Advanced Strategy Analysis
New York University, Stern School of Business
Fall 2016
MGMT-GB.3328

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Office Location: Tisch 715
Office Hours: By appointment
Classroom Location: TBD

Introduction

Senior managers and those that advise them make significant, path-creating strategic decisions as part of their jobs. Such decisions may include acquiring another firm, introducing a new product or process, responding to a crisis, or forming a strategic alliance. These decisions are not simple, nor are they based on a single function – finance, marketing, operations, etc. And yet our views of these transactions in many MBA courses are based on a single functional approach.

This course focuses on such strategic decisions. The goal is to understand both how companies should make those decisions, as well as how they do make those decisions. A significant portion of the class will involve considering how strategic, organizational, marketing, and operational perspectives affect the assumptions that are included in traditional discounted cash flow analysis, but many other points of integration will also be considered. View this class as a “lab” in which to explore and understand how the different functional classes that you have been taking during your MBA fit together.

Broadly speaking, the decisions we will look at fall into three categories – decisions about the boundaries of the firm, decisions about strategic investments, and decisions about the sustainability of competitive advantage over time. For each of these decisions, we will take three different lenses:

1) How generally attractive is the opportunity?
2) How well does the opportunity fit with the firm?
3) How will the decision be viewed politically and organizationally within the firm?

Given that everyone learns differently, and that some material is best learned by doing (as opposed to reading or hearing about it), this course uses a variety of techniques to help students learn. We will use a combination of readings, videos, and in-class “mini-lectures” to build an understanding of some foundational concepts, and then seek to apply them through case discussion, in-class exercises that encourage you to use the concepts, computer simulation, and a single significant group project.

The goals of this class involve exploring the complex and “messy” nature of significant strategic decisions. No single perspective, framework, or tool can answer complicated strategic questions. Thus, we’ll take different approaches for different decisions, we will explore important related issues through sometimes lengthy tangents, and will come to accept that we will not all share the same perspective on the best course of action for a given firm. But through the process of exploration, analysis, and listening to each other, I hope that we can all expand our ability to think strategically and understand how different aspects of the MBA program fit together.

Who Should Take This Course?

This targets a broad audience, as it is designed to integrate across the entire MBA program, taking a strategic decision-making perspective. The obvious application would be for those interested in strategic consulting opportunities, either for a consulting firm or as an internal consultant for a large firm. Based on my experiences in strategy consulting, many of the cases and decisions that you will evaluate will be the types of projects with the types of analyses that strategy consultants might employ. Another obvious application
would be for those interested in financial research careers, assessing the rationales behind the key strategic decisions that firms make and how likely they are to be successful. We will rely on the analysis of people in those positions in understanding some decisions, and we will work on learning how to do good research on the decisions of firms based on publicly available information. Finally, as this course provides insight into the strategic decision-making process of the entire top management team, it is helpful for all students with aspirations of taking on general or functional management roles, either in small entrepreneurial settings or in large, established firms.

Groups and Group Work

This class is designed to be 100% group-driven. All assignments either can be completed in groups (homework and case preparation) or are required to be completed in groups (in-class exercises, group project activities). Participation will be graded on an individual basis, but preparation for class in groups is encouraged. Students will form groups at the beginning of the semester and will keep those groups for all assignments throughout the semester. Target group size is five to six students.

In general, the best functioning teams tend to mirror top management teams. Thus, each group would have at least one person with significant operations/statistics coursework (a COO), finance and financial statement coursework (a CFO), marketing and customer-focused coursework (a CMO), and strategic and leadership coursework (a CEO). I expect that all group members will contribute equally over the course of the semester, but I reserve the right (after consulting with team members) to allow group members to rate each member’s contribution for grading purposes.

