBA courses and (b) for a professional work environment. The readings, assignment, and classroom environment build heavily on the MBA Strategy courses offered by leading MBA programs. Consistent with this approach, we emphasize class participation, class discussion, and professionalism to a substantial degree.

**Course Prerequisites:** RSM219H1, RSM222H1

## Required Readings

Each week has roughly two or three readings. **Unless explicitly mentioned, all readings are required.** All of the non-case readings are linked in this syllabus and will also be available in PDF form on Quercus. **You will need to purchase the case readings; see attached instructions on page 6 of this syllabus.**

## Evaluation and Grades

The distribution of grades in this course will be similar to the average in Rotman Commerce courses as a whole.

<u>Category</u>	<u>Weight</u>	<u>Due Date</u>
Class Participation	10%	Ongoing
Weekly Assignment	10%	From Sept 16 <sup>th</sup> on
Topics in the News	10%	From Sept 30 <sup>th</sup> on
Midterm Exam	30%	Oct 28 <sup>th</sup>
Final Exam	40%	TBD during FAS Final Examination Period

Class Participation (10%): Strategic decision making requires reasoned analysis under conditions of limited information and uncertainty. One of the primary goals of this course is to help you develop the ability both to clarify your own position on a strategic question and to be able to articulate and defend it clearly.

You **must** be prepared for every class. This class is highly interactive, and class attendance and class participation are a critical part of this course. For readings, 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. For cases, 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 and support your recommended course of action. Make sure that your in-class comments are focused around the case (and reading) material. Adding information outside the assigned material shifts our focus away from the issues we need to emphasize and should be done only when necessary to advance the discussion.

My goal is for this class to serve as a riskless environment in which we all feel comfortable testing new ideas and pushing the boundaries of our thinking. See the section on Preparing for Class for more specific details on what to do to ensure you'll feel comfortable when discussion starts. 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 your own speaking time judiciously.

Weekly Assignment (10%): Before classes 2 through 12, aside from Midterm day, I will ask a few brief, straightforward questions on Quercus. These questions will be used to ensure that you do the readings and allow you to practice drawing links between the theory and the case readings.

Topics in the News (10%): Before classes 4 through 12, aside from Midterm day, a different group of roughly four students will prepare a 10 minute presentation linking the previous class theme to an article in the business press (e.g., *South China Morning Post*, *WSJ*). **On Thursday, 11:59pm, prior to your presentation date** one group member must send me the article you propose via the Inbox ("Mail") function in Quercus. I will review it and will post it on Quercus for other students to read. Groups will then prepare **one 2-3 page group writeup to submit; please submit the writeup prior to the start of class (3pm) on your presentation date.** Your goal in the presentation will be to briefly introduce what the organization is doing, the alternatives they can pursue, and a theoretically-grounded argument about which option you feel is most appropriate. Following your presentation, we will open up the discussion to the rest of the class for comments and friendly debate. Please come to office hours if you're interested in discussing the suitability of your topic.

***In-Class Midterm Exam (30%):*** The midterm exam will take place during class on **October 28, 2019**. This will be an individual, closed book exam. The midterm exam will consist of multiple-choice and/or short-answer questions. I will provide more information on the structure of the exam in advance of the midterm date.

***Final Exam (40%):*** There will be a closed-book 3-hour individual final exam scheduled during the exam period. This exam will consist of multiple-choice, short-answer, and long-answer (i.e., paragraph) questions that span the entire semester's coursework. I will provide you with more information on the structure of the exam by the final day of class.

### **Office Hours and Email Policy**

You are encouraged to come to my office hours to discuss the course and how you can improve your understanding of the material. If you cannot meet during the regularly scheduled time (Tuesdays 2:00 - 3:30 pm), we will make arrangements for an alternate time.

Generally, it is best to ask questions in class, after class, or in office hours. If you need to reach me outside of class and office hours, however, you can send me an email. Prior to sending an email, please check the course website to see if a recent Quercus announcement (or the syllabus) can answer your question. If you send me an email, please put "RSM 392: " at the beginning of your subject line so I can quickly find your email.

### **How to Prepare for Classes**

Below is a simple outline to guide your class preparation.

*Start:* Skim the reading, look at headings and subheadings to understand what the reading discusses. Then examine any diagrams.

*Next:* Reread the questions for the lecture. Use these questions as you read the text itself.

*Ask Yourself:* 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.

## **Other Administrative Items:**

### **Missed Assignments/Examinations**

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may submit a request for special consideration. Provided that notification and documentation are provided in a timely manner, and that the request is subsequently approved, no academic penalty will be applied.

