

Econ 106s: Competitive Strategy

Professor: Simon Board

Email: sboard@econ.ucla.edu

Office Hours: M, W, 1-2pm, Bunche 9353 or via zoom:

<https://ucla.zoom.us/j/93656757590?pwd=b1EreVJmTDVtSUdHVfJ3M2JYQ0NjZz09>

Teaching Assistants:

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Sections: 1A, 1B

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Sections: 2B, 2C

Office Hour: Thursday, 3-5pm, in the Alper room.

Description: In this course, we will examine the economic forces underlying successful business strategy. To do this, we will study the dynamics of strategic interaction between firms and identify sources of sustainable competitive advantage. We will often be interested in markets where firms have substantial market power, which will mean discussing economics of scale, network effects, switching costs, and platform markets.

Methodologically, the course develops broad principles using simple game theoretic models that can be applied across many firms and markets. To complement the economic theory, we will also consider a case study of a firm each week. These have three aims: to provide applications for the concepts developed in the lectures; to teach students about different industry verticals; and to help students develop their written, rhetorical and presentation skills. Evaluation is through case participation, case write-ups, a final paper, a presentation, and a final.

Learning objectives: Understand the basis of competitive advantage, learn about business strategy.

Prerequisites: Econ 11, Econ 101.

Meetings

Lectures: I will use these to cover concepts, models, and applications. You can come to either lecture (space allowing).

- Lec 1, TR, 9:30-10:45, PA 2270
- Lec 2, TR, 11:00-12:15, PA 2270

Labs: These will be used to discuss the cases with guests. Since participation is crucial to the functioning of the case discussions, **attendance to the lab section is compulsory** assuming you are in good health. You should go to the lab in which you are enrolled.

- Lec 1, F, 9:00-10:15, Dodd 146
- Lec 2, F, 10:30-11:45, Dodd 146

Week	Date	Guest	Affiliation	Case
1	April 7 th	Simon Board	UCLA	Zappos in 2009
2	April 14 th	James Min	Telos Advisors	Twitter
3	April 21 st	Neil Pardasani	BCG	Capital One
4	April 28 th	Barry Eggers	Lightspeed VC	Social Media War
5	May 5 th	Terry Kramer	Anderson, Vodafone	Ford
6	May 12 th	Alex Ramanathan	Bain	Disney
7	May 19 th	Rudy Tjong	Harman	Trader Joe's
8	May 26 th	Joe Walters	Google	Negotiation Exercise
9	June 2 nd	Andre James	Bain	TBD
10	June 9 th	No lab		

Lab Sections: These will not be used (except possibly for extra office hours, as needed).

- This section will, however, determine your contact TA.

Work and Grading

Groups: Students will work in groups of 3 people. If you would like to form your own group, email Jeff by Friday April 7th, 11:59pm (include your lab sections, so Jeff can assign a TA to your group). Group members can be in any lecture and any section. We will match the remaining people randomly.

Case write-ups: Weeks 2-9 each group will hand in a case write-up, answering several short-answer questions. The case questions are posted on the website.

- Write-ups are due by 11:59pm on Thursday via TurnItIn on the website.
- Each group should only hand in one version of the write-up. Be brief: maximum 3 pages, 1.5 spacing, font 11, normal borders.
- We will grade 4 of the cases (I'm not telling you which). You can drop the lowest score.
- Cases can be found at <https://hbsp.harvard.edu/import/1046247>

Projects: A project is essentially a mini case study of a firm your group picks. Every group writes on a different firm, allocated on a first-come, first-served basis.

- Projects are listed here: <https://bit.ly/3U3fnbv>
- Students can view but not edit. To register your project, email your TA.
- To ensure that your project is feasible you will need to hand in a proposal by Friday May 5th (Week 5) at 11:59pm via TurnItIn on the class website. These will not be graded but used to make sure you are on track.
- The project is due Friday June 9th (Week 10) at 11:59pm TurnItIn on the class website.
- Each group should only hand in one version of the project and the proposal.
- I expect most papers will be 5-6 pages at 1.5 spacing (excluding figures). Longer is not better: We will deduct points for papers that are too long (given the substance). There is a hard max of 12 pages including the figures.

Presentation of Project: In Week 9, on Wed May 31st (6-8pm) and Thu June 1st (1-3pm), we will have an "Economics in Action" presentation, which means you will present to alumni via Zoom.

- Each group will have 12 mins for the presentation and will then be expected to answer a few questions.

Final: The final consists of one case. Short answer questions will ask about concepts take from the class in the context of the case. Longer questions will ask about the firm's strategic options.

