

ECONOMICS OF STRATEGY

First year

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Course description

Strategy is neither science of “right” planning ritual nor choice of appropriate frameworks.

While operations is concentrated on efficient use of resources currently available - strategy is about **PRACTICE OF LASTING PERFORMANCE**. The latter is based predominantly on cognitive abilities of managerial teams to come up with “finally rational” solutions for strategic problems - including, but no limited to the following

- What will be our strategic commitments, which we would like to be known?
- What are the winning formulas for our value propositions and business modules? What particular competitive advantage should we focus on?
- Which priorities should we concentrate under current “known” uncertainties and how we link strategic choices and goals to specific courses of actions ? How can we make our future action roadmaps integrating our key resources deployments clear and consistent - although sensitive to future uncertainties and emerging patterns which we even can not think about today ?
- What capabilities to perform should we develop and how we can ensure the adaptive nature of our organization to survive in evolving environment
- What are the benefits and limits of current (the 3-rd) AI advent in connection with the sustainable development of the business and society ?

Why do some firms succeed and others fail ? How do managers combine rational and intuitive approaches while making strategic decisions? The course discusses the most important strategic decisions including, but not limited to

- changing boundaries of the firm in digitally intensive environment
- dynamic competitive strategies in fast moving industries and markets
- future thinking and organizational adaptiveness

The goal of the course is two-fold :

(1) to provide the participants with a practical frameworks allowing to conduct successfully firm / industry analysis in a changing environment, understand major tradeoffs that strategic decision makers face and come up with non-trivial solutions

(2) to develop a general management perspective, which means to learn how to use strategy as the «clue» linking marketing, operations, finance and organization development. It also mean to understand whether the firm “fits” to the evolving business environment

Grading

The grade is made up of two components:

- Class Participation (50%): active participation in in-class discussion of cases.
- Final exam (50%): written take-home exam – answering a set of questions.

Course intent<ative> schedule and contents

* - chapters / pages in the Textbook

Week	Date	Concentration	Textbook*	Cases / Readings
1	Nov-8	<p>INTRODUCTION TO STRATEGY Overview of strategic management and key concepts involved in development of competitive-based strategies. Discussion of the various approaches to strategic planning. Overview of the firm boundaries and key related trade-offs</p>	<p>INTRO : A Framework for Strategy 5 / PART ONE: Costs 12 / Economic Costs and Profitability 21 / Demand and Revenues 22 / Where Do Economies of Scale Come From? 41 / Where Do Scale Economies Come From? 45 / Special Sources of Economies of Scale and Scope 54 / Sources of Diseconomies of Scale 58 /The Learning Curve 61 / PART TWO: Make versus Buy 120 / Reasons to "Buy" 127 / Reasons to "Make " 131 / Summarizing Make-or-Buy Decisions: The Make-or-Buy Decision Tree 145</p>	
2	Nov-15	<p>FLOATING BOUNDARIES CASE DISCUSSION Discussion of the stereotypes of the vertical integration Overview of the market and competitive analyses frameworks</p>	<p>PART ONE: Where Do Agency Problems Come From? 73 / Combating Agency Problems 81 PART TWO: Alternatives to Vertical Integration 162 / Why Do Firms Diversify? 178 / Managerial Reasons for Diversification 185 / Performance of Diversified Firms 191 PART THREE: Market Structure and Competition 212 / Strategic Commitment and Competition 243 / Entry and Exit Decisions: Basic Concepts 301 / Entry-Deterring Strategies 309 / Exit-Promoting Strategies 319 / Performing a Five-Forces Analysis 328 / Coopetition and the Value Net 333 /</p>	<p>COKA-COLA in 2011: In search of a new model</p>
3	Nov-20	<p>VALUE MIGRATION CASE DISCUSSION Discussion of the competitive behavior on fast moving digitally enabled markets Overview of the competitive positioning and competitive advantage development frameworks</p>	<p>PART FOUR: STRATEGIC POSITIONING FOR COMPETITIVE ADVANTAGE 359</p>	<p>APPLE INC in 2012</p>
4	Nov-27	<p>PREPARING THE BREAKTHROUGH CASE DISCUSSION Introduction / discussion of the integrated strategic analyses approach aimed to develop the coherent strategy and / or evaluate existing one</p>	<p>PART FOUR: SUSTAINING COMPETITIVE ADVANTAGE 410</p>	<p>Reading to be provided</p>

5	Dec-13	DEALING WITH UNCERTAINTIES CASE DISCUSSION Introduction of the robustness concept and related scenario planning technic useful to develop the strategic roadmaps under uncertainties Overview of the incentives / structural issues	-	Reading to be provided
6	Dec-04	DIGITAL IMPACT CASE DISCUSSION Development of the company responses to digitally- intensive competition	PART FOUR: THE ORIGINS OF COMPETITIVE ADVANTAGE: INNOVATION , EVOLUTION , AND THE ENVIRONMENT 441	Reading to be provided
7	Dec-18	ADAPTIVENESS CHALLENGE CASE DISCUSSION Introduction of the adaptive organization concept and related tools and approaches Preparations for the final exam	PART FIVE: Economics of Performance Measurement 470 / Do Pay-for-Performance Incentives Work? 485 / Incentives in Firms 488 An Introduction to Structure 509 / Structure-Environment Coherence 521 / Culture 546	Teaming at DISNEY ANIMATION PROCTER & GAMBLE Organization 2005
		Final exam : paper submission 10 days after classes finished		

*** - While each case is assigned to a specific topic, it is also relevant for almost any other topic as almost every case requires a comprehensive analysis of designing and implementing a strategy.

Course methodology

The course is being developed as a mix of (1) conceptual overviews (linked with the textbook) with (2) real - life case and (3) provocative presentations around strategy-related issues.

The course is requiring intensive reading of the textbook and materials provided which is a prerequisite for successful enter into the strategic vocabulary and knowledge domain. Professor will provide reading guidance help to interpret and understand the most challenging parts of the knowledge being acquired

Interactive parts of the course (more then 50% of the time -in-class) are being build around (1) small - group discussions and (2) facilitated class discussion around issues chosen by Professor and / or by the class. Students are expected to prepare cases in teams during the class hours; it is essential to prepare for each week's case discussion.

Course structure and rhythm allow participants in addition to gaining of the knowledge to benefit from life - lessons and practical experience accumulated by Professor during his managerial career

Course materials

Required textbooks and materials

- **The textbook is *The Economics of Strategy***, 3rd Edition (or later), by David Besanko, David Dranove, Mark Shanley, and Scott Schaefer

Additional materials / recommended reading

- **The Breakthrough Imperative. How the best managers get outstanding results.** Mark Gottfredson and Steve Shaubert (HarperCollins Publishers, 2008)
<https://kindle.amazon.com/work/the-breakthrough-imperative-managers-outstanding/B00149E18S/0061358142>
- **Strategic Intuition. The creative spark in human achievements.** – William Duggan (2103) <https://kindle.amazon.com/work/strategic-intuition-creative-achievement-publishing/B0016GE558/0231142692>

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.