In such cases, students must notify Rotman Commerce on the date of the missed test (or due date in the case of course work) and submit supporting documentation (e.g. [Verification of Student Illness or Injury form](#)) to the Rotman Commerce Program Office within one week of the originally scheduled test or due date. Students who do not provide Rotman Commerce or the instructor with appropriate or sufficient supporting documentation will be given a grade of 0 (zero).

Note that the physician's report must establish that the patient was examined and diagnosed at the time of illness, not after the fact. Rotman Commerce will not accept a statement that merely confirms a report of illness made by the student and documented by the physician.

Students who miss the in-class midterm exam and provide the appropriate documentation will have their grade percentages reallocated. The 30% of your grade that would have been accounted for by the midterm will be allocated to your final exam. Thus, if you miss the midterm, your final exam will count for 70% of your grade.

### **Course Work & Academic Honesty**

**Submission of Assignments** – Late submissions of any assignment may be considered; however, a resolution may be determined at the instructor's discretion and may include an academic penalty. The manner in which the assignment should be submitted (via Quercus or in-class) is noted on the assignment description itself. No other methods may be used to submit the assignment unless an arrangement has been made in advance of the due date with the instructor. Missing or unreadable attachments submitted via Quercus will be considered late unless they are resubmitted before the assignment due date.

### **Accessibility Needs**

The University of Toronto is committed to accessibility. If you require accommodations for a disability, or have any accessibility concerns about the course, the classroom or course materials, please contact Accessibility Services as soon as possible: [accessibility.services@utoronto.ca](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.

### Quercus

The online course page for this course is accessed through Quercus. To access the course page, go to the UofT Portal login at <https://q.utoronto.ca> and log in using your UTORid and password. Once you have logged in, look for the My Courses module where you'll find the link to all your course websites. If you don't see the course listed here but you are properly registered for the course in ACORN, wait 48 hours. If the course does not appear, go to the Information Commons Help Desk in Robarts Library, 1st floor, for help, or explore the Portal Information and Help at <http://www.portalinfo.utoronto.ca/students> and review the Frequently Asked Questions.

### Recording Lectures

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

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

### A Few Final Notes...

- *Arrive on time.* Class starts 10 minutes after the hour.
- *Minimize disruptions.* All cell phones should be turned off during class.
- *Get to know your classmates.* Please bring your name placards; even better, in the first few classes, please state your name when answering questions.
- *Focus on the class.* Unless you have a very strong reason to need one, laptops will not be permitted in class, as the course is discussion heavy. There is also good empirical [evidence](#) that notetaking on a laptop decreases how much conceptual content you remember.

## Downloading Your Coursepack:

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

To purchase the course materials, follow the following steps:

1. Go to the Ivey Publishing website at [www.iveycases.com](http://www.iveycases.com)
2. [Log in](#) to your existing account or click "[Register](#)" to create a new account and follow the prompts to complete the registration. If registering, choose the "Student User" role.
3. Click on this link or copy into your browser:  
<https://www.iveycases.com/Coursepackview.aspx?id=24221>
4. Click "Add to Cart".
5. You may choose to order in either **print** or **digital** format.
  - To order the material in digital format, check "digital download" and click "OK".
  - To order a printed copy for delivery, enter the print quantity required and click "OK". Please note that shipping charges will apply.
6. Go to the Shopping Cart (located at the top of the page), click "Checkout", and complete the checkout process.
7. When payment has been processed successfully, an Order Confirmation will be emailed to you immediately and you will see the Order Confirmation screen.
  - If you ordered digital copies: Click "Download your Digital Items" or go to "My Orders" to access the file.
  - If you ordered printed copies: Your order will be printed and shipped within 2 to 3 business days.
8. Go to the Shopping Cart (located at the top of the page), click "Checkout", and complete the checkout process.
9. When payment has been processed successfully, an Order Confirmation will be emailed to you immediately and you will see the Order Confirmation screen.
  - If you ordered digital copies: Click "Download your Digital Items" or go to "My Orders" to access the file.
  - If you ordered printed copies: Your order will be printed and shipped within 2 to 3 business days.

Access to your coursepack via your Ivey Publishing account is for a period of 30 days from date of purchase. Please be sure to save a copy to your computer.

