

**BASM 501: Business Strategy**  
*Program: Full-time MBA*

**COURSE INFORMATION**

**Instructor:** Álvaro Parra

**Term/period:** January 3<sup>rd</sup> to February 8<sup>th</sup>, 2019

**Email:** alvaro.parra@sauder.ubc.ca

**Class meeting times:**

- Section 1: Tuesdays & Thursdays 8:00 – 9:50 at HA 132
- Section 2: Tuesdays & Thursdays 10:00 – 11:50 at HA 132

**Make-up Class:**

- Section 1: Friday, January 11<sup>th</sup> 8:00 – 9:50 at HA 132
- Section 2: Friday, January 11<sup>th</sup> 10:00 – 11:50 at HA 132

**Office Hours:** by appointment.

**Course website:** <https://canvas.ubc.ca/>

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**COURSE DESCRIPTION AND OBJECTIVES**

The fundamental question of strategy is both simple and difficult: “How can a firm earn long-run profits?” Learning how to answer this question will be the primary aim of this course.

No equation, recipe, or formula can universally answer the previous question. There is, however, critical thinking, economic models, and rational judgment that we can use to understand the firms’ context and answer the question case by case.

The aim of this course is to develop a flexible business strategy toolkit that can be applied to a broad range of practical problems. You will find that the primary emphasis of the course is not on understanding conceptually difficult material. Instead, you will learn how to apply simple—yet powerful—ideas to specific situations. In particular, the primary skills you will develop in this class are:

- **Diagnosis.** Can you identify the salient details of a situation and understand their strategic significance and implications? The goal is to pick out what really matters from among the facts and to use economic frameworks to understand the significance of those details.
- **Creativity.** One theme of the course is that you cannot outperform your competitors by simply doing the same things they are doing. Finding new approaches and new ways to do things is often the key to a successful, profitable strategy.
- **Judgment.** The frameworks and tools we develop in this course need to be applied intelligently. This class teaches you to be a better—meaning a more systematic, logical, complete, critical—thinker about strategy. You should not expect to gain a body of business-related facts from this course. Instead, the aim is to teach you skills that will help you understand the significance of whatever set of facts you face.

This is a distinctly “big picture” course. The goal is not to equip you with a lot of mathematical formulas, but instead to give you a foundation for thinking about how a firm achieves its

fundamental goal of profitability. As you gather more tools in other classes, you will have a sense of how they work together in generating long-run profitability.

To be successful in this course, you must spend time actively thinking about the issues. There is no module to download, no formula to memorize, and no answer to find in the book. This course is about building your most fundamental business skill, namely strategic thinking. Not preparing for class or expecting to passively absorb the material will do you about as much good as watching an exercise class from the sidelines.

The concepts, skills, and analytical tools that you will learn in this course rest on economic principles relating to firms' underlying organizational objectives. In particular, a business exists to generate wealth for its owners. To that end, a firm may have to consider stakeholders beyond shareholders. Although the primary focus of this class will be the creation and capture of economic wealth, a variety of other objectives may apply to certain firms in particular contexts. The concepts and tools discussed in class can be used to formulate strategy with any objective in mind.

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## **COURSE OUTLINE**

This course covers the fundamental frameworks of modern competitive strategy.

1. **Context and Trade-Offs:** Why do details matter so much in modern strategy analysis?
2. **Value Creation and Capture** – How does a firm create value for customers, and how can it retain some of that value as profit?
3. **External Analysis** – What competitive pressures does a firm face in its industry?
4. **Internal Analysis** – What enables some firms to be more profitable than others, even within the same industry? How can a firm maintain, over the long term, its profitability?

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## **TEACHING APPROACH**

Because the aim of the course is to build your own critical and analytical thinking abilities, you will spend much of your time preparing for and engaging in class discussion. In advance of the course, I will provide you with the set of required readings (see the reading schedule in pages 8 to 11).

My commitment to students is that *every* assigned reading will be discussed explicitly in class. In return, I expect students to be prepared for our discussions.

