Course Objectives

The purpose of this course is to explore strategy development with a specific focus on digital industries (e.g., telecommunications, internet, content distribution, digital platforms, networked businesses). Strategy formulation in digital industries requires in-depth exploration of sector-specific dynamics with a tailored set of concepts and tools to ensure successful implementation. Issues driving complexity range from national/regional markets segmented by different stages of technological development, to national regulatory frameworks constraining industry evolution, amplified by the management imperative to achieve competitive advantage in a global world. In other words, the frameworks for industry analysis, the assessment of competitive advantage, and the formulation of strategy warrant specific analysis and focus.

The seminar is structured in four parts:

- **Designing strategies: tools, frameworks and concepts**
  - Perspectives on the technology-intensive sector
  - The impact of innovation on the strategic context
  - Network effects and bundling strategies
  - Two sided markets and network externalities

- **Technology Goods and Channels**
  - Digital technology in creative industries
  - New business models
  - Value chain configuration
  - Online channels

- **Social strategies**
  - Developing social strategies
  - Matching platform strategies

- **National strategies**
  - National technology planning
  - Digital innovation in emerging markets
Each class is structured around a lecture and a related case study discussion. The case studies include Apple, Google, Microsoft, Netflix, Amazon, LinkedIn, Facebook, eHarmony, Groupon, foursquare, Radiohead, etc. National strategy cases comprise development of an ICT strategy in Vietnam and digital incubation in Latin America. Most cases used were developed or updated in 2015 and 2014, except for a couple of instances where studying ancient history (Microsoft in 2005, Smartphones challenge in 2010) helps us understand the present and forecast the future.

**Educational Objectives**

The first objective of this seminar is to expose students to the research on strategy formulation and the technology sector. Cognizant that management research can enhance managerial practice, we use leading research as analytical tools in the discussion of case studies. Assignments for each class will include reading and assimilation of research literature, as well as a case study (or cases) that is relevant to the topic under consideration. Assignments for each day’s classes, including cases, questions and readings will be posted on CANVAS.

The second objective will be to help students develop a set of top-down inductive heuristics that will allow them to assess industry environments, articulate potential strategic options, and communicate them in a persuasive way, both orally and on paper. We will achieve this by highlighting the need to understand the specifics of the technology industry dynamics.

**Requirements and Grading:**

Students have three requirements:

- **Class Participation:** Class discussions are an integral part of the course. Participation indicates good assimilation of theoretical material and case study details. It will account for 30% of the total grade. Attendance is tracked.

- **Midterm examination:** A take-home over the weekend exam will be given midway through the semester, and account for 30% of the total grade. The exam will assess the student’s assimilation of analytical tools, frameworks and research concepts reviewed in the first half of the semester.

- **Final paper:** 40% of the final grade will be based on an individual (not a group) paper. Topics will have to be submitted in advance (midway through the semester) in the form of a proposal that outlines the topic, hypotheses, relevant research literature, and data sources. The final paper should be approximately 15 pages of text, excluding data exhibits and bibliography. Students will have the opportunity to submit one draft for discussion. The final submission will be due during the school’s examination period.
**General Class Etiquette**

Please come to class on time. Given the amount of material we have to cover, our time is limited. Your absence from any part of the class shortchanges you and your classmates. I will plan to start on time and end on time. This requires that all students be on time.

Students are expected to complete all pre-work needed, and should expect cold-calling on case discussion (please bring name plates).

Students are discouraged from using electronic devices in class, except for the purposes of taking notes or “presenting” a case. Please do not use class time to check e-mail, trade stocks, access Facebook, purchase goods, or play video games.

Students are expected to show one another courtesy and respect in classroom discussions. Students are welcome – indeed, encouraged – to “challenge” one another’s ideas in class, as well as the positions taken by the instructor. However, students are expected to do so in a way that maintains an atmosphere of civility and mutual respect.
SPRING 2011 COURSE SYLLABUS


This section focuses on exposing the student to leading analytical approaches to the development of strategy, with a particular emphasis on global high technology industries. While we start by reiterating some of the concepts of B6701 STRATEGY FORMULATION, the purpose is to yield a solid understanding of how to formulate a strategy for a global digital businesses. In doing so, we will highlight differences and similarities with more generic approaches: How complex are industry trends in digital industries that require a customized approach to strategy formulation? What is the nature of competitive advantage in industries such as Internet, telecommunications, content distribution and software? How will volatile changes in customer behavior condition strategic flexibility? How specific is the regulatory variable in driving sector behavior? What do Internet and telecom customers from New York, Sao Paulo, Shanghai, and Paris have in common? Where does their behavior differ?