Learning and Evaluation Components

The grading for this course is built around two primary components – the in-class, case-based experience and the group project. In the end, the only way to get an A or A- in the class is to (a) come to class prepared, be willing to participate, and make quality comments during the semester and (b) complete a high-quality group project. The specific grading breakdown is as follows:

<table>
<thead>
<tr>
<th>In-Class Components</th>
<th>25%</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td></td>
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<tr>
<td>In-Class Activities (Sessions 3-8)</td>
<td>15%</td>
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</tbody>
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<table>
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<tr>
<th>Project Components</th>
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<tbody>
<tr>
<td>Proposal (before Session 3)</td>
<td>5%</td>
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<tr>
<td>Draft Project (Session 8)</td>
<td>10%</td>
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<tr>
<td>Peer Project Feedback (Session 9)</td>
<td>5%</td>
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<tr>
<td>Review Session</td>
<td>5%</td>
</tr>
<tr>
<td>Final Project (post-Session 11)</td>
<td>35%</td>
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</tbody>
</table>

TOTAL 100%

*Class Participation (25%):* The class discussions will be case-based with 1-2 cases or activities per class session. I will keep track of your class participation on a class-by-class basis. Overall, your participation will be graded on your willingness to contribute in a positive way to the classroom discussion (the baseline expectation) and on your ability to offer well-developed and advanced insights that help move the discussion forward. Grading will weighted more towards quality versus quantity of contributions. If you are concerned that this emphasis on in-class participation biases grading against you, meet with me.

*In-Class Activities (15%):* Many class sessions will each feature some sort of in-class activity – an exercise, a group breakout session with a deliverable, or an in-class simulation. In general, grading will be based on completing the assignment adequately and showing significant effort; a “bonus” will be available to individuals/groups that do exceptionally well.
**Group Project (60% total):** The centerpiece of the class is a semester-long group project. The broad scope of the assignment is to choose a single company (publicly-traded or with suitable information available for the project) and focus on 2-3 specific decisions made by the firm – 1-2 in the past, and a current decision facing the firm, as well. The goal is NOT to write a biography of the company. Thus you will have 2-3 discrete components with a limited historical thread to get from one to the next. You can think about the decision points as being analogous to cases that we would discuss in class.

For each discrete decision point, the goal is to focus on the potential choices the firm could have made, more so than simply *ex post* evaluating what they did do. As a result, you should think about following a modified options-led approach:

- What problem was the firm trying to solve?
- What options were available for solving this problem?
- What data would have been available and useful for informing this decision?
- What choice should the firm have made? What would they need to do to support it?
- What choice did they make? Why? How was it received? How did it go?

Potential decisions to consider include, but are not limited to, those that we discuss in this class – the choice of a business model, the creation of a new product, the management of a product portfolio, the timing of strategic action, an acquisition or growth strategy, interactions with an ally or complementor, a spinoff or divestment, strategic pricing decisions, or response to a crisis. If you are unsure if your potential decision qualifies, speak with me. Recognize that some of these are more “tactics” than “strategies” – for example, and M&A deal isn’t really a decision, but a way for a firm to access a capability, resource, or growth opportunity that it might not have otherwise. The problem, then, is around growth in some way, and there may have been multiple avenues potentially available for the firm to consider.

Consistent with the overall framing of the course and the tools that we are trying to bring to bear, you should think through (to varying degrees, depending on data and the decision) all three lenses that we use in this class:

1. The external value of the potential option/opportunity. Doing so may include any number of tools that you have learned and used elsewhere in your MBA program (NPV, regression, financial analysis, SWOT, etc.).
2. The internal or firm-specific value of the options/opportunity. For this, your project should include an activity system (e.g., Siggelkow’s Vanguard) that details what the firm looked like before the chosen action and after the choice, complete with an analysis of firm-specific fit and potential problems.
3. The political and organizational realities of the decision making process. For any given option, how “implementable” would it be for the firm? Who would support or oppose it? Which option would you expect the firm to prefer and why? If you were advocating for your chosen option, what would be potential means to convince the firm to follow your preferred path?