Some of our discussions will be based on business cases and news articles. Cases tend not to have a single, tidy solution. However, there are always better and worse answers, and valid and invalid inferences. Cases never contain all the information you would like to have to make a decision—in this way, they are very much like real life. You may find it frustrating to be pushed to make a decision or take a stand when you are not sure whether it is the right one; this is the nature of real-world business decision-making. Cases often offer conflicting information. They will require you to make judgment calls. This kind of ambiguity is also a feature of real-world business decisions.

Strategy is a field that asks big questions and so necessarily draws on many of the other functional areas of business. This course aims to give you an overall vision of how the different areas fit together in contributing to the success of the firm.

## PREPARING FOR CLASS

Preparing for case discussions means more than just reading the cases. Each case assignment will include several preparation questions, as well as a written assignment that will help you articulate some of your thinking about the case in advance of the discussion. I encourage you to review the questions before reading the case, and make some notes after reading the case in order to be prepared for class.

Much of our time in class will be spent discussing *news articles* that describe current strategy issues facing companies in a variety of industries and contexts. You are expected to have read these articles and to be prepared to discuss them. Although there will not be explicit preparation questions provided for these readings, it is a good idea to always be asking yourself, “Do I believe this argument? Where else does it apply? When would this approach not be useful?”

**If for some reason you are not prepared for class, I expect you to let me know before class.** I know that you are juggling other classes and other commitments; you don’t need to give me an explanation. However, if you have not told me otherwise, you have implicitly committed to be ready to contribute to the class if I should call on you.

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## COURSE READINGS

**News articles, papers and videos:** Most of the readings (and videos) for the class will be posted on the *Library Online Course Reserve* on Canvas.

**Cases:** There is a required case packet which can be purchased online at Ivey. Detailed instructions are posted on Canvas.

**Textbook:** There is **no** required textbook. I, however, recommend as a reference: Besanko, Dranove, Shanley and Schaefer (henceforth, BDSS), *Economics of Strategy*, 6th edition, Wiley. The textbook readings listed in the syllabus are for background only. You are not explicitly assigned to read them, but may find them to be a useful resource.

I will expect you to have read and to be prepared to discuss all of the material assigned for the day, except the optional material from the textbook.

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## ADDITIONAL COURSE MATERIAL

The following materials will be posted on Canvas.

- Course announcements: Course announcements will be posted to Canvas or emailed to you.
- Assignments: I will post the individual and group case assignments to Canvas in the “Assignments” folder. You will submit your work there, too.
- Slides and handouts from class: A day before each class I will post all the material on Canvas.

*No course material (including slides, handouts, assignments, exercises, and exams) may be shared outside of the classroom without my permission. Do not share it across sections, cohorts or years; post it on the Internet; or reproduce or distribute it in any way outside of this class. Please see page 7 for additional information about academic integrity.*

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## ASSESSMENT

Individual Case Assignment	5% + 10%
Group Assignment	10%
2 In-class Individual Analyses	10% (5% each)
Participation	15%
Final Exam	50%

Here are some details about assignments and assessments:

### **Individual case assignments (5% + 10%) – due before class on the day of the case discussion**

There are three cases in BASM 501 for which you must write a one-page response to a preparation question. Three of these case assignments will be graded on a credit/no-credit basis. Together, these three case assignments will account for 5% of your final grade for BASM 501. One of your case assignments (randomly chosen) will be graded on a 20-point scale, and that case assignment will be worth 10% of your final course grade. The preparation question and assignments for each case will be posted in the “Assignments” section of the Canvas site. You may discuss these assignments with members of your study group, or with others in the course, but the final write up should be your own. You must upload your answer to Canvas before the start of class on the day of the case discussion.

### **Group assignment (10%) – due by 2pm on Friday, January 25**

You will be assigned to a group at the start of the course—I will create these groups as soon as the course roster has been finalized. Your groups, the assignment, and instructions will be posted in the “Assignments” section on Canvas site.

### **In-class individual analysis (5% ea.) – completed in class on January 15 and January 31**

In the past, I have had several students indicate that they would like more opportunities to see exam-style questions before facing the real deal at the end of the course. I will give you a sample exam before the end of the course, but you will also have two pre-exam opportunities to assess your grasp of course content. You can think of these as early warning signals—if you get positive feedback, then you can carry on as-is; if you get less-than-positive feedback, then you can adjust your approach (with my help, if you want).

During our class sessions on both January 15 and January 31, I will give you 20 minutes to prepare and submit an answer to a question related to one or more of the topics covered in previous class sessions. For example, on January 15, you could be asked a question about “value creation and capture”, a topic that we covered earlier that month. You will provide a brief (1-2 paragraph) answer and submit your work at the end of the allotted time. Your answer will be graded on quality (correctness and effectiveness). Each of these in-class analyses is worth 5% of your final grade. Because of the size of the classes and short timeline for the course, there will be no opportunities to “make up” for missed in-class analyses; students who fail to submit an answer will receive zero for this component of the grade for BASM 501.

### **Exam (50%) – scheduled by the RHL Graduate School office**

The exam will be taken during the Sauder-specified exam period, scheduled by the RHL Graduate School office. You will be allowed to bring in one 8.5 x 11 inch, 12 pt, double-sided sheet of notes to the exam. More detailed information about the content and format of the

exam will become available as the date approaches. Please do not make plans that conflict with this exam. Of course, UBC provides exceptions for students who require religious or medical accommodations.

**Class participation: 15%**

The class participation grade provides you with an added incentive to prepare for class—the value of your own learning should be the primary incentive. Case discussions work well as learning tools when everyone participates.

Your participation will be graded on quality, not volume. You should provide insights, observations, inferences, or conclusions that not only express your argument, but also defend your analysis. Your comments should be relevant to the topic at hand and should advance the discussion. A simple opinion is not very valuable without any justification. I value comments that respond to, elaborate on, lend support to, contradict, or correct a comment by one of your classmates. Counter-productive comments include opinions without a justifying argument, pure repetition of a previous point, and rambling, vacuous, or disparaging comments.

Discussion constitutes a large portion of our class time; you will have ample opportunity to participate. I will cold call in class, both to give you an incentive to prepare for class and to make sure the discussion does not involve only a handful of students. At a minimum, everyone in class should be prepared to answer all of the case preparation questions handed out in advance.

*Missing class:* Learning to articulate your arguments and to evaluate and respond to the arguments of others is an important part of what you will learn in this class. If you miss class, you will miss this, and there is not a way to “make it up.” As a result, you should make every effort not to miss class. If you miss class or are late, it will lower your class participation grade. UBC provides exceptions for religious holidays and ongoing medical conditions. If you must miss class, you should do the readings, prepare and turn in the assignments on time (late assignments will not be accepted), and arrange to get notes from a friend about what you missed in class. Recall that I will post the slides (and anything else that I hand out in class) to Canvas. Excessive absences will affect your final grade.

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**HOW TO STUDY FOR THIS COURSE**

The aim of this course is to make you more rigorous, critical, precise, and thorough in your analysis of strategy issues; in short, the goal of the course is to change the way you think. The only way to do this is to practice. You should think of this course like sports, exercise, or learning a musical instrument: you cannot really learn anything, and you certainly cannot get better at it, by just watching from the sidelines. In practical terms, the most important steps to study for this course are:

1. **Come to class prepared.** There is no substitute to this. If you have not read and thought about the material, you will not get very much out of what is going on.
2. **Engage in class discussion.** Class time is not entertainment, and you should not expect to just sit back and listen. Engaging means listening critically to what other people are saying, evaluating whether you think their arguments are right, and speaking up when you think you have something to contribute.