SESSION 1 (8/31): Perspectives on the Digital Sector: APPLES AND ORANGES

Lecture: Perspectives on the High Technology Sector
- Sector analysis
- Market trends and valuation shifts
- Business cycles
- Changes in consumer behavior
- Non-market factors

Cases:

Required Readings:
- Surowiecki, J. “The fatal flaw myth”, The New Yorker, July 31, 2006

SESSION 2 (9/14): THE IMPACT OF INNOVATION ON THE STRATEGIC CONTEXT

Lecture: Introduction to strategy formulation in technology industries
- Basics in strategy formulation (five forces, value chain, competitive advantage)
- Perspectives on competitive advantage
  - Theory and practice of competitive advantage
  - Can companies have a cost and differentiation advantage?
o Key features of high technology strategy (technological forecasting, innovation, disruption, life cycle, business models, operating models, scale and scope)
o Fragmenting and integrating value chains
o The importance of non-market forces in high tech (standards, regulation, etc.)
o Framework and tool customization

Case: Bidault, F. and Low, G-M. “Mobile operators in 2010: The smartphone challenge (A)”. Berlin, Germany: European School of Management and Technology, May 25, 2012, Case EMST-312-0127-1,

Required Readings:


Suggested Readings:


SESSION 3 (9/21): Network effects and bundling strategies: MICROSOFT

Lecture: The theory and practice of bundling

o The theory and practice of network effects
o The theory and practice of bundling
o The theory of increasing returns
o Sustainability
o Antitrust

Cases:

Required Reading:


**SESSION 4 (9/28): Two-sided markets and network externalities: GOOGLE VS. MICROSOFT**

**Lecture:** Strategies for networked businesses

- Platform competition
- Network externalities
- Interdependent demand and two-sided markets
- Winner take all in networked markets

**Cases:**


**Suggested Readings:**


**Part 2 – Digital Goods and distribution**

Digital technology is changing the rules of competition. This section will explore how digitization is contributing and/or affecting creative industries. In addition, we will explore key concepts of industry structure such as value chain intermediation / fragmentation and digital channel strategies. In this context, we will analyze business model development, exploring strategic concepts such as freemium pricing models, viral diffusion, and monetization.

**SESSION 5 (10/5): Strategic disruption in digital markets: VALUE CHAIN DYNAMICS IN DIGITAL GOODS**

**Lecture:** Value chains in Mobile media

- The economic concept of value chain
- Current value chain in mobile media
- Collapsing and converging value chains
- Points of conflict between mobility and media distribution

**Cases:**

SESSION 6 (10/12): Staging new business models: SOCIAL GOODS, STICKINESS AND NETWORK EFFECTS

Lecture: Issues in new business development

• Searching for the idea
• Financing options and challenges
• Building the organization
• Launch and growth acceleration

Cases:


SESSION 7 (10/26) Deploying digital channels: THE THEORY AND PRACTICE BEHIND DAILY DEALS

Lecture: Daily deals as a case of hype and herd behavior

• The daily deal business concept
• Evolution of daily deals over time
• Key issues around the business concept


Required Reading:


SESSION 8 (11/9): Deploying digital channels: TILTING THE BALANCE OF POWER IN INDUSTRY STRUCTURE

Lecture: eCommerce

**Part 3 – Social Strategy Development**

In this section, we "double click" on business strategy development. After a brief introduction to get us familiarized with the space, we will work around understanding the challenges of three types of platforms: social networks, application stores, and matching systems. Each platform will be studied first from a theoretical perspective and, then we will focus on a particular case: Facebook, and eHarmony. These two sessions will allow us to tackle issues such as cross-sided network effects, monetization challenges, and diversification strategies.

**SESSION 9 (11/16): Strategy development in web 2.0: SOCIAL STRATEGIES**

**Lecture:** Web 2.0 industry dynamics

- The evolution of web 2.0
  - The Principal Examples So Far (Blogging, Wikis, Gaming/virtual worlds, Social networking, Reputational systems, Other)
  - Governance Practices
  - Business Models So Far (Advertising, Direct marketing, Fees, voluntary contributions and micropayments, Non-profit and volunteer models, Other)
- Understanding evolving online behavior
- Sustainable business models and long tails
  - The economics of low barriers to entry
  - Long tails and the persisting economies of scale
  - Capital investment dynamics: valuations and venture capitalists
  - First mover advantage models
- Developing social strategies
  - Building effective social strategies
  - Advertising and social strategies
  - Marketing and social strategies

**Cases:**


**Required Readings:**
SESSION 10 (11/23): Strategy development in web 2.0: MATCHING PLATFORMS

Lecture: Matching platforms

- A typology of matching platforms
- Understanding network effects
- Building loyalty and "stickiness"
- Competition among matching businesses

Cases:


Part 4 – Public Technology Policy

No course on digital strategy would be complete without discussing albeit briefly how can governments develop technology strategies for national development and social inclusion. This topic is worth a full course so we will briefly talk about a number of issues facing policy makers when developing national technology strategies. This section shifts focus to the public sector and examines how nations or regional blocks attempt to develop and implement technology strategies. In particular, we deal with two questions: How can nation states create competitive advantage in the high technology sector? Why do some nations succeed in creating competitive advantage, and others do not? We will end our course exploring the challenge of promoting digital innovation in emerging countries.

SESSION 11 (11/30): National Technology Strategy: COMBINING ECONOMIC AND SOCIAL OBJECTIVES

Lecture: Role of governments in formulating high technology strategies

- Comparative advantage vs. competitive advantage
- Industrial and trade policies as creators of national competitive advantage
- Beyond policy:
  - Institutional barriers to policy implementation
  - National technology strategies and Multinational retaliation
Case:

Required Reading:


Lecture: Public policies aimed at developing digital industries

- Comparative advantages
- Coordination failures (access to capital and human capital)
- Private versus public sector roles
- The role of institutions

Case: