Instructor:  Professor Rory McDonald
Office Location:  CBA 4.252
Office Hours:  Tuesdays and Thursdays 2:30pm-3:30pm, or by appointment
Email:  rory.mcdonald@mccombs.utexas.edu
Course Web Page:  via Blackboard

Required Materials
1.  Course packet at the University Co-Op (Please do not duplicate course packets)
2.  Book:  Lewis, M. Moneyball: The Art of Winning an Unfair Game available on Amazon

Course Overview
The primary purpose of this course is to increase your ability to analyze the strategy of firms. Strategy refers to the distinctive approach that executives use to win in their markets and compete effectively with rivals. It seeks answers to the question of why some firms perform better than others. The course will cover classic and contemporary strategy theories, which we will illustrate across a diverse set of companies and industries. Specifically, we will consider industry structure and generic strategies, the resource-based view of the firm, behavioral strategy, game theory, and opportunity approaches. We will progress from well-defined markets to highly dynamic ones characterized by ambiguous structures and rapid change. Ultimately, the course is designed to help you work more effectively in your professional careers.

Grading
Classroom  30%
Quizzes (2)  10%
Individual Written Assignment  25%
Company Paper  35%

Grades are the result of performance in each of the components above and follow the plus/minus system. See http://www.utexas.edu/provost/planning/plus-minus/ for more details.

Classroom
In this course, you will be exposed to a variety of pedagogical approaches including lectures, case discussions, in-class exercises, guest speakers, and experiential learning. Even so, the majority of classroom time will revolve around discussion of the cases and paired articles. As in most case-based courses, attendance and participation are more than a good idea; they are required. Specific questions for each case will be handed out and posted online.

The cases vary in how difficult they are to analyze. They range from evaluating decisions already made (simple), to recommending a decision on a specific issue (more difficult), to actually defining the issues to be addressed and then recommending a specific choice (most difficult). For the more difficult cases, you will often find that your understanding of the issues improves if you...
put yourself in the position of the protagonist, usually a general manager in the case. The cases also vary in their conceptual difficulty. They range from a single framework that is easy to understand (easy), to multiple frameworks or one challenging framework (more difficult), to multiple and challenging frameworks (most difficult). Understanding cases along these dimensions will help you to prepare more effectively and allocate your time appropriately.

Prior to class, you should thoroughly read and prepare the case for that day, including answering the study questions. Please ensure that you have used the frameworks, tools, and ideas from the readings in your analysis as appropriate. Completing the articles(s) before tackling the cases is advised. You should also use the material in the case exhibits when possible. Some cases will have a question or two for which you have to make a specific decision recommendation. Your recommendation should be realistic, actionable, and supported by analysis (including numerical where appropriate). You should understand the decision criteria, formulate and evaluate (quantitative and qualitative assessments) alternatives, and select a choice. You should also understand the assumptions that undergird your recommendation. Finally, your recommendation should consider implementation including who should carry out your recommendation, when should they do it, and how.

Study groups are required. Effectively working within a study group will typically enhance both your performance in the course and your enjoyment of it. You will be asked to submit your group members’ names (approximately 4 people) early in the quarter. Your study group will prepare together for the classroom discussion of each case. You will be asked to rate the effectiveness of your study group members.

The primary purpose of the study groups is to enable you to develop your ideas and their presentation. Think of it as practice time prior to class. Effective study groups arrive at their meeting with their analysis of the case complete and their views on the study questions formed. It is not necessary for the group to reach a consensus. Rather you should discuss, explore, and debate the ideas. Effective groups keep these sessions short (no more than 1 hour and perhaps even less as the course progresses) and have a regular time and place to meet. These groups often come to view themselves as a team and support one another. Study groups can be very rewarding and fun.

During class, you should be prepared to lead off the discussion of any question in a significant way as well as to discuss salient issues which may not be addressed in the assigned questions. Since I may call on any student, it is crucial that you are well-prepared, listen carefully to others, and build on/critique previous comments. Clearly, you must participate in class if you are going to share your ideas with others. There is, however, no need to participate in every class. The quality of comments matters more than the quantity. Occasionally, students find that it is easier to participate effectively from the point of view of a particular person or functional area, or to act as the devil’s advocate or expert (assuming expertise is possessed) on the topic.

