

BUSINESS STRATEGY (GPEFM 2009/2010)

Instructor

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Office hours: By appointment

Objective of the course

The main purpose of this course is to expose students to the different aspects that may allow firms to succeed when competing in the marketplace under various circumstances, also paying attention to the factors that allow such success to persist. Rather than on daily managerial issues, the focus will be on those large decisions that involve a substantial amount of resources (such as firm scale, choice of markets and products, or the decision by an established firm of whether or not to fight off a new entrant).

The course will draw on economic thinking to define concepts and build a coherent framework for competitive analysis at the industry and firm levels. For this reason, it is required that students are familiar with basic knowledge of microeconomics (for students interested in learning the basics: short, self-contained lecture notes with the microeconomic knowledge required are available upon request). In addition to management students, economics and finance students are very welcome and typically perform very well.

No textbook is required because I will hand out lecture notes with all the theoretical content of the course. The material on which the course is based draws from several different sources, but the main building block is the Besanko et al. "Economics of Strategy" textbook (whose details can be found below). The notes follow their flow and presentation style.

Student evaluation

Coursework at the graduate level is usually meant to be challenging and to require exerting considerable effort. This course is no exception. The assessment of any student will be based on the performance in a final exam (25% of the final grade) and participation in the discussion of around eight real-world Harvard Business School cases (25% of the final grade). On top of that, students will form teams and each team will present their analysis of one of these cases with clarity and depth (25% of the final grade). In addition, some problem sets will be released on a regular basis and will count towards 15% of the final grade, whereas class participation will make up the remaining 10%. It is worth noting that it is compulsory to turn in a two- or three-page memorandum

on each case that is discussed in class before discussion starts (however, memoranda are not graded, just inspected, unlike problem sets). All students should keep always in mind that the honor code will be strictly enforced in this course.

Syllabus (subject to modifications)

Chapter 1: Introduction to the Economics of Strategy

Chapter 2: The Horizontal Boundaries of the Firm

Chapter 3: The Vertical Boundaries of the Firm

Chapter 4: Competitive Interaction in Product Markets

Chapter 5: Competitive Dynamics in Oligopolistic Industries

Chapter 6: Industry Analysis

Chapter 7: Strategic Positioning for Competitive Advantage

Chapter 8: Sustaining Competitive Advantage

Chapter 9: The Origins of Competitive Advantage: Innovation, Evolution, and the Environment

Main textbook

Besanko, David, David Dranove, Mark Shanley, and Scott Schaefer, "Economics of Strategy", Wiley, 4th Edition, 2007

Complementary material

Brandenburger, Adam, and Barry Nalebuff, "Co-Opetition", Currency, 1997

Ghemawat, Pankaj, "Strategy and the Business Landscape", Prentice Hall, 2nd Edition, 2005

Mcafee, Preston, "Competitive Solutions: The Strategist's Toolkit", Princeton University Press, 2005

Saloner, Garth, Andrea Shepard, and Joel Podolny, "Strategic Management", Wiley, 2005

Last updated: July 29, 2009

Spulber, Daniel, "Management Strategy", McGraw-Hill/Irwin, 2003