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COMPETITIVE STRATEGY
Business 42001
Fall 2020

SYLLABUS

COVID-19/FALL 2020 NOTES

Format- *Since an informal poll of a subset of my 2019 students indicated that they highly valued the classroom experience, my plan is to teach “dual mode” (i.e., I plan to be physically in the classroom each week). The exact logistics are still being ironed out, but I’ll update the syllabus as well as send out a Canvas announcement as soon as they are. Note that no matter what I initially decide, I may be forced to move the class to an entirely virtual format without much warning. This could happen because the dual modality format isn’t effective or because university/govt. policy mandates the change. In either case, this requires the caveat that no bid point refunds will be awarded in these instances.*

First week- *There is required reading and a memo due ahead of the first class. If you cannot access Canvas, you can [download the assignment here](#) and email your memo to the teaching assistants.*

Exams- *The midterm and final exams will be administered remotely at set times.*

Remote attendance- *First, I strongly recommend connecting to the internet via Ethernet cable rather than via Wi-Fi. This will solve effectively all connectivity issues. (Even Ethernet cables running 50 feet are relatively cheap.) Second, whenever you’re virtually attending a “live” class, keep your camera on and be ready to use your microphone. If you require an exception in a particular week, email the TA.*

Additional misc. and “boilerplate” items can be found at the end of this syllabus. To summarize them, (a) do not record, share, or disseminate any course sessions, materials, etc.; (b) do not share links with students that are not enrolled; (c) wear personal protective gear (i.e., a mask) and observe social distancing guidelines when you are on campus; (d) if you feel sick, get tested; and (e) if you test positive, then steer far clear of the university.

A. COURSE OVERVIEW

The course applies microeconomics—mainly the economics of industrial organization—to analyze decisions managers face in business environments. It focuses on strategic decisions that drive profits.

The class is interactive. Roughly one-third to one-half of each class is devoted to lecture, with the remaining (majority) of time devoted to case discussion.

The first half of the course takes a *price theory* approach to managerial decision-making. The actions of rivals are mostly assumed fixed, so we can isolate key tradeoffs that they face. The second half takes a *game theory* approach, in which managers’ actions directly affect their rivals’ payoffs, and vice versa.

Topics include *pricing, positioning, patterns and determinants of cross-industry and within-industry profitability, entry and exit, vertical integration and boundaries of the firm (i.e. the “make or buy” decision), commitment, cooperation, deterrence, network effects, and multisided platforms.*

B. PREREQUISITES

Microeconomics coursework—equivalent to Booth’s *Introductory Microeconomics*—is strongly recommended but not strictly required. A relatively recent and rigorous undergraduate economics degree should suffice. If in doubt, make sure concepts in Microeconomics by Goolsbee, Levitt, and Syverson are familiar to you and that you can follow Introduction to Industrial Organization by Cabral (below).

C. TEACHING ASSISTANTS AND OFFICE HOURS

Frank Montana (fmontana@chicagobooth.edu)
Jena Manilla (jmanilla@chicagobooth.edu)

Feel free to e-mail me if you have questions about the material. I will not hold regular office hours but will be available to meet by appointment.

D. READINGS, CASES, AND SLIDES

- Required: *syllabus*, cases, news articles, and academic research distributed via course website.
- Strongly recommended: Cabral, Luís (2017). *Introduction to Industrial Organization*, MIT Press.

You are responsible for assigned readings as well as everything brought up in class. Because much of the class is structured around case discussions, many of the most important ideas will be raised by your peers.

Cabral’s *Introduction* book covers most of the economics of industrial organization that we will use in the course. It is optional, though I strongly encourage it unless you are very strong in economics—in particular, the economics of industrial organization.

I use slides for many components of my lectures, but I will also use an interactive “chalk-and-talk” style as well. If you miss class, then consult a peer who can fill you in on the material. (If you have remaining questions, the TAs and I are of course here to help.) I will typically distribute a version of my slides prior to each class, but these are redacted in the sense that omit answers to posed questions as well as many key ideas. Thus, you are encouraged to take notes. (Even if you never reference them again, it may improve your information retention.) In lieu of distributing the “unredacted” slides, I will provide complete lists of terms you should be familiar with ahead of both the midterm and final exams.