There are five components of the group project assignment:

- **Proposal**, due 10/4: The proposal can be short, but should identify the firm, the current challenge it faces, and at least one historical decision (you can select more once you do more research). You should also discuss some ideas of data sources that might be useful for the project. This counts for 5% of your grade.
- **Draft**, due 11/15: This draft will be graded (with expectations befitting an early draft) and feedback provided by my teaching assistant (I will look over them as well), and this draft will count for 10% of the grade.
- **Feedback**, due 11/22: In addition to turning your draft in to the instructor, you will also turn your draft in to one other group, who will be responsible for reading the draft and providing written feedback that the writing group can use to improve their draft. I will grade the feedback given by each group for its quality, completeness, and the degree to which it is effective and constructive for 5% of the overall grade. To be clear, you will not be graded based on the feedback that you receive, but on the feedback that you give.

- **Meeting**, 11/29-12/13: Each group will schedule a ~45 minute meeting with me to discuss the project and brainstorm how to bring it to conclusion. I will not read your entire draft before the meeting, but you should provide me with something to react to (either a portion of the project, or an overview) so that we can talk through structure, motivation, details, data, analysis, etc. My goal with this meeting is to help you build a great project, not to critique what you have done to that point. The 5% of your grade allocated to this meeting will be determined based on (a) scheduling and attending the meeting, and (b) being prepared so that the meeting is productive, as opposed to disorganized and a waste of time.

- **Final**, due 12/18 (11:59pm EST): Turn in your final project on NYU Classes. This will count for 35% of your grade.

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**A Short Note on Proper Citations**

To most of you this will be probably self-evident, but I want to make sure that we all understand: Copying paragraphs from sources (magazine, newspaper articles, analyst reports etc.) without properly citing them is a SERIOUS offense! Properly citing means: if you copy word-by-word, you have to mark this by enclosing the copied text with quotation marks “ “ and citing the source (MLA and APA format are both fine). Even if you don’t copy word-by-word, but you take someone else’s idea (or their NPV analysis or anything else of the kind), you have to indicate in a citation the source of that idea. This citation has to follow directly the idea (attach a footnote or an endnote). At the end of the paper, you should then list all sources that you have cited in the text. I expect to be able to tell exactly when you are claiming an idea or analysis to be your own and when it has been borrowed.

Let me re-iterate: Non-proper citing is a very serious academic offense that in other courses has led professors to fail students and bring these students to the attention of the academic review board of the University. I think all of us want to avoid any such incident – and it is really easy to avoid such problems. Simply be careful in your papers that you attribute ideas/frameworks etc. that you use to their respective sources.

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**Other Course Policies**

**Course Materials**: All materials listed in the course schedule are required for class. In order to find the materials, please follow these instructions:

- Coursepack: The coursepack contains most of the cases and a few of the readings for the class. The coursepack is available through the Harvard Business Publishing website. Do not purchase a coursepack through the NYU Bookstore. Every single student will not need access to the simulations (you will do them in pairs), so if you choose to share a coursepack with one other student, that will work with this class:

  [https://cb.hbsp.harvard.edu/cbmp/access/44773193](https://cb.hbsp.harvard.edu/cbmp/access/44773193)

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1 For the sake of disclosure, this note has been borrowed from Professor Nicolaj Siggelkow at Wharton.
Readings: Log onto NYU Classes to access the remainder of the readings and additional case materials. In addition, I will post slides for each class before class, but probably not much more than a day in advance (just-in-time production). Pre-class slides will be “censored” with full versions available after each class session.

Readings: Most course sessions have at least one assigned reading in addition to the case material; as the semester progresses there will be fewer assigned readings to allow more time for project work. Some of these readings are challenging and will require significant thought to get the full point. I also highly recommend reading the posted slides before class. I will often “thin out” the slides that I present in class, but the online decks will have significantly more detail and can serve as a comprehensive course text. In addition, most class sessions will also have “extra” readings listed. These readings are optional, but may be useful if you are interested in the subject or for the group project work.

Attendance: Attendance, preparation, and participation are essential in this class. If you miss all or part of any class I will assume that your absence is legitimate. Recognize that attendance – including participation in the in-class activities in Sessions 3-8 – provide me objective information about participation.

Laptops: The use of laptops and cell phones during class tend to constitute a distraction, both to you and to those around (and behind) you. In my mind this distraction outweighs any potential benefits in a class like this. Use of an iPad or other tablet for access to cases and slides is acceptable.