- Students can bring in 10 sides of notes (5 double-sided pages). These can be handwritten or printed. Writing these notes is the best form of revision.
- You will write on the exam.
- The exam is on Saturday June 10th, 11:30-2:30pm for both sections.

Main class grading: 30% Case write-ups, 30% Project, 10% Presentation, 30% Final.

Lab grading: 50% participation in lab sections, 50% attendance in lab sections.

- Getting an “A” requires that you know the case and participate regularly.
- If you cannot make the class (sick, job interview) email your TA on Friday morning.

Important dates:

- Week 1: Fri, April 7th. Email Jeff with your group (of applicable), 11:59pm.
- Week 5: Fri, May 5th. Project proposal due, 11:59pm.
- Week 9: Wed May 31st and Thu June 1st. Econ in Action – Present Project.
- Week 10: Fri June 9th. Project due, 11:59pm
- Week 11: Sat June 10th. Final, 11:30am-2:30pm.

Student code of conduct: Your work should be your own. Be careful properly assign credit in your Final Project. Do not delegate your thinking or writing to ChatGPT. Any dubious behavior will be reported to the Dean of Students.

Disabilities: Students needing academic accommodations based on a disability should contact the Center for Accessible Education (CAE) at (310) 825-1501 or in person at Murphy Hall A255. In order to ensure accommodations, students need to contact the CAE within the first two weeks of the term.

Acknowledgements: This course owes a great debt to many teachers and colleagues over the years. I would particularly like to acknowledge the input provided by Eric Budish, Peter Coles and Terry Kramer.

Lectures and Readings

There is no single textbook for this class. But the following will be useful.

- Besanko, Dranove, Shanley and Schaefer (2007): "Economics of Strategy", 4th Ed.
- Brandenburger and Nalebuff (1996): "Co-opetition"
- Cabral (2000): "An Introduction to Industrial Organization"
- Greenwald and Kahn (2005): "Competition Demystified"
- Knee (2021): "The Platform Delusion"
- McAfee (2002): "Competitive Solutions"
- Porter (1980): "Competitive Strategy"
- Shapiro and Varian (1999): "Information Rules"

Part 1: Introduction to Strategy

1) What is Strategy?

- Greenwald Kahn, Ch 1

2) Industry Analysis

- BDSS, Chap 10 or McAfee, Ch 2
- Porter (2008): "The Five Competitive Forces that Shape Strategy", HBR

3) Competitive Advantage

- BDSS, Chap 11 or McAfee, Ch 3
- Porter (1996): "What is Strategy?", Harvard Business Review.
- Ghemawat and Rivkin (2006), "Creating Competitive Advantage," HBS 9-798-062
- Brandenburger Nalebuff, Ch. 2-3

4) Sustainability

- BDSS, Chap 12
- Greenwald Kahn, Ch 2

5) Competition in Practice

- Greenwald Kahn, Ch 5,6,9
- "Wal-Mart Stores' Discount Operations," HBS Case 9-387-018, 1986
- "Cola Wars Continue: Coke and Pepsi in 2010," HBS Case 9-711-462, 2011

Part 2: Sources of Competitive Advantage

6) Economies of Scale

- BDSS, Chap 2,6
- Greenwald Kahn, Ch 3
- Shapiro and Varian, Ch. 2.

7,8) Positioning

- BDSS, Chap 6
- McAfee, Ch 4
- Greenwald Kahn, Ch 9

9) Information: Search and Reputation

10) Switching Costs

- Shapiro and Varian (1999): "Information Rules", Ch. 5-6.

11,12) Network Effects

- Shapiro and Varian (1999): "Information Rules", Ch. 7-9.
- Eisenmann (2007): " Platform-Mediated Networks: Definitions and Core Concepts", HBS 9-807-049.

13) Platforms

- Eisenmann, Parker and Van Alstyne (2006): " Strategies for Two-Sided Markets", HBR.

Part 3: Strategic Decisions

14) Co-opetition

- BDSS, Chap 8
- McAfee, Ch 6
- Greenwald Kahn, Ch 14-15

15, 16) Negotiation

- Guest lectures with Joe Walters (of Google).
- Nalebuff and Brandenberger (2021), "[Rethinking Negotiation](#)," Harvard Business Review.
- Abrahams (2020), "[The Art of Negotiation](#)," Stanford Business Insights.

17) Entry

- BDSS, Chap 9
- Greenwald Kahn, Ch 10-13

18) Bargaining, Vertical Relations and Complementors

- McAfee, Ch 14

19) Innovation

- McAfee, Ch 5
- Bower and Christensen (1995): "Disruptive Technologies: Catching the Wave," HBR.

20) Pricing

- McAfee, Ch 11
- Shapiro and Varian, Ch. 2-3.