

Course Outline

RSM392H1

Strategic Management

Summer 2020

Course Meets: Mon & Wed, 1 - 3 pm Room: See Class Modules for Zoom Links

Instructor: Patrick Rooney
Email: patrick.rooney@rotman.utoronto.ca
Course Webpage: <https://q.utoronto.ca/> (choose RSM 392)
Office Hours: Zoom meeting; Mondays, 3 - 4pm or by appointment

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. Among other things, 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
8. How to design processes that improve strategic decision making

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 we 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 for potential future MBA courses and for their 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 Technology

For Summer 2020, this course will be conducted entirely online. To participate fully and to complete the course successfully, you must ensure you have a computer with a working webcam, microphone and reliable access to an internet connection. If you don't have this technology or cannot be assured that you will have it for the duration of the course and all its tests/presentations/deliverables, please do not remain in the course. There will be other opportunities in other terms to take this course without the necessity to rely on technology.

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. **See instructions on page 6 of this syllabus on how to purchase the cases.**

Evaluation and Grades

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

<i>Category</i>	<i>Weight</i>	<i>Due Date</i>
Class Participation	10%	Ongoing
Weekly Assignment	10%	From Class 2 on
Topics in the News Memos (x2)	20%	May 22, June 12
Midterm Exam	25%	May 27 (in class)
Final Exam	35%	TBD during Final Examination Period

Class Participation (10%): Before the second day of class, please update your [Quercus profile picture](#) and Zoom profile picture to be a forward-facing picture that approximates what you'll look like over Zoom. There should be no one else in the picture and it should present you as a professional (think passport or LinkedIn picture). This will be your first assignment.

In general, 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 learn 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 we will make use of Zoom polls and breakout rooms in almost every class. 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 stance. Make sure that 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.

Weekly Assignment (10%): Before classes 2 through 12, aside from Midterm day, I will ask a few questions on Quercus about the assigned material. I use these questions to ensure that you do the readings and to give you practice drawing links between the theory and the case readings.

Topics in the News Memos (20%): After two (2) class sessions, you will write a 600-word memo that develops a strategic evaluation on a company's decision using the tools, frameworks, and theories from class. Your job will be to find an article in the business press (e.g., *South China Morning Post*, *WSJ*, *Bloomberg*, *FT*) and link it to the concepts from a class. You may choose to write a memo on

any two classes, with the constraint that one memo is due before May 22 and one memo is due before June 12. I will provide a few examples of memos on Quercus.

Your goal in the memo will be to (1) briefly introduce the company and its strategic question to a reader unfamiliar with the company, (2) present a theoretically grounded argument that weighs the pros/cons of the different options the company can pursue, and (3) take a reasonable stance on the alternative(s) you think is/are best. Please come to office hours if you're interested in topics or discussing argumentation strategies. Note that this is an individual assignment.

In-Class Midterm Exam (25%): **The midterm exam will take place during class on May 27, 2020.** This exam will be given over Zoom. The midterm will consist of short-answer questions on a case. I will provide more information on the structure of the exam in advance of the midterm date.

Final Exam (35%): There will be a 3-hour final exam scheduled during the exam period given over Zoom. This exam will consist of short-answer questions that span the entire semester's coursework. I will provide you with more information on the structure of the exam on 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 (Mondays 3 – 4pm), 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:

Diversity, inclusion and equity

The University of Toronto is committed to equity, human rights and respect for diversity. All members of the learning environment in this course should strive to create an atmosphere of mutual respect where all members of our community can express themselves, engage with each other, and respect one another's differences. U of T does not condone discrimination or harassment against any persons or communities.

Electronic Course Materials

This course will be using the following electronic course materials: Coursepack. These materials will cost a total of \$56.05. The use of these materials complies with all University of Toronto policies which govern fees for course materials.

Credit / No-Credit Option in Rotman Commerce

You may request to Credit/No-Credit an RSM course in the following cases only:

- The course will not be used for any specialist or focus, including the 8.0 RSM FCE requirement.
- The course does not have a group work component.

