

**CHAD SYVERSON**

Phone: 773-702-7815

chad.syverson@chicagobooth.edu

COMPETITIVE STRATEGY

Business 42001

Fall 2020

SYLLABUS (PRELIMINARY)

SPECIAL NOTICE REGARDING COVID-RELATED FACTORS

The course will be taught in dual modality format. Students can attend either remotely via Zoom or in person (subject to room capacity restrictions), and the instructor will be present in the classroom. The same course material and content will be accessible to students attending via either mode. Both the lecture- and case-based portions of class will be live-streamed initially and recorded for later review. Note, however, that courses taught in a dual modality format may shift to remote instruction at any point in the quarter. No bid point refunds will be awarded in these instances.

The health and safety of everyone in class is a priority. The instructor, TAs, and all students are expected to abide by the UChicago Health Pact (<https://goforward.uchicago.edu/health-requirements/#healthpact>). The pact's provisions include agreement to do the following:

- Wear a face covering in University buildings or whenever other people are in the immediate area
- Maintain a distance of at least six feet from others whenever possible
- Wash hands frequently or use hand sanitizer
- Check health symptoms daily, and stay home if not feeling well or experiencing any COVID-19 symptoms
- Report promptly to C19HealthReport@uchicago.edu if you have knowingly been exposed to or test positive for COVID-19
- Raise any safety concern with an academic leader or throughUCAIR
- Cooperate with public health workers and adhere to all quarantine requirements

A. COURSE OVERVIEW

The course applies microeconomics (including elements of price theory, game theory, and industrial organization) to analyze decisions firms face in business environments. There will be specific focus on strategic decisions and the factors that influence firms' competitive advantages. Class time will be devoted to case discussions and lectures. Topics covered include pricing, product positioning, efficient performance, vertical structure, entry and exit, strategic investments, and network externalities.

B. TEACHING ASSISTANTS AND OFFICE HOURS

There are two teaching assistants for the course, each assigned to one section:

Section 42001-01 (Day): TBD

Section 42001-81 (Evening): TBD

Please direct administrative questions (e.g. scheduling, problems with the website, etc.) to them.

Feel free to call me or send me an e-mail if you have any questions, comments or concerns. I will not hold regular office hours, but will be available to meet by appointment.

C. READINGS AND WEBSITE

- Articles distributed via course website (Required)
- Cabral, Luís M. B. (2017). *Introduction to Industrial Organization*, 2nd Ed, MIT Press. (Optional, \$91.99 on Amazon 8/4/20)
- Goolsbee, Levitt, and Syverson (2019). *Microeconomics*, 3rd Ed, Worth Publishers. (Optional, \$179.82 on Amazon 8/4/20)

You are responsible for all assigned readings and 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 to Industrial Organization* and Goolsbee, Levitt, and Syverson's *Microeconomics* cover most of the core economics that we will use in the course. A significant portion of this material should be review. These books can serve as a reference. Cabral, as a textbook focusing on the field of industrial organization (companies' decisions, basically), will have the most direct connection to the topics in the course. The reading list will include optional readings from Cabral on the topics covered in each week of the course.

I use PowerPoint slides for many components of my lectures, but I also use an interactive "chalk-and-talk" style as well. I will distribute my lecture notes, though they may be sparser than the content I discuss in class. You are therefore encouraged to take comprehensive notes. Even if you never reference them again, it will improve your information retention.

I will use the course Canvas site to distribute information and materials relevant to the class. This can be reached from <https://courses.uchicago.edu/>. Some links to the readings posted online may redirect you to library resources (e.g., JSTOR). In order to access these you have to have permissions set up properly. You should have no trouble accessing them from an on-campus machine. For off-campus access, please follow the instructions posted at <http://answers.uchicago.edu/page.php?id=16101>.

D. ATTENDANCE AND PARTICIPATION

Regardless of whether you attend remotely or in person, you need to be prepared for class. The class is a collaborative effort, with a large portion of class time consisting of discussion and debate. If you are not prepared or don't attend at all, you are diminishing the quality of everyone else's experience.

In advance of each class, you are required to read and understand the case(s) and readings listed in the syllabus. I will post on the website one week in advance a guide to each week's readings and cases. In most weeks, you will be responsible for turning in brief answers to questions on the reading guide (see below).

If on some occasion you need to attend a section other than the one in which you are formally enrolled, please consult the teaching assistants before the earlier of the two sections. If you expect to attend a different section regularly, you should make the switch formally through the usual administrative channels.

E. COURSE REQUIREMENTS AND GRADING

Grading will be based on class participation (15%), an optional in-class midterm (35%), and an in-class final (50% if you take the midterm, 85% if you do not).

Class Participation

Class participation is essential in order for you to get the maximum benefit from the course.

