

# STRATEGIC MANAGEMENT IN THE DIGITAL ECONOMY

## Syllabus

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Time and location	Th., 13.04., 12:30 - 16:00   RW 16 Tu., 23.05., 14:15 - 17:45   RW 16 Tu., 30.05., 14:15 - 17:45   RW 16 Tu., 06.06., 14:15 - 17:45   RW 16 Th., 08.06., 12:30 - 16:00   RW 16 Tu., 13.06., 14:15 - 17:45   RW 16 Th., 15.06., 12:30 - 16:00   RW 16 Th., 22.06., 12:30 - 16:00   RW 16 Tu., 27.06., 14:15 - 17:45   RW 16 Th., 29.06., 12:30 - 16:00   RW 16

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## COURSE DESCRIPTION

The rise of the digital economy creates a new blueprint for competition. Instead of creating and sustaining firm-specific competitive advantages, the new competition puts ecosystems and networks in the center of strategic management. A number of factors have contributed to this networked-based approach such as the need for deepening specialization as firms struggle to deliver increasingly complex products and services, the emergence of the Internet of Things, and the growing ubiquity of inexpensive, fast, and digital networks. These drivers have created the conditions for the emergence of entirely new industries or transformed existing industries as it became visible for the field of enterprise software, online social networks, video games, and retailers. Think about Blackberry that captured for years the lion's share of the smartphone market that it largely created. Now the firm struggles to stay alive with a share of the overall phone market of less than 1 %. Blackberry's key strategic problem was failing to realize that smartphone producers depend not only on their products, but on creating an entirely dynamic ecosystem on which its continued success depends. In today's

digital business environment, strategic issues become complicated, uncertain, and ambiguous strategic problems. Dealing with these “wicked” policy issues requires that firm’s cultivate responsive learning networks.

This course provides a profound introduction into current issues and concepts in strategic management research in the digital economy and its relevance to the understanding and designing of management practice. Students learn different approaches for explaining strategic positioning, analyzing the impact of industries and firm resources on the strategy of different types of platform organizations.

## COURSE STRUCTURE

I will use a flexible teaching style mixing lectures, case discussions, and multimedia presentations whenever appropriate. It is imperative for you as a student **to have read** the required book chapters, articles, and cases **before coming to class**. Class discussion will be used to explore practical business implications from an interdisciplinary perspective. Active participation during the lecture is required.

## COURSE PREREQUISITES

Students are expected to have **successfully** passed the course “Organization, Strategy, and Innovation” from the previous semester or have read the following articles before coming to class:

*Foundations of strategy and strategic management*

- Stacey, R. D. (1990), Dynamic strategic management for the 1990s: Balancing opportunism and business planning, London, Kogan Page, chapter 1.

*Industry structure and dynamics*

- Porter, M. E. (2008), The five competitive forces that shape strategy, Harvard Business Review, 86, 1, 78-93.
- Jacobson, R. (1992), The 'Austrian' school of strategy, Academy of Management Review, 17, 4, 782-807.

*Resources and capabilities*

- Ambrosini, V. (2007), The resource-based view of the firm, in: Jenkins, M., Ambrosini, V. (editors), Advanced strategic management: A multi-perspective approach, second edition, Houndsmill, Palgrave Macmillan, 132-147.
- Schreyögg, G. and Kliesch-Eberl, M. (2007). 'How dynamic can organizational capabilities be? Towards a dual process model of capability dynamization'. Strategic Management Journal, 28, 913–933.

*Competitive strategy*

- Grant, R. (2008), Contemporary strategy analysis, sixth edition, Oxford, Blackwell, chapter 8, chapter 9.

## EXAMINATION AND DELIVERIES

1. **Group presentation assignment, including peer evaluation, 20% of the final grade**  
In groups of 2-3 students (depending on class-size), you are asked to analyze a company situation and to present and defend your analysis to the class. Two groups will be assigned to each case.  
*Deliverables and timing:* Preparation time before course sessions, ≈20 minutes presentation in class on the day the respective case is scheduled in the course calendar (see below); submit Powerpoint two days before by uploading the file on mystudy (further instructions see below).
2. **Case-related Essay:** Based on your assigned topic, you will write an **individual** essay that addresses a clearly stated problem, is embedded and framed with the relevant academic literature, is evidence-based, and draws well-formulated conclusions, **40% of the final grade**
3. **Free-of-choice Essay:** The second essay is a free of choice piece of work. It can be a theoretical or a case-related essay. However, you have to pick a topic, which is clearly different from your first assignment. Since team learning takes place in communities of practice that builds upon shared knowledge resources, I want you to support our joint venture into digital markets by sharing the most insightful knowledge resources you came across. Please upload two theoretical papers/book chapters,

two case studies, and two useful links of multimedia resources such as cases or speeches that help others to further explore your topic, **40% of the final grade**

## COURSE LANGUAGE

English

## CREDIT POINTS

This module consists of 3 contact hours per lecture: 5 credit points.

