



NYU | STERN

Strategy 1
Fall 2025

BLOCKS 2 AND 5

Sonia Marciano

Clinical Professor of Management and Organizations

E-Mail: smarcian@stern.nyu.edu—PLEASE PUT STRAT 1 AND THE DAY WE MEET IN THE SUBJECT.

Office Hours: By Appointment – I am glad to meet with you outside of class – arrange via email (again, let me know the day and time of your section of Strat 1)

Required preparation: Articles not from HBS are posted to course site in a folder called “Articles Posted”

The HBS cases can be purchased here:

Course Overview and Objectives:

The central questions of this course are:

- What allows certain firms in certain industries to earn positive economic profits while others deliver negative returns?
- Why can certain firms sustain their economic profits over long periods of time, while for other firms these profits quickly disappear?

Three characteristics describe the approach to these questions. First, we will focus on the high-level strategic decisions which firms face: entry into new industries, positioning, firm size and scope, capital investment, etc., while spending less time on managerial issues. Second, we will seek broad principles that can be applied across many firms and markets, rather than behavioral issues and/or institutional details that apply only in restrictive scenarios. Finally, we will derive these broad principles from microeconomic theory. As such, potential answers will be subjected to the rigor of economic analysis to test their validity and applicability.

This course trains business leaders to look outward to the environment and inward to the firm’s resources and capabilities and operating policies. As such, we describe a firm’s strategy as the formulation of “competitive strategy”, “corporate strategy” and “organizational strategy”. Competitive strategy involves identifying structurally attractive industries and developing the most attractive position within that industry, where attractiveness is driven by absolute conditions combined with the resources and capabilities the firm brings to that position. Businesses create value by operating in positions within industries that, by virtue of the characteristics of industry, the position and the firm, are defensible from the encroachment of competitors and deterioration of the environment as a whole. Corporate strategy focuses on the management and understanding of multi-product, multi-location and multi-business firms. Although we devote limited time to the topic, organizational strategy involves developing policies within each functional area of the business unit that are integrative and consistent with the firm’s plan for creating value.

The following structure is intended to help you organize what you learn into an overall framework for evaluating business strategy. This is not accounting or statistics that begins with core, universally accepted principles, and then builds to harder problems and applications. Instead, business strategy is messy throughout, and we will be applying new tools and concepts to answer questions that arise throughout the class.

Tools for the Analysis of Business Strategy:

- Five Forces Analysis -- Analyses of the forces affecting competition in a market.
- Positioning Analysis – Firm level approach to exploit/neutralize industry conditions
- Added Value – Source of firm's leverage in the vertical chain to which it belongs
- Resource Based View of the Firm – Determination resources significant in generating firm profits and the extent to which resources are adapted to the firm's external environment.
- Game Theory – Analysis of the responses of competitors to a firm's strategies and the implications of these responses for strategic decisions.

Dynamic Issues:

- What advantages arise from being the first-mover in a market? Are these advantages especially large in high-technology industries?
- What prevents other firms from imitating the strategies of successful first movers?
- How should firms weigh the risks and benefits from investments in new resources and capabilities, particularly when market conditions are highly uncertain?

Course Administration

Please attend classes prepared to contribute actively as well as listen carefully to others. The emphasis on case analysis makes it much more engaging for everyone if students are prepared to discuss the assigned case.

PLEASE COME TALK TO ME IF YOU ARE CONCERNED AT ANY POINT ABOUT YOUR GRADE OR BANDWIDTH TO COMPLETE COURSE DELIVERABLES. PLEASE DO NOT EMAIL ME IF YOU ARE GOING TO BE LATE OR MISS CLASS. THERE ARE NO "EXCUSED ABSENCES" – MY GENERAL POLICY IS TO SHIFT WEIGHT TOWARD YOUR STRONGER COMPONENTS. I DO NOT SEEK TO BE PUNITIVE...I AIM TO BE FAIR. IF YOU ARE CONCERNED ABOUT YOUR COURSE GRADE, PLEASE TALK TO ME IN MY OFFICE.

- **25% Class Engagement:** Attendance, participation and active listening (vs appearing to do other stuff on your devices)
- **50% In Class Quiz:** In class closed book quiz based on readings and class discussion during the last class meeting (7th class)
- **25%: Team presentation (choices are FedEx vs UPS or Target vs. Costco (can do Walmart vs Costco instead of Target). Teams will present in class during our 5th class meeting**

Alternatives the individual quiz – THESE ALTERNATIVES GENERALLY CAP YOUR GRADE AT B+

1. You can write the quiz with 1 or 2 classmates (that is, you can work in a pair or a team of 3). **Also, you must write the quiz with students in your section.**

2. You can write a second team memo with a team of 2-4 students in total – please run your topic by me by email or in person – I prefer you work with students in your section. You cannot choose a topic that is on the list of team topics below.