If you wish to request credit/no-credit for an RSM course, you must meet with an Academic Advisor in the Rotman Commerce Program Office. The deadline for this term is June 1, 2020.

Final approval is on a case-by-case basis with the permission of the Director, Rotman Commerce.

Missed Assignments/Examinations

Students who miss a test or assignment for reasons entirely beyond their control (e.g. illness) may request special consideration.

In such cases, students must:

1. Notify the instructor AND the Rotman Commerce Program Office on the date of the missed course deliverable, e.g. missed test, assignment or class (in the case of participation marks).
2. Complete a [Request for Special Consideration Form](#) and submit it along with supporting documentation as indicated on the form. For example, this may include either your Self-Declaration of Absence on ACORN, or [Verification of Student Illness or Injury form](#) to the Rotman Commerce Office within **2 business days** of the originally scheduled course deliverable.

Students who do not provide appropriate or sufficient supporting documentation will be given a grade of 0 (zero) for the missed course deliverable.

Note that documentation must clearly establish that you were ill or had other circumstances that prevented you from attending on the date in question. Reports after-the-fact are not sufficient.

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 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 make sure that your name on Zoom is your legal name. Preferred names can go in parentheses (e.g., Xinyi (Sunny) Chen).

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 or 519-661-3208

To purchase the course materials, follow the following steps:

1. Go to the Ivey Publishing website at 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=26170>
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	May 4	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: "What is Strategy?" by Porter</p>
2	May 6	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 & Seal</p> <p>"The Right Game" by Brandenberger and Stuart (in coursepack)</p> <p>"Why do Management Practices Differ across Firms and Countries?" by Bloom and Van Reenen</p> <p>Optional reading for more technical detail: "Value Capture Theory" by Gans and Ryall</p>
3	May 11	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>"Taking Industry Structuring Seriously" by Makadok and Ross (only pages 509-523; read the Introduction and Discussion closely, skim rest)</p>
4	May 13	Pricing	<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	May 20	Production and Industry Life Cycle	<p>How can you tell the difference between learning curves and economies of scale?</p> <p>What are the dangers of trying to take advantage of learning curves or economies of scale?</p> <p>Does the age of an industry matter for entrants' success?</p> <p>Why do incumbents get entrenched in some industries?</p>	<p>Ivey Case on Porter Airlines</p> <p>Bessen Chapter 2 "Skills of the Unskilled"</p> <p>"Industry Life Cycles" by Klepper</p>
6	May 25	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	May 27	Midterm	(in-class midterm)	
8	June 1	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>"On the Folly of Rewarding A While Hoping for B" by Kerr</p> <p>"Excellent Police" by Fisman and Sullivan</p>
9	June 3	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>"What do Managers Do?" by Gibbons and Henderson (Section 4)</p> <p>"Management Practices, Relational Contracts, and the Decline of General Motors" by Helper and Henderson</p>
10	June 8	Entrepreneurs and Strategy	<p>Who becomes an entrepreneur?</p> <p>Is "disruption" overrated?</p> <p>What makes an entrepreneurial firm different from established firms?</p> <p>How do you decide when to compete and cooperate with established firms?</p>	<p>NTU Case on Meituan-Dianping</p> <p>"Dynamic Commercialization Strategies" by Marx, Gans and Hsu (pages 1-24; omit appendix)</p> <p>"More Entrepreneurs is Bad Public Policy" by Shane</p>

11	June 10	Innovation	<p>How important is formal intellectual property?</p> <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>HBS Case on GSK's Acquisition of Sirtris</p> <p>"Absorptive Capacity" by Cohen and Levinthal</p>
12	June 15	Strategic Decision Processes	<p>What barriers do managers face when tackling a strategic problem?</p> <p>How do behavioral biases impact managerial decisions?</p> <p>What pitfalls occur in data collection and analysis?</p> <p>Can implementing strategic decision processes lead to competitive advantage?</p>	<p>HBS Case on Challenger</p> <p>"Pitfalls of Data-Driven Decisions" by MacGarvie and McElheran</p>
	Exam Period TBD (Rotman Commerce Exam Period)			

Please note the last day to drop an F term course is June 1, 2020.