3. **Summarize and synthesize.** After every class session, write yourself a summary of what was covered in class: what we talked about and what lessons you were supposed to take away. Note that the purpose of this is to do it yourself. Forcing yourself to summarize and synthesize this way is how you internalize and take ownership of the material. If your study group splits this up and each does a day, you have missed the point; it's not about having the write-up, it's about working on it.
4. **Practice.** The only way to get good at thinking in a new way is to practice it. When you meet a strategy issue somewhere else (e.g. in the news, talking with someone, in another course, out shopping), use the tools and frameworks of the course to understand it.
5. **Consider studying with a group.** Some people find it helpful to study and discuss things with a group; some do not. You are looking for a group that discusses carefully and thoroughly, but does not descend into a protracted argument about who is right. Once you have productively discussed as much as you can, drop it and pick up the discussion in class rather than beating it to death.

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## **CLASSROOM ETIQUETTE AND INSTITUTIONAL POLICIES**

Students are expected to respect the following etiquette guidelines at all times:

- **Attendance:** As per RHL policy on Professionalism, Attendance and Behaviour, students are expected to attend 100% of their scheduled classes. Students missing more than 20% of scheduled classes for reasons other than illness will be withdrawn from the course. Withdrawals, depending on timing, could result in a "W" or an "F" standing on a student's transcript. Students must notify their instructors at the earliest opportunity if they are expected to miss a class due to illness. A medical note from a licensed, local doctor is required if more than 20% of scheduled classes for a course are missed due to illness. Students are required to notify the Student Experience Manager if they are absent from two or more classes due to illness.
- **Tardiness:** As per RHL policy on Professionalism, Attendance and Behaviour, students are expected to arrive for classes and activities on time and fully prepared. Late arrivals may be refused entry at the discretion of the instructor or activity lead. Students arriving halfway through a scheduled class, or later, will be treated as absent for that class.
- **Electronic Devices:** As per RHL policy on Professionalism, Attendance and Behaviour, laptops and other electronic devices (cellphones, tablets, personal technology, etc.) are not permitted in class unless required by the instructor for specific in-class activities or exercises. Cellphones and other personal electronic devices must be turned off during class and placed away from the desktop. Students who fail to abide by the RHL "lids down" policy will be asked to leave the room for the remainder of the class. Research has shown that multi-tasking on laptops in class has negative implications for the learning environment, including reducing student academic performance and the performance of those sitting around them.
- **Late Assignments:** Late submissions will not be accepted and will receive a grade of zero.

- **Course Material:** No course material (including slides, handouts, assignments, exercises, and exams) may be shared outside of the classroom without my explicit permission. Do not share it across sections, cohorts or years; post it on the Internet; or distribute it in any way outside of this class. I take this policy seriously for several reasons. First, the classroom experience requires ideas to be new to the learners—if you share material outside of the course, you deprive other students of these learning-by-doing opportunities. Second, I have devoted considerable time and energy to building this intellectual property to benefit students in my classes, and I want your help to ensure that its integrity (and a sense of academic fairness) is maintained. Finally, sharing it beyond the classroom enables or promotes plagiarism and other forms of academic dishonesty.
- **Seating and Nametags:** Starting in the first session, students are required to always sit in the same seat. This is to facilitate me the task of keeping track of your participation, and also to have a place to direct prospective students and visitors to sit. It is expected that you bring your **nametag** to every class.
- **Beverages and snacks:** Out of courtesy to your classmates, please don't bring anything messy, noisy, or smelly to eat or drink in class.

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## COMMUNICATION

You can reach me by email at [alvaro.parra@sauder.ubc.ca](mailto:alvaro.parra@sauder.ubc.ca). I am also available to meet with you by appointment. I do not have regular office hours only because I have found that they do not work very well for MBA students' packed and varied schedules. However, I am very happy to meet with you! Please send me a meeting request or an email with a set of possible times. If you need to reach me by phone, my office number is 604-822-6409. That said, email is a much more reliable way to get in touch with me.

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## ACADEMIC INTEGRITY AND PLAGIARISM

All UBC students are expected to behave as honest and responsible members of an academic community. Failure to follow appropriate policies, principles, rules and guidelines with respect to academic honesty at UBC may result in disciplinary action.