Cold Calling: I reserve the right to cold call students during case discussions. Therefore, students should be prepared to be cold called at any time during class. Cold calling is designed to move discussion along and give all students in class a chance to participate, not to intimidate or create a hostile environment. If you are unprepared for any section and let me know before class (via email or when you arrive in the classroom) I will not cold call you during that session.

In-Class Seating: To help me keep track of class participation, I ask that students pick seats in Session 1 and remain in roughly the same space for the first few classes (so I can feel completely comfortable with who you are). If any student has a significant reason why they need to move seats before then, they should talk with me directly before doing so.
Session 1:  Theory: Fit Part I, Business Models Part I, Complexity Theory  
9/20/2016  Decision: Adoption of a new business model  
Case:  *Levi’s “Personal Pair”* (coursepack)  
Read:  *Ghemawat & Rivkin, “Creating Competitive Advantage”* (coursepack)  
*Siggelkow, “Evolution Towards Fit”* (NYU Classes)  
NOTE: focus on pp. 125-129 and 132-150  
Extra:  *Eggers, “Greatest Hits” deck from core strategy (NYU Classes)*  
Book:  *Allison, Essence of Decision*  

Case Questions:  
1) What is the potential strategic significance of the Personal Pair proposal? How might it position Levi Strauss relative to its chief rivals?  
2) Run the numbers in the case to analyze the profitability and investment per pair of jeans under the proposed program.  
3) Would this program create a sustainable competitive advantage? Why or why not?  

Session 2:  Theory: Fit Part II, Politics and Organizational Decision Making  
9/27/2015  Decision: Post-merger integration  
Case:  *Lycos: The iPod Decision* (coursepack)  
Read:  *Garvin “What You Don’t Know About Making Decisions”* (coursepack)  
*Rivkin “Options-Led Approach”* (coursepack)  
Extra:  *Liedtka, “Hypothesis-Driven Thinking”* (NYU Classes)  
*Martin, “Design Thinking”* (NYU Classes)  
*Eisenhardt et. al. “Conflict and Strategic Choice”* (NYU Classes)  

Case Questions:  
1) Why is Lycos in a tough position? How did they get in that position? Can you elaborate on what led them to the decisions that created these challenges?  
2) How can you use an options-led approach to think about the specific decision around integration?  

PAPER TOPIC PROPOSALS due via email before Session 3
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Session 3: Theory: Real Options
10/4/2016
Decision: Managing an R&D portfolio
Case: Capital Budgeting Simulation (coursepack)
Watch: Video on “Doing Research” (https://youtu.be/tyRrWWn5XN0)
Read: Luehrman, “Strategy as a Portfolio of Real Options” (NYU Classes)
Extra: Luehrman, “Investment Opportunities as Real Options” (NYU Classes)
Adner & Levinthal, “What is and is not a Real Option” (NYU Classes)

Each person with access to the simulation will need a laptop in class

Case Questions: No questions, but prepare pre-reading for simulation before class

Session 4: Theory: Profiting from Innovation, Entry Timing
10/18/2016
Decision: New product launch
Case: Philips’ Compact Disc Introduction A & B (in electronic coursepack)
Watch: Video on “Profiting from Innovation” (http://youtu.be/m8tVYcewZ7o)
Extra: Pisano & Teece “How to Capture Value from Innovation” (NYU Classes)
Hamel & Prahalad, “Strategic Intent” (NYU Classes)
Ghemawat & del Sol, “Commitment versus Flexibility?” (NYU Classes)
Lieberman & Montgomery, “First Mover Advantage” (NYU Classes)

Each group will need ~2 laptops in class

Case Questions:
1) Was it a mistake for Philips to engage Sony in a joint venture to establish an industry standard in compact discs? What are the tradeoffs to standardization?
2) How does the relative attractiveness of waiting to build a plant and of preempting vary across the scenarios? Should Philips establish a US plant immediately or wait one year before deciding?