<i>Topics</i>	<i>Reading before coming to class</i>	<i>Time table</i>
<b>1. Strategic management in the age of the digital economy</b> <ul style="list-style-type: none"> <li>▪ Course introduction</li> <li>▪ Core concepts</li> <li>▪ Business strategy in the digital economy</li> </ul>	Read before: <ul style="list-style-type: none"> <li>▪ Bharadwaj et al. (2013)</li> <li>▪ Shapiro &amp; Varian (1999)</li> <li>▪ OECD (2015)</li> </ul>	Thursday 13.04., RW 16 12:30 - 14:00
<b>2. Networks, digital markets, and strategy</b> <ul style="list-style-type: none"> <li>▪ Current views on networks and platforms</li> <li>▪ IO economics view</li> <li>▪ Strategic management view</li> <li>▪ Technology management view</li> </ul>	Read before: <ul style="list-style-type: none"> <li>▪ Amit (2001)</li> <li>▪ McIntyre &amp; Srinivasan (2017)</li> </ul>	Thursday 13.04., RW 16 14:00-16.00
<b>3. From smart organizations to entrepreneurial ecosystems</b> <ul style="list-style-type: none"> <li>▪ From isolated to collaborated strategy formation</li> <li>▪ Innovation ecosystems</li> </ul>	Read before <ul style="list-style-type: none"> <li>▪ Autio &amp; Thomas (2014)</li> <li>▪ Hienerth et al. (2014)</li> </ul>	Tuesday 30.05., RW 16 14:15 - 17:45
<b>4. Dynamics in digital industries</b> <ul style="list-style-type: none"> <li>▪ Population Ecology</li> <li>▪ Evolutionary Economics</li> <li>▪ Competitive Dynamics</li> <li>▪ From growth to decline and failure</li> </ul>	Read before: <ul style="list-style-type: none"> <li>▪ Chen &amp; Miller (2015)</li> <li>▪ Eisenmann (2006)</li> <li>▪ Gnyawali et al. (2010)</li> </ul>	Tuesday 06.06., RW 16 14:15 - 17:45
<b>5. Resources and capabilities in digital enterprises</b> <ul style="list-style-type: none"> <li>▪ Resources and capabilities for the digitalized firm</li> </ul>	Read before: <ul style="list-style-type: none"> <li>▪ Venkatraman et al. (2014)</li> <li>▪ Case Google</li> </ul>	Thursday 08.06., RW 16 12:30 - 16:00
<b>6. Institutional strategies: How surveillance capitalism is defended</b> <ul style="list-style-type: none"> <li>▪ Neo-institutionalism</li> <li>▪ Institutional entrepreneurship</li> <li>▪ Institutional strategies</li> </ul>	Read before: <ul style="list-style-type: none"> <li>▪ Oliver (1991)</li> <li>▪ Zuboff (2015)</li> <li>▪ Case such as Google, Microsoft, Facebook</li> </ul>	Tuesday 13.06., RW 16 14:15 - 17:45
<b>7. Strategies of transaction platforms</b> <ul style="list-style-type: none"> <li>▪ Value creating of transaction platforms</li> <li>▪ Key mechanisms such as matching, pricing, and reputation</li> <li>▪ Regulation of transaction platforms</li> </ul>	Read before <ul style="list-style-type: none"> <li>▪ Dawson (2016)</li> <li>▪ Einav (2015)</li> <li>▪ Cases such as Uber, Ebay, Airbnb, Netflix</li> </ul>	Thursday 15.06., RW 16 12:30 - 16:00
<b>8. Strategies of innovation platforms</b> <ul style="list-style-type: none"> <li>▪ Networked innovation</li> <li>▪ Open innovation through digital platforms</li> </ul>	Read before <ul style="list-style-type: none"> <li>▪ Nambisan et al. (forthcoming)</li> <li>▪ Wareham et al. 2014</li> <li>▪ Cases such as SAP, Intel,</li> </ul>	Thursday 22.06., RW 16 12:30 - 16:00