It is the student's responsibility to review and uphold applicable standards of academic honesty. Instances of academic misconduct, such as cheating, plagiarism, resubmitting the same assignment, impersonating a candidate, or falsifying documents, will be strongly dealt with according to UBC's procedures for Academic Misconduct. In addition to UBC's Academic Misconduct procedures, students are responsible for reviewing and abiding by RHL's policy on Academic Integrity.

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## STANDARD REFERENCE STYLE

The Robert H. Lee Graduate School uses American Psychological Association (APA) reference style as a standard. Please use this style to cite sources in your work unless directed to use a different style.

## Schedule of Course Readings

### Context and Tradeoffs

#### 1. January 3 (Thursday)

**Nothing to Submit.**

**Read:**

- Syllabus, pp. 1-7.

An introduction to strategy:

- M. Porter, "What is Strategy?" *Harvard Business Review*, Vol. 74, Nov/Dec 1996, pp. 39-73 (available on Canvas<sup>1</sup>)

Strategy and tradeoffs

- M. Ramsey, "Tesla Motors Offers Open Licenses to Its Patents," *Wall Street Journal*, June 12, 2014.

Strategy and making compromises

- C. Sciaudone and J. Brice, "Brazilian Airline Azul Avoids Brazil's Busiest Route," *Bloomberg Businessweek*, August 7, 2014.

### Value Creation and Capture

#### 2. January 8 (Tuesday)

**Nothing to Submit.**

**Read:**

The profit function:

- C. Oster, "On the Hook: The Ill-Fated Union of an Insurance Giant and a Bail Bondsman," *Wall Street Journal*, April 10, 2001 (skip the abstract, read the text).
- [Video: **optional**] Last Week Tonight with John Oliver: Bail, *HBO* (available on Canvas) (This video explains what a bail bond is)
- V. Goel and S. Ember, "Instagram to Open Its Photo Feed to Ads," *New York Times*, June 2, 2015.

Value creation and capture

- S. Strom, "Chipotle to Stop Using Genetically Altered Ingredients," *New York Times*, April 26, 2015.

**Complementary (optional) reading**

- BDSS pp. 1-8, 10-32, 291-302 (5<sup>th</sup>: 1-7; 11-34; 362-373).

<sup>1</sup> News articles, Videos, Harvard Business Review articles, and podcasts available in **Library Online Course Reserve** on Canvas.



### 3. January 10 (Thursday)

**Submit** the one-page individual case assignment for the Performance Indicator case before Session 3.

**Read:** [CASE] Performance Indicator – HBS 9-702-480 (*in case packet*).

### 4. January 11 (Friday, Make-up class)

**Nothing to Submit.**

**Read:**

Added value in the smartphone industry

- A. Efrati, "Samsung Sparks Anxiety at Google," *Wall Street Journal*, February 25, 2013.
- J. Cheng, "Samsung Drops Android for New Smartwatch," *Wall Street Journal*, February 23, 2014.

Added value in cable television

- Z. Seward, "AMC is Thriving by Breaking the Rules of Legacy TV," *The Atlantic*, August 13, 2013.

**Complementary (optional) readings**

- A. Brandenburger and H. Stuart, "Value-Based Business Strategy," *Journal of Economics and Business Strategy*, 5(1), pp. 5-24, 1996. (available on Canvas)
- BDSS pp. 293-302 (5<sup>th</sup>: 362-373)

## Industry Profitability

### 5. January 15 (Tuesday)

**Nothing to Submit.**

**In-class Individual Analysis I:** based on concepts from previous class sessions

**Read:**

Industry analysis

- M. Porter, "The Five Competitive Forces that Shape Strategy," *Harvard Business Review*, Reprint #R0801E. (on Canvas)

Rivalry

- N. Kleinfeld, "In Manhattan Pizza War, Price of Slice Keeps Dropping," *New York Times*, March 30, 2012.