**This coursepack is for your personal use only and is not to be shared or distributed in any form.**

## Weekly Syllabus

	Date	Topic	Discussion Questions	Reading
1	Sept 9	Introduction	<p>What is strategy?</p> <p>Why, and to what extent, do firms differ in their productivity and profitability?</p> <p>Why aren't all profits competed away from successful firms?</p> <p>Why are business cases difficult to learn from without theory?</p>	<p>Optional reading, but helpful for first class: "<a href="#">What is Strategy?</a>" by Porter</p>
2	Sept 16	Industry Analysis and Value Capture	<p>How much do industries differ in their profitability?</p> <p>Is it best to enter "blue ocean" industries where you are a monopolist?</p> <p>Are rival firms always competitors?</p> <p>Why do some firms in a value chain earn large profits and some earn little?</p>	<p>HBS Case on Crown, Cork and Seal</p> <p>"<a href="#">The Right Game</a>" by Brandenberger and Stuart</p> <p>"<a href="#">Why do Management Practices Differ across Firms and Countries?</a>" by Bloom and Van Reenen</p> <p>Optional reading for more technical detail: "<a href="#">Value Capture Theory</a>" by Gans and Ryall</p>
3	Sept 23	Differentiation	<p>What are vertical and horizontal differentiation?</p> <p>How can firms differentiate in their input markets?</p> <p>When is differentiating your product bad for profits?</p> <p>Should you always differentiate into higher-quality products?</p>	<p>HBS Case on Samsung</p> <p>"<a href="#">Taking Industry Structuring Seriously</a>" by Makadok and Ross (only pages 509-523; read the Introduction and Discussion closely, skim rest)</p>
4	Sept 30	Pricing Strategies	<p>What causes price wars?</p> <p>When do prices get competed down to zero profitability?</p> <p>What pricing strategies tend to avoid competing down profits?</p>	<p>Kellogg Case on "The Mother of All Pricing Battles"</p> <p>HBS Case on Virgin Mobile</p> <p>Chapter 7 of "Principles of Pricing" by Vohra and Krishnamurthi</p>

5	Oct 7	New Product Entry and Exit	<p>When considering entry, does the age of an industry matter?</p> <p>Why do incumbents get entrenched in some industries?</p> <p>Why are new inventions adopted slowly?</p> <p>Why do some industries have frequent exit and entry of leading firms?</p>	<p>Ivey Case on Porter Airlines</p> <p><a href="#">"Industry Life Cycles"</a> by Klepper</p>
6	Oct 21	Theory of the Firm	<p>Why do firms exist?</p> <p>Why did firms arise historically?</p> <p>What should a firm make and what should a firm buy?</p> <p>When should firms merge or separate?</p>	<p>HBS Case on Arauco</p> <p>Handout on Theories of the Firm</p>
7	Oct 28	<b>Midterm</b>	<b>(in-class midterm)</b>	
8	Nov 11	Incentives	<p>Why can't you make workers do what you want?</p> <p>Why are teams hard to motivate?</p> <p>What is performance pay trying to accomplish?</p> <p>When can strong incentives make outcomes worse?</p>	<p>HBS Case on Lincoln Electric</p> <p><a href="#">"On the Folly of Rewarding A While Hoping for B"</a> by Kerr</p> <p><a href="#">"Excellent Police"</a> by Fisman and Sullivan</p>
9	Nov 18	Relational Contracts	<p>Why are formal contracts so rare in business contexts?</p> <p>When can the promise of future business or promotions induce cooperation today?</p> <p>Why did General Motors decline in the 1980s instead of just copying Toyota's practices?</p>	<p><a href="#">"Non-Contractual Relations in Business: A Preliminary Study"</a> by Macaulay</p> <p><a href="#">"Management Practices, Relational Contracts, and the Decline of General Motors"</a> by Helper and Henderson</p> <p>Optional reading for more technical detail: <a href="#">"What do Managers Do?"</a> by Gibbons and Henderson</p>
10	Nov 25	Learning Curves and Efficient Scale	<p>Why do bigger or more experienced firms have lower unit costs?</p> <p>When are decreasing unit costs a source of strategic advantage?</p> <p>How do you learn the nature of the learning curve in an industry?</p> <p>What are the dangers of taking advantage of learning curves?</p>	<p>HBS Case on Airborne Express</p> <p>Bessen chapter 2 "Skills of the Unskilled"</p>

11	Dec 2	Entrepreneurs and Strategy	<p>Is “disruption” overrated?</p> <p>What makes an entrepreneurial firm different from established firms?</p> <p>Who becomes an entrepreneur?</p> <p>Is the “MVP” model of entrepreneurship always best?</p>	<p>NTU Case on Meituan-Dianping</p> <p><a href="#">“Dynamic Commercialization Strategies”</a> by Marx, Gans and Hsu (pages 1-24; omit appendix)</p> <p><a href="#">“More Entrepreneurs is Bad Public Policy”</a> by Shane</p>
12	Dec 5	Innovation and Course Review	<p>What do scientists in a firm do?</p> <p>Why may scientists be useful even if they invent nothing?</p> <p>Why do the non-research assets of your firm affect the types of scientists you hire?</p> <p>How important is formal intellectual property?</p>	<p>HBS Case on GSK’s Acquisition of Sirtris</p> <p><a href="#">“Absorptive Capacity”</a> by Cohen and Levinthal</p>
<b>Exam Period TBD (Mid to Late Dec)</b>				