E. ATTENDANCE, PARTICIPATION, AND SECTION SWITCHING

Discussion and debate are key components of the course. They facilitate learning the material, they make class engaging and most importantly, they are ideal practice for presenting and defending your ideas in front of a large group. I personally found this last element to be the most valuable part of the MBA classes I took in graduate school.

The value of discussion hinges on the quality of your and your classmates’ contribution. To incentivize a high quality discussion, classroom participation, including responses to “cold calls,” will represent a meaningful portion of your grade. If on some occasion circumstances preclude you from preparing for or participate in discussion (but still enable you to come to class), let me know ahead of time and I will do my best to remember not to call on you.

Before each class, read and understand the cases and readings listed in the syllabus. I will post a guide to each week's readings and cases on Canvas a week before each class. In most weeks, you will be responsible for turning in a memorandum of brief answers to questions on this guide.

~~If on some occasion you need to attend a section other than the one in which you are formally enrolled, consult the teaching assistant before the earlier of the two sections. Do not enroll in a section if you expect you will need to attend a different section more than twice. (This is merely in the interests of fairness, since sections tend to fill up.)~~ **See note on COVID-19.**

F. COURSE REQUIREMENTS AND GRADING

Grading will be based on class participation and case discussion (30%), the in-class midterm (25%), the in-class exam (40%), and completion of case memorandum (5%). Note that I may adjust these amounts one to two percentage points in either direction based on how aspects of the course play out.

Class Participation and Memoranda

You need to participate to benefit from this course.

I post study questions for each case that serve as a guide to preparation. Come to class prepared to give concise, persuasive answers backed up with evidence. You are allowed and encouraged but not required to meet outside of class in groups of up to three to discuss and analyze the cases. As an additional incentive for you to prepare adequately, I ask for a written response, *not to exceed two pages*, to some of those study questions. (To be clear, this means two pages per week, not per case.) Answer all questions unless instructed otherwise. These written responses, i.e. case memoranda, are due at the beginning of class in which we will discuss the case. Regardless of whether you work in a group or not, *everyone should submit a separate response on Canvas*.

When you prepare for classroom discussion, do not read outside analyses of the case (e.g., news reports about the companies involved) nor discuss the case with students who have previously studied it (either in a previous year or in a different course or section). Similarly, do not share your notes on the cases with another student who may take the course at some later time. In short, the struggle to “crack the case” is a valuable part of the course, so even subtle hints about how to assemble the facts of the case will shortchange you as far as learning about competitive strategy.

Midterm

The midterm will be given during the sixth week of class. It is a 90 minute exam consisting of short and medium length questions as well as an analysis of a case distributed a week in advance. You can bring only a clean copy of the case to the exam (i.e. with no notes or highlighting). *Do not discuss the exam case(s) with other students*.

Barring notably exceptional circumstances, you will not be allowed to take the midterm outside of normal class hours. ~~You can complete the exam on a laptop computer (if you have one available to you) or simply write the answers in on paper. The former is preferred (if only for the sake of legibility), although either are fine.~~ **See note on COVID-19.**

Final

The final will be given in the scheduled exam period. It will have a similar structure to the midterm, but is 3 hours long. The instructions for this exam are the same. That is, barring exceptional circumstances, you will *not* be allowed to take the final outside of normal class hours; ~~you can complete the exam on a laptop or simply write answers in, though the former is preferred; you can bring a clean copy of the case; and you should not discuss the exam case(s) with other students.~~ **See note on COVID-19.**

G. HONOR CODE

Students enrolled in this class are expected to adhere to the terms of the Booth School of Business honor code. By way of reminder, in this particular class it involves (among other things):

- Students may not discuss a case or receive notes on a case that has not yet been discussed in class with students who have taken the class previously (either in another section or in a prior year).
- Students may neither solicit nor receive materials from students who took the course previously. This includes exams, cases and all other course materials.
- Students may, however, freely discuss a case with other students in the class who have not yet discussed the case in class (for example, with other students in the same section).
- Students may not discuss the midterm or final with **anyone**.

H. Class Schedule and Readings (subject to minor changes)

Part I. Industry and firm-level drivers of profitability

Session 1	Week of x/x Case(s): Add'l Reading:	<u>From Microeconomics to Competitive Strategy</u> Moneyball (articles posted online) <i>Cabral</i> : see reading guide.
Session 2	Week of x/x Case(s): Add'l Reading:	<u>Industry Analysis</u> Cola Wars Continue “Note on the Structural Analysis of Industries” <i>Cabral</i> : see reading guide.
Session 3	Week of x/x Case(s): Add'l Reading:	<u>Competitive Advantage</u> Husky Injection Molding Systems; Enterprise Rent-a-Car “Creating Competitive Advantage” <i>Cabral</i> : see reading guide.
Session 4	Week of x/x Case(s): Add'l Reading:	<u>Boundaries of the Firm</u> Lazear [2000], Baker and Hubbard [2002] Birds Eye and the U.K. Frozen Foods Industry (A) <i>Cabral</i> : see reading guide.

Part II. Strategic interaction

Session 5	Week of x/x Case(s):	<u>Midterm Exam and Introduction to Strategic Interaction</u> Nothing due (<i>The Tuna Game</i> is the in-class exercise).
Session 6	Week of x/x Case(s): Add'l Reading:	<u>Dynamic Pricing</u> Game theory exercises: CVS/Walgreens, Momotaro/Arami The US Airline Industry in 1995 American Airlines (3 articles) <i>Cabral</i> : see reading guide.
Session 7	Week of x/x Case(s): Add'l Reading:	<u>Entry and Entry Deterrence</u> Walmart terminations, Intel Kickbacks (articles posted online) Dogfight over Europe: Ryanair <i>Cabral</i> : see reading guide.
Session 8	Week of x/x Case(s): Add'l Reading:	<u>Network Effects: Adoption</u> Power Play (A): Nintendo in 8-bit Video Games Linkedin in 2012 <i>Cabral</i> : see reading guide.
Session 9	Week of x/x Case(s):	<u>Network Effects: Platform Competition</u> Dropbox: It Just Works Uber, Lyft, and the Transportation Network Industry
Final Exam	Week of x/x	

Additional items:

--- The Recording and Deletion Policies for the current academic year can be found in the Student Manual under Petitions, Audio & Video Recording on Campus. (a) Do not record, share, or disseminate any course sessions, videos, transcripts, audio, or chats. (b) Do not share links for the course to those not currently enrolled. (c) Any Zoom cloud recordings will be automatically deleted 90 days after the completion of the recording.

--- All students on campus are required to adhere to the guidelines in the UChicago Health Pact in order to promote a safe environment in the classroom. (a) Secure face coverings must be worn appropriately at all times during class. (b) Maintain a distance of 6 feet from others (c) Do not attend and in-person class if you feel unwell or are experiencing COVID-19 related symptoms. The complete text of the UChicago Health Pact along with additional information about COVID-19 protocols can found at <https://ehs-prd-01.uchicago.edu/ehsa-ucair/InjuryIllnessIndexUOFC-IT.html>.

--- Any concerns over inappropriate PPE usage, physical distancing, cleaning/disinfection, or other COVID-19 related public health concerns should be directed toUCAIR.

--- If there is an emergency, call 773-702-8181 or dial 123 on any campus phone.

--- Students who have been exposed to or who are experiencing symptoms of COVID-19 should contact UChicago Student Wellness immediately to be tested, and reach out to their area Dean of Students to request accommodations for classes until: (a) At least 10 days have passed since symptoms first appeared and; (b) At least 3 days (72 hours) have passed since recovery- defined as resolution of fever (c) without the use of fever-reducing medications and improvement in respiratory symptoms (e.g., cough, shortness of breath). If you were potentially exposed to COVID-19 or your COVID-19 test results come back positive, reach out immediately to C19HealthReport@uchicago.edu.

---The University of Chicago is committed to ensuring equitable access to our academic programs and services. Students with disabilities who have been approved for the use of academic accommodations by Student Disability Services (SDS) and need a reasonable accommodation(s) to participate fully in this course should follow the procedures established by SDS for using accommodations. Timely notifications are required in order to ensure that your accommodations can be implemented. Please meet with me to discuss your access needs in this class after you have completed the SDS procedures for requesting accommodations. Phone: (773) 702-6000 Email: disabilities@uchicago.edu