Overview

This course is an introductory business-strategy course designed for analytically-oriented graduate students, particularly students in the joint Business School-IEOR programs. The course has three objectives.

1) Provide you with the theory to understand why a given company is (or is not) profitable. (For potential entrepreneurs, this theory becomes a tool to assess whether your proposed venture will be profitable in a competitive environment.)

2) Provide you with perspectives for assessing the sustainability of a given company’s profitability. We will place special emphasis on understanding and evaluating the key assumptions and judgments underpinning your assessments. The course includes some historical cases of managing a changing business environment.

3) Enable you to identify the substantive issues behind the trends and frameworks in the strategy field.

To achieve these objectives, the course will utilize case discussions, exercises, and lectures. One of the key challenges of strategy is that decisions have to be made with limited and ambiguous information. Cases will provide us with a great way to simulate the ‘messiness’ of real-world decisions. The analytical foundation of the course relies on both cooperative and non-cooperative game theory.

A typical assignment for a class will include both a case preparation and an exercise. About half of the class will be spent discussing the case, and the other half discussing the exercise. Note that this course uses two pedagogical extremes: ambiguous cases and precise exercises.

The course is loosely organized around four themes.

Value and Competition  The foundation for understanding why a firm makes money, sometimes called a firm’s “competitive advantage.” This material is based on recent
advances in cooperative game theory for modeling business strategy. Cooperative game theory facilitates an understanding of firm profits as part of some larger value creation.

**Strategic Moves** These include major business decisions like whether or not to enter a business or what customer segments to target. This theme includes what strategy people call sustainability: the question of whether a company will continue to be profitable. Elementary applications of non-cooperative game theory, integrated with cooperative game theory (formerly, biform games), provide the foundation.

**Tactical Moves** The execution of major strategic moves often includes a ‘smaller’ game consisting of tactical moves. The analysis of these moves also uses non-cooperative game theory, but there is typically an added issue: strategic uncertainty may play a central role. The course will show how recent advances in epistemic game theory provide a deeper understanding of strategic uncertainty, including an understanding of how managing perceptions can be critical to successful innovation and platform adoption.

**Corporate Strategy** The question of whether or not a company should be in multiple businesses. Game-theoretically, corporate strategy looks at both merging games and merging players within a game. The course will include cases in which complementary businesses are essential to a firm’s profitability, as in, for example, platform competition.

**Required Readings**

There is a casebook, and additional exercises will be posted on the class website. The casebook contains three articles, and additional readings are from a required textbook: *The Profitability Test: Does Your Strategy Make Sense?*, MIT Press, 2016.

**Requirements and Grading**

Grading will be based on four factors:

- Class Preparation: 22%
- Class Participation: 18%
- Study Groups (see below): 18%
- Mid-term Diagnostic Quiz: 20%
- Final Paper: 40%

**Class Preparation & Attendance**

Class Preparation comprises 22% of your grade. For every class, there will be a short-answer (typically a number or Yes/No response) survey question (or questions). These questions will be posted on Canvas (under ‘Quizzes’), and they must be answered by **2:00 pm, the day of class.** You will get full credit for class preparation as long as you answer the survey questions with a response that you can defend in class. Answers do
not have to be ‘correct.’ In fact, many of the questions will not have ‘right or wrong’ answers.

Proper preparation in this course is essential. It is important that you attend the classes, and it is even more important that you come prepared.

Class Participation

Class Participation comprises 18% of your grade. Class participation is based on the comments you make in class. Good comments are those that enhance the educational experience of all students, and they should demonstrate that you are listening carefully to other students. **Please bring your tent (name) card to class.**

Study Groups

I strongly recommend that you form a study group of three to five people. Historically, students who meet in a study group are better prepared and do better in class participation.

Take-home Diagnostic Quiz

There will be a take-home, diagnostic quiz on Monday, **March 5.** (There is no class that day.) The time window for the quiz will be our usual class time. The quiz comprises 20% of your grade.

Final Paper

The remaining 40% of your course grade will be based on a short paper due **Monday, May 7, 9:00am.**

The paper should be about a firm, and there should be a specific, motivating question. For example, should the firm change strategy? Is its current strategy sustainable?

- The paper should provide an analysis of why the firm is (or is not) currently profitable.
- It should provide an analysis of the motivating question, as well as a recommendation.
- If relevant, it should include an assessment of the sustainability of the firm’s profitability (or expected profitability if a change in strategy is being recommended).

The recommended **maximum** length of the paper is 10 pages. (Concise writing will be rewarded.)

You may write the paper either in a group or individually.
NOTE: If one or two groups would like to do a short presentation (20 minute limit) instead of a paper, this can be arranged. The presentation would occur on the last day of class (April 30), and it must be pre-approved by the instructor.

A Final Comment

Please remember that classes take place in an environment that supports learning and encourages the exchange of ideas. Behavior that distracts students and the professor negatively affects the learning environment. For example,
- using electronic devices (including laptops) for purposes not authorized by the professor,
- arriving late to class or leaving early, and
- walking in and out during class
are particularly detrimental to the classroom environment. Such conduct is disrespectful to classmates and instructors. Students that fail to conduct themselves properly face, at a minimum, a substantial penalization in the class participation portion of their grade.