Entry barriers

- D. Wakabayashi, "Apple Wins iPod Antitrust Trial," *Wall Street Journal*, December 16, 2014.

Substitutes

- P. Kavilanz, "Wal-Mart's Ready to Do Battle," *CNNMoney*, April 11, 2011.

**Complementary (optional) readings**

- BDSS pp. 258-284 (5<sup>th</sup>: 336-340; 344-350).

**6. January 17 (Thursday)**

**Nothing to Submit.**

**Read:**

Complements

- D. Gallagher, "Xbox Shows Microsoft Playing the Long Game," *Wall Street Journal*, June 11, 2018.

Supplier power

- A. Gasparro, S. Needleman, and R. Dezember, "Sysco Buys Rival US Foods for \$3.5 Billion to Create Food-Distribution Giant," *Wall Street Journal*, December 11, 2013.

Buyer power

- J. Krishna, "Mobile Number Portability Off to a Flying Start in India," *Wall Street Journal*, February 08, 2011.

Industry analysis of the Global Aircraft Manufacturing Industry

- D. Michaels, "Airbus and Boeing Duke It Out to Win Lucrative Iberia Deal," *Wall Street Journal*, March 10, 2003.

**7. January 22 (Tuesday)**

**Submit** the one-page individual case assignment for the UBER case before Session 7.

**Read:** [CASE] Editorial briefing, "From zero to seventy (billion)," *The Economist*, September 3, 2017 (available on Canvas)

**Competitive Advantage: Sources and Sustainability**

**8. January 24 (Thursday)**

**Nothing to Submit.**

**Read:**

Asset, activities advantage

- J. Jurgensen, "Netflix Says Binge Viewing is No 'House of Cards'," *Wall Street Journal*, December 12, 2013.

Cost- and benefit-based competitive advantage

- Journal, September 20, 2004. S. Clifford, "Where Wal-Mart Failed, Aldi Succeeds," *New York Times*, March 29, 2011.
- N. Singer and R. Abelson, "Can Johnson & Johnson Get Its Act Together," *New York Times*, January 15, 2011.

Niche-based competitive advantage

- Video: M. Gladwell, "Choice, Happiness, and Spaghetti Sauce," TED, February 2004.
- K. O'Keefe, "The Cheapest, Richest Casino in Macau," Wall Street Journal, February 5, 2014.

The evolution of Amazon

- Video: J. Bezos, "Web and Internet Pioneers," June 1997.
- J. Letzing, "Amazon Adds that Robotic Touch," Wall Street Journal, March 19, 2012.
- L. Stevens, "Amazon to Launch Delivery Service That Would Vie With FedEx, UPS," Wall Street Journal, February 9, 2018.

**Complementary (optional) readings**

- BDSS pp. 301-327, 177-180.

**Group Analysis due Friday January 25<sup>th</sup> by 2pm**

**9. January 29 (Tuesday)**

**Submit** the one-page individual case assignment for the Enterprise Rent-a-Car case before Session 9.

**Read:** [CASE] Enterprise Rent-A-Car – Kellogg 5-311-508 (*in case packet*).

**10. January 31 (Thursday)**

**Nothing to Submit.**

**In-class Individual Analysis II:** based on concepts from previous class sessions

**Read:**

Heterogeneity

- M. Delio, "Loud Hogs for Easy Riders," *Salon.com*, May 19, 2003.

Inimitable

- Audio: D. Charles, "In Haiti, Aid Groups Squabble Over Rival Peanut Butter Factories," *NPR*, October 5, 2012. (available on Canvas)

Appropriability

- B. Philbin and C. Driebusch, "Merrill Plots Raid on a Vulnerable Rival," Wall Street Journal, October 1, 2012.
- S. Hansen, "How Zara Grew Into the World's Largest Fashion Retailer," New York Times, November 9, 2012.

**Complementary (optional) readings**

- BDSS pp. 363-394 (5<sup>th</sup>: 410-434).