Since so much of the learning from a case-based course occurs in the classroom, there are no unapproved cuts. Specifically, any absence requires a written explanation (email is fine) that is sent to me prior to class. One or two misses are fine, but more absences may result in downward
adjustment of your grade. The reasoning behind this policy is that case classes demand active participation and attendance. Classroom contribution is 30% of your grade. Detailed explanations of what does and does not constitute effective contribution is below.

Calibration of Class Contributions:
**Outstanding contributor:** Contributions in class reflect exceptional preparation. The ideas conveyed are always substantive, yield one or more major insights, and provide direction to the class. Arguments are well-substantiated and persuasively presented. If this person were not a class member, the quality of discussion would diminish significantly.

**Good contributor:** Contributions reflect thorough preparation. Ideas are usually substantive, inject novel insights into the discussion, and sometimes provide direction for the class. Arguments reflect clear thinking. If this person were not a member of the class, the quality of discussion would be diminished.

**Adequate contributor:** Contributions reflect satisfactory preparation. Ideas are sometimes substantive, generally provide useful insights, but seldom steer the discussion in a new direction. Arguments are sometimes presented and may be compelling. If this person were not a member of the class, the quality of discussion would be somewhat diminished.

**Non-participant:** The person has said little or nothing in this class to date. Therefore, there is not an adequate basis for evaluation. If this person were not a member of the class, the quality of discussion would not be changed.

** Unsatisfactory contributor:** Contributions in class reflect inadequate preparation. Ideas offered are seldom substantive, are often off-point, provide few (if any) insights, and give no constructive direction to the class. There is no clear argument provided on the topic at hand.

Occasionally, some students find it difficult to participate effectively in class because of language or other challenges. Please speak with me if participation is a significant concern.

**Quizzes**
You will receive 2 **unannounced** quizzes during the semester. The quizzes are in short-answer format, deal with some aspect of the course, and should be completed without using notes or other materials (i.e., they are ‘closed book’). The best way to be ready for them is to come to class, having read the assigned cases/articles and prepared the study questions with your group. If you happen to miss a day that there is a quiz and you emailed me ahead of time (i.e., before class starts) to tell me that you would not be there, I will double count the score you receive on your second quiz. The quizzes account for 10% of your overall grade.

**Individual Written Assignment**
During the first half of the semester, you will be asked to complete a major written assignment based on Michael Lewis’ book, Moneyball. The written assignment is 25% of your grade for the course and is to be completed individually. Do not consult your study group, class members, or
According to Lewis, the Oakland A’s seem to have discovered an opportunity in the market for baseball players. Why did this opportunity exist? Why had no other teams learned about it? How could apparently false beliefs about the value of players persist?

2. What were the problems of implementing this different approach to selecting and evaluating players? Why was Billy Beane able to do it?

3. Assume other teams discover the same opportunities. What should the A’s do?

4. Do you believe there are similar opportunities in other industries? Provide an example of an industry or setting where a similar opportunity could exist? How would you go about exploiting it and what factors would you take into consideration when doing so?

Structure for Written Assignment
Your write-up should begin with an executive summary (1 full paragraph) that highlights the major issues discussed in the book and that clearly states your answers to the questions. The remainder of the write-up should develop in greater detail the arguments and analysis that support your conclusions. The role of the questions is to emphasize some key aspects of the book, but you may also identify other factors that you feel are relevant to the situation at hand that may not be explicitly included. The questions are also designed to get you to think about certain issues. But you should consider your write-up as an article that could stand on its own and so you should not answer the questions on a question-by-question basis. Rather, in writing it, adopt the perspective of an expert who has been hired to provide succinct analysis and advice on the issues. You will want to use the relevant tools from the course (particularly the 3 readings on behavioral strategy) and stitch together your arguments in a smooth way in your write-up.

Grading Criteria for Individual Written Assignment
Analysis
- Does the paper answer the questions?
- Does the paper contain analyses of the major issues?
- Does the paper properly incorporate the relevant concepts from the course?
- Are the assumptions made in the analysis stated explicitly?

Recommendations
- Are the criteria for making recommendations clearly stated and appropriate?
- Were other courses of action considered?
- Is the recommendation concrete and actionable?

Overall Criteria
- Does the paper exhibit creativity and original thought?
- Is the paper logically consistent and effectively structured?
- Is there a high likelihood that the recommendations will achieve their desired results?
- Does the paper exhibit clear writing, namely, does the choice of words, grammar, and other elements of style improve the quality and clarity of the analyses and recommendations?
Company Paper
Another central component of the course is a 15-18 page paper plus exhibits (12 pt font, one-and-a-half or double-spaced), which is prepared by a four-person group. You may use your study group or form a new group based on similar interests. This paper focuses on understanding strategy within the context of a single firm or a business unit within a larger firm. Candidates include entrepreneurial companies such as Facebook or HomeAway, or business units of larger, more established firms such as General Electric, Dell, or Exxon Mobile. In selecting your company, please consider two things. First, it is often difficult to obtain information on privately held companies (so you may want to pick a publicly-traded company). Second, you might want to select a company where you have a high likelihood of being able to secure several interviews with executives.

The intent of the company paper is to enable you to work with course concepts in the context of the strategy of a specific company (or business unit) that is of particular interest to you. It also provides a forum for you to work with course material with others, and an opportunity to improve your writing, analytic, and speaking skills. The paper should reflect thoughtful and thorough analysis using course concepts, secondary materials, and at least one interview (ideally a few) with an executive at the company. You will be asked to rate one another’s contribution to the group. There is an in-class presentation near the end of the quarter. The company paper will be due as indicated in the Course Schedule and constitutes 35% of your grade. A more detailed description of the Company Paper will be posted on the course website.

Scheduling Time to Meet with Me
If you would like to talk about the course, please email me to schedule a time preferably during office hours. To discuss other relevant matters outside the course (e.g., careers, graduate school etc.), please consider scheduling a lunch with me.
Additional Important Information

Writing Flag
This course carries the Writing Flag. Writing Flag courses are designed to give students experience with writing in an academic discipline. In this class, you can expect to write regularly during the semester, complete substantial writing projects, and receive feedback from your instructor to help you improve your writing. You should therefore expect a substantial portion of your grade to come from your written work.

Prerequisites
Seventy-five semester hours of college coursework, including one of the following: Management 336, 336H, Operations Management 335, 335H; credit or registration for Finance 357 or 357H, and Marketing 337 or 337H; and credit or registration for one of the following: Accounting 353J, 366P, Business Administration 353H, Finance 353, 366P, Management 353, 366P, Management Information Systems 353, 366P, Marketing 353, 366P, Operations Management 353, 366P.

Religious Holidays
A student who misses classes or other required activities, including examinations, for the observance of a religious holy day should inform the instructor as far in advance of the absence as possible, so that arrangements can be made to complete an assignment within a reasonable time after the absence.

Students with Disabilities
The University of Texas at Austin provides upon request appropriate academic accommodations for qualified students with disabilities. For more information, contact the Office of the Dean of Students at 471-6259, 471-4641 TTY.

Academic Dishonesty
The McCombs School of Business has no tolerance for acts of scholastic dishonesty. The responsibilities of both students and faculty with regard to scholastic dishonesty are described in detail in the Policy Statement on Scholastic Dishonesty for the McCombs School of Business:

By teaching this course, I have agreed to observe all of the faculty responsibilities described in that document. By enrolling in this class, you have agreed to observe all of the student responsibilities described in that document. If the application of that Policy Statement to this class and its assignments is unclear in any way, it is your responsibility to ask me for clarification. Policy on Scholastic Dishonesty: Students who violate University rules on scholastic dishonesty are subject to disciplinary penalties, including the possibility of failure in the course and/or dismissal from the University. Since dishonesty harms the individual, all students, and the integrity of the University, policies on scholastic dishonesty will be strictly enforced. You should refer to the Student Judicial Services http://deanofstudents.utexas.edu/sjs/ or the General Information Catalog to access the official University policies and procedures on scholastic dishonesty as well as further elaboration on what constitutes scholastic dishonesty.
# Course Schedule Detail

## Introduction

(Aug. 30) Course Overview

(Sept. 4) Concept of Strategy, Case Classes, and Company Paper
   - Article: Porter, M. *What is Strategy?*
   - Article: Hambrick and Fredrickson *Are You Sure You Have a Strategy?*
   - Form Study Groups

## I: Strategy as Position: Industry Structure and Generic Strategies

(Sep. 6) Industry Structure
   - Article: Porter, M. *The Five Competitive Forces that Shape Strategy."
   - Case: “Apple Inc. in 2012."

(Sep. 11) Generic Strategies I
   - Case: “Wal*Mart Stores, Inc.”

(Sep. 13) Generic Strategies II
   - Case: “Prelude Corp.”

## II: Strategy as Leverage: Resource-Based View

(Sep. 18) Recap and Introduction to RBV (lecture/exercise)
   - Article: Collis, D. and Montgomery, C. *Competing on Resources."

(Sep. 20) Developing Resources
   - Case: “Eli Lilly and Co.: Drug Development Strategy (A)."

(Sep. 25) Leveraging Resources
   - Case: “Toyota Motor Corporation: Launching Prius.”

## III: Strategy as Arbitrage: Learning and Behavioral Strategy

(Sep. 27) Introduction to Learning (exercises)
   - Article: Gavetti, G. *The New Psychology of Strategic Leadership."

(Oct. 2) Recap and Introduction to Behavioral Strategy (lecture/exercise)
   - Article: Denrell, J. *Selection Bias and the Perils of Benchmarking."
   - Article: Lovallo, D. and Sibony, O. *The Case for Behavioral Strategy."

(Oct. 4) Applying Behavioral Strategy
   - Book: Lewis, M. *Moneyball: The Art of Winning an Unfair Game.*
Individual Written Assignment Due (email instructor)

(Oct. 9) Experiencing Behavioral Strategy
Experiential Learning

(Oct. 11) NO CLASS (get started on readings)

IV: Strategy as Competitive Interaction: Game Theoretic View

(Oct. 16) Recap and Introduction to Competitive Interaction (lecture/exercise)

(Oct. 18) Competitive Interaction I
Case: “Cola Wars Continue: Coke and Pepsi in 2010.”
Company Paper: Form Group and Select Company (email instructor)

(Oct. 23) Competitive Interaction II
Case: “Responding to Wii?”

(Oct. 25) Competition and Disruption
Article: Bower, J. and Christensen, C. “Disruptive Technologies.”
Case: “Netflix.”

V: Strategy as Opportunity Capture: Complexity and Institutional Theories

(Oct. 30) Recap and Introduction to Opportunity Creation/Capture (lecture/exercise)

(Nov. 1) Opportunities from Technology
Article: Pisano, G. “Can Science Be a Business?”
Case: “A123Systems.”

(Nov. 6) Opportunities from Market Creation
Case: “Linear Air: Creating the Air Taxi Industry.”
Company Paper Initial Plan Due (email instructor)

(Nov. 8) Experiencing Opportunities
Experiential Learning

(Nov. 13) Opportunities from Business Models
Case: “LinkedIn (A).”

VI: Integration: Putting It All Together
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<tr>
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<tr>
<td>(Nov. 15)</td>
<td>Project Work Day</td>
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<td>(Nov. 20)</td>
<td>Company Paper Presentations</td>
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<td>Company Paper Presentations Due (email slides to instructor)</td>
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<tr>
<td>(Nov. 22)</td>
<td>NO CLASS (Thanksgiving)</td>
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<td>(Nov. 27)</td>
<td>Company Paper Presentations</td>
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<td>(Nov. 29)</td>
<td>Company Paper Presentations</td>
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<td>(Dec. 4)</td>
<td>Strategy and Your Career</td>
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<td>(Dec. 6)</td>
<td>Reflections, Debrief, and Lessons</td>
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<td>(Dec. 12)</td>
<td>Company Paper Due (location to be announced)</td>
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Why We Use the Case Method¹

The case method is one of the most effective means of management education. It is widely used in schools of business throughout the world, and this use is predicated upon the belief that tackling real business problems is the best way to develop practitioners. Real problems are messy, complex, and very interesting.

Unlike other pedagogical techniques, many of which make you the recipient of large amounts of information but do not require its use, the case method requires you to be an active participant in the closest thing to the real situation. It is a way of gaining a great deal of experience without spending a lot of time. It is also a way to learn about how certain businesses operate and how managers manage, and it will expose you to a variety of companies and industries you may consider working for. There are few programmable, textbook solutions to the kinds of problems faced by real general managers. When a problem becomes programmable, the general manager gives it to someone else to solve on a repeated basis using the guidelines he or she has set down. Thus, the case situations that we will face will require the use of analytical tools and the application of your personal judgment.

Preparing for Class
When you prepare for class, it is recommended that you plan on reading the case a few times. The first reading should be a quick run-through of the text in the case. It should give you a feeling for what the case is about and the types of data that are contained in the case. For example, you will want to differentiate between facts and opinions that may be expressed. In every industry, there is a certain amount of "conventional wisdom" that may or may not reflect the truth.

In a subsequent reading you should read in more depth. Your major objective on a subsequent reading should be to understand the business and the situation. You should ask yourself questions like: (1) Why has this company survived? (2) How does this business work? (3) What are the economics of this business? Carefully examine the exhibits in the case. It is generally true that the case writer has put the exhibit there for a purpose. It contains some information that will be useful to you in analyzing the situation. Ask yourself what the information is when you study each exhibit. You will often find that you will need to do some analysis in order to benefit from the information in the raw data.

You should have a good idea of the fundamentals of the case. Now you will be searching to understand the specific situation. You will want to get at the root causes of problems and gather data from the case that will allow you to make specific action recommendations. You may want to review the assignment questions in the course description and go through the case again. You should now be able to prepare your outlined answers to the assignment questions.

¹ This note was prepared by Dan R.E. Thomas and was modified by the instructor for this course. It is intended solely as an aid to class preparation.
Class Discussions
In each class, I may ask one or several people to lead off the discussion. If you have prepared the case, and are capable of answering the assignment question, you should have no difficulty with this lead-off assignment. An effective lead-off can do a great deal to enhance a class discussion. It sets a tone for the class that allows that class to probe more deeply into the issues of the case.

The instructor's role in the class discussion is to help, through intensive questioning, to develop your ideas. This use of the Socratic Method has proven to be an effective way to develop thinking capability in individuals. The instructor manages the class process to insure that the class achieves an understanding of the case situation. There is no single correct solution to any of these problems. There are, however, many wrong solutions. Therefore, we will try to come up with a solution that will enable us to deal effectively with the problems presented in the case.

After the individual lead-off presentation, the discussion will be opened to the remainder of the group. It is during this time that you will have an opportunity to present and develop your ideas about the way the situation should be handled. It will be important for you to relate your ideas to the case situation and to the ideas of others as they are presented in the class. The instructor's role is to help you do this.

The Use of Extra or Post-Case Data
You are encouraged to deal with the case as it is presented. You should put yourself in the position of the general manager involved in the situation and look at the situation through his or her eyes. Part of the unique job of being a general manager is that many of your problems are dilemmas. There is no way to come out a winner on all counts. Although additional data might be interesting or useful, the "Monday morning quarterback" syndrome is not an effective way to learn about strategy. Therefore, you are strongly discouraged from acquiring or using extra- or post-case data. It is, however, interesting and occasionally useful to know what actually occurred. Therefore, whenever possible, we will tell you what happened to a company since the time of the case, but you can and should draw your own conclusions from that.
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<th>Date</th>
<th>Topic</th>
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<td>Course Introduction/Overview</td>
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<tr>
<td>4-Sep</td>
<td>Concept of Strategy, Cases, Paper</td>
<td>Apple</td>
<td>What is Strategy? AND Are You Sure You Have One?</td>
<td>Study Groups Formed</td>
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<td>Industry Structure</td>
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<td>Generic Strategies I</td>
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<td>Leveraging Resources</td>
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<td>Introduction to Game Theoretic View</td>
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<td>Competition and Disruption</td>
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<td>30-Oct</td>
<td>Introduction to Opportunity Capture</td>
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<td>Simple Rules AND Which Strategy When?</td>
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