Session 5: Theory: Business Model Part II, Pricing Strategy
10/25/2016
Decision: Creating and pricing a new product offering
Case: New York Times Paywall (coursepack)
Read: Dolan & Gourville “Principles of Pricing” (coursepack)

Each group will need ~2 laptops in class

Case Questions:
1) Would you have recommended that the NYT implement the paywall that they did? Who within the firm would support or oppose it?
2) Is the paywall working? Compare it with the prior two NYT paywalls. With the Financial Times’ and Wall Street Journal’s strategies.
3) How should the NYT manage its transition from print to digital?
Session 6:
Theory: Strategic factor markets and competitive advantage
11/1/2016
Decision: Acquisition of a strategic resource
Case: *A-Rod: Signing the Best Player in Baseball* (coursepack)
Read: *Barney, “Strategic Factor Markets”* (NYU Classes)
Extra: *Sunstein & Thaler, “Who’s On First?”* (NYU Classes)

Each group will need ~2 laptops in class

**Case Questions:**
1) We’ll run the numbers in class, but think about the NPV of the costs and revenues associated with signing Alex Rodriguez.
2) What costs and revenues can we readily quantify? Which take more work? Which are completely unquantifiable?
3) Should the Rangers sign Alex Rodriguez? Why or why not?

Session 7:
Theory: Strategic alliances
11/8/2016
Decision: Choosing an alliance partner, managing alliances
Case: *Hero Honda* (coursepack)
   *Global Game exercise* (in class)
Read: *Hansen & Nohria, “Collaborative Advantage”* (NYU Classes)
Extra: *Campbell & Reuer, “International Alliance Negotiations”* (NYU Classes)

**Case Questions:**
1) For Hero-Honda, why did each party enter into the strategic alliance?
2) Were the parties’ objectives compatible?
3) From Hero’s perspective, should the alliance have been managed differently?
4) What challenges does Hero face going forward?

PAPER DRAFT DUE TO INSTRUCTOR AND REVIEW GROUP BEFORE SESSION 8
Session 8: Theory: Ecosystems, Spinoffs  
11/15/2016 
Decision: Managing boundaries of the firm  
Case: AmTran Technology Ltd (coursepack) 
Read: Dranikoff et al “Divestiture: Strategy’s Missing Link” (coursepack) 
Extra: Davis, “After the Corporation” (NYU Classes) 
Williamson & de Meyer, “Ecosystem Advantage” (NYU Classes) 

Each group will need ~2 laptops in class 

Case Questions: 1) How did AmTran acquire the capabilities it needed to be in the TV business? 
2) What is your assessment of AmTran’s position in this network innovation model? Sony’s? 
3) Does the acquisition of the JVC brand make sense in light of AmTran’s partnership with Vizio? Do you recommend going down this path, or trying to be more like Foxconn and focusing on scale? 
4) What would you recommend to Sony’s management? 

Session 9: Theory: Two-sided market dynamics  
11/22/2016 
Decision: Attacking a stronger competitor  
Case: Microsoft’s Search (coursepack) 
Extra: Eisenmann, et. al., “Strategies for Two-Sided Markets” (NYU Classes) 

Case Questions: 1) How has Microsoft responded to competitive threats and opportunities in the past? What patterns do you see? What is your assessment? 
2) How large is Microsoft’s competitive disadvantage in Internet search and search-related advertising in 2008? If the industry remains on its current trajectory, how will Microsoft’s disadvantage evolve over time? 
3) Why is Microsoft pursuing the market for search and search-related advertising? 
4) What integrated strategic option should Microsoft’s executives – especially Satya Nadella, Jay Girotto, and Gary Flake – pursue?
Session 10:  
11/29/2016  
Theory: Crisis management, ethics  
Decision: Withdrawing a failed product  
*Case:* Merck: Managing Vioxx *(coursepack)*  
*Read:* Porter & Kramer, “Strategy & Society” *(NYU Classes)*  

Case Questions:  
1) Calculate the value of Vioxx over its remaining patent life.  
2) How would you evaluate Merck’s efforts to validate the efficacy and safety of Vioxx?