In Class Quiz:

The questions are based on class discussion (and slides) and assigned reading. If a topic is NOT explicitly discussed in class, it will NOT be on the quiz. **Attending, actively listening and participating in class is the best way to prepare for the quiz.** The quiz is written such that you will be able to finish within the allotted time (90 minutes). These questions range from relatively definitive answers (proper use of course concepts or a concise explanation for a conclusion drawn in class) to qualitative responses such as you are given a short scenario and asked to give a brief analysis. Practice questions are given continuously in class. **You may work with one or two team members on the quiz – this will cap your grade at a B+ (as stated above).**

An alternative to taking the individual quiz is writing a second group memo:

Please work in a team of up to 4 students in total. You cannot choose a topic that is on the list of topics for the required group presentation. I am glad to discuss your chosen topic with your team to both be helpful and to set expectations. Use of AI is encouraged, but you must use at least 4 other sources which can include interviews, and the sources suggested below. You must accurately and thoroughly cite all your sources.

Here are some suggested resources for your group memo:

Please consult a librarian through the NYU library system on how to access the following online – you can use the chat function on Bobst to get help:

- Capital IQ (Bloomberg)
- D&B Million Dollar DBase and Hoovers Online have basic information
- Factiva provides ability to search news stories
- Statista
- IBIS WORLD
- Investext and ValueLine provide analyst reports on companies, industries
- Mergent Online provides info on products, partners, etc.
- Datamonitor Reports (available via EBSCO Business Source Premier) provide
- Company annual reports (especially for Project II on corporate strategy)
- Company websites (mission statements, organization structure, etc.)
- Newspaper reports (often find one with detailed, inside access)

GOOD BOOKS NOT REQUIRED FOR THE COURSE!

1. **The Snowball: Warren Buffett and the Business of Life**—Not a dull page in this book. This book covers the inception and principles behind Berkshire Hathaway...how Buffet identifies a value investment. These principles align well with the core concepts in strategy. This book is a complement to our case discussions and contributes to a deeper understanding of the concepts. Part 2, 5 and 6 are most relevant to class discussion.
2. **Valuation: Measuring and Managing the Value of Companies**, University Edition (Wiley Finance). This book is a useful reference book for how the qualitative plans of companies to create value can be confirmed in the financials. Several of the cases we discuss are drawn from this book and so this book will serve as a useful reference for how you might apply the concepts we cover to companies of interest to you.

Outline of Class Sessions: The instructor reserves the right to modify or change the course syllabus as needed during the course. **CASE PREPARATION QUESTIONS ARE LISTED AFTER THIS OUTLINE (THESE QUESTION ARE NOT DUE FOR TURN IN – THEY ARE PROVIDED TO GUIDE YOUR EXPECTATIONS FOR CLASS DISCUSSION)**

#	Date	Class Plan	HBS Readings	Readings-Brightspace	View or Listen--OPTIONAL
1	9/3	What is Strategy? Value Creation vs. Value Capture	See case preparation questions in the next section of the syllabus below this matrix of class sessions. Prep questions are never due for turn in HBS CASES CAN BE PURCHASED HERE: https://hbsp.harvard.edu/import/1325262	1. Strategic Yardstick You Cannot Ignore 2. ROIC and Underlying Drivers 3. “Why Pianists Care About the Steinway Sale (New Yorker Article)” 4. Strategy Essentials (posted to Brightspace) Chapter 1 and 2	
2+3	9/10 and 9/17	Industry Analysis	Cola Wars Continue: Coke and Pepsi (HBS 9-711-462)	HBS: What is Strategy? By Michael E. Porter HBS: Five Forces by Michael E. Porter or Strategy Essentials Chapter 3	1. Podcast show by Wondery entitled “Business Wars”. It is free with ads and a few dollars a month without ads. Season 7: Coke vs Pepsi 2. Competitive Advantage: https://www.youtube.com/watch?v=Q1lkBSWreVI 3. Willingness to Pay and Value Creation: https://www.youtube.com/watch?v=u1QoucGH5CE
4	9/24	Market Structure: Returns to scale and potential to differentiate	Domino’s Pizza HBS	Strategy Essentials Chapters 4 and 5.	OPTIONAL LISTENING: A Podcast show by Wondery entitled “Business Wars”. Season 41: Pizza Hut vs Dominos Ratios Made Easy: https://youtu.be/WJsSgTon6s

5	10/1	Positioning for defendable advantage	Team presentations – SEE BELOW (after case questions) for more information		
6	10/8	Sustainable Advantage: Ownability, substitutability, imitability, scalability, obsolescence	The Walt Disney Company: Entertainment King HBS	1. Animation Timeline 2. Summary of Katzenberg Memo) 3. Cornerstone of Competitive Advantage 4. Chapter 6 of Strategy Essentials	
7	10/15	Q&A and Quiz			

Case Questions – GUIDANCE FOR CLASS DISCUSSION (CLASS PREP WORK – NOT FOR TURN IN):

Steinway:

Read the HBS case and do online (and AI) research on the grand piano market to try to get an idea for which buyers prefer Steinway and why.

Cola Wars Continue: Coke and Pepsi in 2010 711462-PDF-ENG

Case Flash Forward: Cola Wars Continue: PepsiCo 8619-PDF-ENG

1. Why did Coke and Pepsi (concentrate producers) originally franchise their bottling operations as opposed to perform bottling and distribution themselves?
2. What do each of the key terms of the bottling agreement (“exclusivity” and “perpetuity”) mean?
3. In what way do these terms align concentrate producers and franchisees and in what way do these terms misalign bottlers and concentrate producers?

Domino’s Pizza HBS 512004-PDF

1. Use capital IQ (or any source for company financials including the 10K) to determine how profitable is Dominos. Who would you compare Dominos to?
2. What is the Dominos value chain...who are their suppliers and who are their customers?
3. Explain how Dominos adds value for its customers?
4. Are Dominos investments “preemptive”?

Walt Disney Co.: The Entertainment King, 9-701-035

1. What measures or indicators would you use to determine whether Disney has a successful corporate-level strategy? Does Disney have a successful corporate-level strategy?
2. What accounts for Disney’s performance? How does it develop and deploy valuable resources?
3. How was Michael Eisner able to increase net income in his first four years as CEO? What did he do to rejuvenate Disney?
4. What challenges does Disney face at the end of 2000? Now?

WEEK 5 TEAM PRESENTATIONS:

Teams will present their insights on one of the following comparisons (or you can propose a topic):

- Federal Express vs. UPS
- Costco vs Target
- Costco vs Walmart
- Nike vs. Adidas
- Uber vs Lyft
- P&G vs Unilever
- Choose two airlines to compare
- Suggest a comparison to me (by email) and I will let you know if I believe your option works with the structure I propose below

Since comparison of financials of the two companies is required, it is best to choose public companies or a pair that you can get access financials for.

1. Each presentation will be strictly timed – assume for now you will have 20 minutes including Q&A – TIME GOES REALLY FAST!! PLEASE DO A PRACTICE RUN.
2. The overall goal of your presentation is to contrast the way two firms are positioned in an industry (their “strategy”) and to also contrast their execution (operational efficiency).
3. Begin your presentation with a “thumbnail” summary of your key conclusions. State that firms X and Y compete in the following geographic and product markets. Show several years of ROIC – WACC for each company (5-10 years), as well as other support for your conclusion that one, both or neither of these companies is economically profitable.
4. Next, state something like: “As evidenced by both financials and qualitative information, Firm X is economically profitable, while Y generally doesn’t recover its cost of capital. Firm X’s advantage is due to...”. We believe that Firm X’s WTP-C advantage is sustainable for the foreseeable future.” Of course, you might have chosen a pair of companies that are both profitable or neither is consistently beating its cost of capital (in which case, both companies are inept OR the industry is unattractive). Two, one or neither company being profitable is fine. The key is your explanation for what the numbers show.
5. In the final section, give us your conclusion: “We believe the gap in the financial returns between these two companies is due to differences in how they are positioned in the market. Firm Y is positioned in a more “added value way”. Then explain at a high level what you are going to explain to us over the next few slides in more detail. It might be that neither is profitable or one is and one is not – boil down what we learned.
6. For the pairs of companies I suggest above, the companies might be positioned differently in the market OR they are positioned in a similar way, but the caliber of their execution is different.
7. Explain whether the superior firm’s position can or cannot be profitably copied by its main competitor.
8. While you cannot predict the future, let us know if you have any insights on what we might expect in the near term.