I will post study questions for each case which should serve as a guide to preparation. You should 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, starting in the second week, I will require a brief (one- to two-page) written response to some or all of those study questions. The questions that require a response are in **bold** on the reading guide. These written responses must be emailed or given to the section's TA by the beginning of class during the week that we are discussing the case. *If you do not turn in the response on time, this will be recorded as a grade of zero.* Written responses received on time will be given a grade of either check, check-plus, or check-minus. Check implies the responses are largely accurate and capture the main themes behind the question. A check-plus will be given for responses of exceptional accuracy and clarity (historically, about 10% of responses fall into this category). A check-minus will be given for responses that are noticeably lacking (again about 10% of responses have been in this category historically).

Most of your participation grade will depend on these written responses, but a portion will also depend on the quality (not quantity) of your contributions to class discussions. Before we discuss a case in class, you should neither 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, you should not share your notes on the cases with another student who may take the course at some later time.

Midterm

The midterm will be given during the sixth week of class. It is a 1.5-hour exam consisting of short and medium length questions as well as an in-class analysis of a case distributed a week in advance. You can take notes on the case as well as prepare additional notes with tables, calculations, etc. of up to one single-sided page (8 1/2 by 11). No group collaboration or use of outside information is allowed in preparing for the exam. Barring notably exceptional circumstances, you will *not* be allowed to take the midterm outside of normal class hours. Taking the midterm is optional. If you choose not to take it, the final will count for a commensurately greater portion of your grade. *Note that while the midterm is optional, everyone is expected to attend and participate in the second half of the sixth week of class.*

Final

The final will be given in the scheduled exam period. It will have a similar structure to the midterm, but will be longer (3 hours). Barring notably exceptional circumstances, you will *not* be allowed to take the final outside of normal class hours.

If you require any accommodations for this course, as soon as possible please provide your instructor with a copy of your Accommodation Determination Letter (provided to you by the Student Disability Services office) so that you may discuss with him/her how your accommodations may be implemented in this course. The University of Chicago is committed to ensuring the full participation of all students in its programs. If you have a documented disability (or think you may have a disability) and, as a result, need a reasonable accommodation to participate in class, complete course requirements, or benefit from the University's programs or services, you are encouraged to contact Student Disability Services as soon as possible. To receive reasonable accommodation, you must be appropriately registered with Student Disability Services. Please contact the office at 773-702- 6000/TTY 773-795-1186 or disabilities@uchicago.edu, or visit the website at disabilities.uchicago.edu. Student Disability Services is located at 5501 S. Ellis Avenue.

F. 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**.

G. Class Schedule and Readings

Note: Readings in *Cabral* are optional background reading on which you will not be directly tested.

I. Industry and firm-level drivers of profitability

Session 1	Sep. 21	<u>Economic Profit and Rents</u> Case(s): Moneyball (2 articles) Add'l Reading: Goolsbee, Levitt, and Syverson 3e: Ch. 8 <i>Cabral</i> : Ch. 1-3
Session 2	Sep. 28	<u>Industry Analysis</u> Case(s): Cola Wars Continue Add'l Reading: Porter, "Note on the Structural Analysis of Industries" <i>Cabral</i> : Ch. 4, 5 (pp 102-107), 8, 10
Session 3	Oct. 5	<u>Competitive Advantage (I): Strategy and Sustainability</u> Case(s): Edward Jones in 2006: Confronting Success Aldi: The Dark Horse Discounter Add'l Reading: Ghemawat & Rivkin, "Creating Competitive Advantage" <i>Cabral</i> : Ch. 14
Session 4	Oct. 12	<u>Competitive Advantage (II): Complementarities and Why It's Hard</u> Case(s): Mobileye "NUMMI" episode of <i>This American Life</i> (audio) Add'l Reading: Porter, "What Is Strategy?" Eichenwald, "Microsoft's Lost Decade"

II. Strategic interaction

Session 5	Oct. 19	<u>Midterm Exam and Introduction to Strategic Interaction</u> Case(s): Shrimp Game (posted online) Add'l Reading: Gibbons Sections 1.1, 1.2, 2.1
Session 6	Oct. 26	<u>Dynamic Pricing</u> Case(s): The US Airline Industry in 1995 (part) American Airlines (3 articles) Add'l Reading: Garicano & Gertner <i>Cabral</i> : Ch. 9
Session 7	Nov. 2	<u>Entry and Entry Deterrence</u> Case(s): Dogfight over Europe: Ryanair Add'l Reading: Goolsbee and Syverson (2008) <i>Cabral</i> : Ch. 12
Session 8	Nov. 9	<u>Vertical Integration and Contracting</u> Case(s): Birds Eye and the U.K. Frozen Foods Industry (A) Add'l Reading: Baker and Hubbard (2004) <i>Cabral</i> : Ch. 13

The information contained in these documents is confidential, privileged and only for the information of the intended recipient and may not be used, published or redistributed without the prior written consent of the Booth faculty member(s) teaching the course.

Session 9	Nov. 16	<u>Networks and Standards</u>
	Case(s):	Responding to the Wii?
	Add'l Reading:	Fiegerman, "Inside the Failure of Google+" <i>Cabral</i> : Ch. 16
Final Exam	Dec. 2	