Session 11:  
12/6/2016  
Theory: Sustaining high performance  
Decision: TBD, but recovering from poor performance  
*Case:* TBD – Ripped from the Headlines!  
*Read:* Gavetti & Rivkin, “The Use and Abuse of Analogies” *(coursepack)*  

Case Questions:  
TBD

We will hold 12/13 for groups to meet with me to discuss their final projects. No class on 12/20.

**FINAL PROJECT DUE BY 11:59pm ON SUNDAY DECEMBER 18, 2016**
## PROJECT EVALUATION RUBRIC

|                    | Thesis & Framing                                                                 | Data                                                                 | Analysis & Methods                                                                                           | Conclusions                                                                                       | Writing & Organization                                                                 |
|--------------------|----------------------------------------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| **Excellent**      | - Deeply rooted in situation facing the firm                                       | - Data collected are clearly appropriate to analyze decisions made   | - Rigorous analytical approaches process data in a way appropriate to analyze decision points                  | - Report is clear on why decision was made, and implications of decision (historical)           | - Writing style is consistent, clear and concise                                            |
|                    | - Emphasizes *in situ* aspects of decision making, providing clear sense of what might have made decision successful | - Search for data sources demonstrates creativity and persistence    | - Analytical tools draw from across the MBA curriculum and integrate multiple perspectives                     | - Report frames challenge, presents clear and feasible recommendations, and outlines benefits (current) | - Overall logical flow of the document makes clear sense and is intuitive                    |
|                    | - Focus is on key decision points, which are clearly defined (similar to case + teaching note) | - Report integrates both qualitative and quantitative data to the extent possible | - Findings of each analytical element are clearly outlined and presented in an insightful way                  | - Conclusions show integrative insights on the organization, including thoughts about the process and content of strategy |
|                    | - Decision points are linked by relevant historical material                      | - Data sources adequately cited with clear indication of what is group’s ideas versus borrowed | - Includes required elements (activity systems, options approach, three lenses)                               |                                                                                                  | - Report is generally free of grammatical errors                                           |
| **Expected, Acceptable** | - Focus is on key decision points, which are clearly defined (similar to case + teaching note) | - Effort made to collect appropriate and interesting data to address decisions | - Analytical approaches are well done and appropriate to answer the questions asked                          | - Report addresses why each decision was made and offers some implications (historical)         |                                                                                              |
|                    | - Includes both *in situ* decision making and *ex post* evaluation aspects        | - Data includes both qualitative and quantitative                    | - Analytical tools draw from at least some areas across the MBA curriculum                                  | - Report frames challenge, offers recommendations, and supports said recommendations (current)    |                                                                                              |
|                    | - Decision points are linked by relevant historical material                      | - Data sources adequately cited with clear indication of what is group’s ideas versus borrowed | - Takeaways from each analytical element are outlined                                                     |                                                                                                  |                                                                                              |
|                    |                                                                                  | - Includes required elements (activity systems, options approach, three lenses)                             |                                                                                                              |                                                                                                  |                                                                                              |
| **Below Expectations** | - Lack of distinct decisions makes project more of a company biography            | - Sufficient data to address questions is not provided when reasonably available | - Analytical approaches are weakly executed                                                              | - Report lacks clear takeaways for each individual decision point                               |                                                                                              |
|                    | - Focuses only *ex post* evaluation of decisions, not putting reader in existing situation | - Breadth of sources (type and location) is inadequate               | - Analytical approaches not appropriate for addressing decisions                                           | - Recommendations for current issues are infeasible, do not address the core problems, or have no clear benefits |
|                    | - Decision points not linked at all                                              | - Inadequate citation raises questions about what is group’s contribution                                      | - Findings not clearly presented                                                                          | - Report lacks logical flow and organization                                                     | - Report clearly reads like it was written by multiple different authors                    |
|                    |                                                                                  | - Analytical approach is very similar for each decision            | - Analytical approach is very similar for each decision                                                   |                                                                                                  | - Document has a generally logical flow and outline                                           |
|                    |                                                                                  | - Does not include all required elements                           | - Does not include all required elements                                                                  |                                                                                                  | - Minor grammatical errors that do not affect readability                                   |

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DRAFT SYLLABUS – SUBJECT TO CHANGE