▪ Governance of innovation platforms	Microsoft, Oracle	
<b>9. Strategies of integrated platforms</b>	Read before	Tuesday
▪ Scale and scope of integrated platforms	▪ de Wit, Bob & Ron Meyer (2010)	27.06., RW 16
▪ Value creating of integrated platforms	▪ Baesens et al. (2016)	14:15 - 17:45
▪ Big data and analytics in digitally networked businesses	▪ Zuboff (2015)	
▪ The rise of surveillance capitalism	▪ Cases such as Google, Facebook, Apple, Amazon, Alibaba	
<b>10. Company Workshop: Strategic management in the digital economy</b>	Guest speaker will be announced	Thursday
		29.06., RW 16
		12:30 - 16:00

## GENERAL INSTRUCTIONS FOR YOUR ASSIGNMENTS

My educational approach to strategy is not to assign you a number of well-defined questions that you have to answer in presentation or your essay. This question-answer game rarely stimulates processes of discovery by students and therefore rarely penetrates beneath the surface of more challenging problems. Instead, it is your task **to identify and formulate a problem (or question), frame it with relevant theoretical concepts, use these concepts for interpreting and analyzing case material** and offer the reader a **well-grounded position/conclusion**.

## PRESENTATION ASSIGNMENT

In this course, we will use case studies to support the learning objectives. The use of cases is aimed to put general concepts into a real world context and to help you to understand practical problems. Read the background literature and the case, then think within your team about an interesting strategic issue you would like to investigate, then explore the academic background literature further and search for additional empirical evidence (about the case, about very different cases, etc.). Make sure you identify in your presentation:

1. a key **strategic issue**,
2. create a **theory relation** that helps to understand why and how this issue matters,
3. develop a **case relation** by analyzing, arguing, and suggesting with empirical evidence, and
4. draw a clearly articulated **conclusion**.

### How is your presentation evaluated?

A good presentation shows that the group has addressed all five topics above. Furthermore a good presentation shows original thinking and an engaging and professional presentation style. I will therefore use three broader categories for evaluating your essays:

#### *Background research*

- In how far did you effectively utilize the background material to build a convincing argument?
- How comprehensive was your additional research?
- Did you document the researched information in your presentation and give additional references at the end?

### *Content*

- Is your choice of topic interesting, innovative, and novel?
- Did you address all four topics above (issue, theory relation, case relation, conclusion)
- In how far is your argument structural coherent? (having a clear line of argument, not fragmented)?
- Is the content of your presentation significant? Does it demonstrate deep thinking, originality, consistency, relevance?
- In how far were you able to defend your position in class?

### *Presentation style*

- Quality of slides
- Quality of the oral presentation (such as argumentation style, precision, ability to substantiate and discuss statements, claims, keeping the time, etc.)
- Innovativeness of presentation; engaging the audience

### *Peer evaluation*

- To avoid any free-riding, you will be asked to evaluate each team members contribution.

## ESSAY ASSIGNMENTS

### **What is an essay?**

Repetition of case facts is not enough to make an accomplished academic essay. An essay should have an argument (see the reading on the structure of arguments). It should deal with an issue that you believe is interesting and relevant for understanding the case or advancing a theoretical issue. It should try to convey a well-substantiated point such as a “thesis” or a short set of closely related points -by reasoning and evidence, especially including appropriate examples and confirming citations from any particular text or sources your argument involves. Gathering such evidence usually involves some rereading of the case and background material with a question or provisional thesis in mind.

Your first effort should be to formulate and justify the question(s) you will seek to answer in your essay. Next, develop by thinking, reading, and drafting a provisional thesis. Don't become prematurely committed to this first answer. Pursue it, but test it – even to the point of consciously asking yourself what might be said against it – and be ready to revise or qualify it as your work progresses. (Sometimes a suggestive possible title one discovers early can serve in the same way.)

There are many ways in which any particular argument may be well presented, but an essay's line of argument – how it begins, develops, and ends – should be designed to present your point clearly and convincingly. (Keep in mind: The order in which you discovered the parts of your argument is seldom an effective order for presenting it to a reader.)

### **How is your essay evaluated?**

A good essay demonstrates that the author has a profound knowledge about the relevant academic field the essay topic covers. A good essay shows original thinking and offers a clearly articulated, well-substantiated position of the author. I will therefore use three broader categories for evaluating your essays:

#### *Background research*

- In how far did you effectively utilize the background and case study material to build a convincing argument?
- How comprehensive was your additional research?
- Did you document the researched information in your essay?
- Did you cite works properly within text?

## *Content*

- In how far is your argument structural coherent? (having a clear line of argument, not fragmented)
- Is the content of your essay significant? Does it demonstrate deep thinking, originality, consistency, relevance?

## *Orthography, style*

- Spelling, punctuation, Grammar
- Writing complexity (varied sentences, appropriate level of diction, fluidity of prose)
- Argumentation style (ability to substantiate and discuss statements, claims, etc.)

## **Formal essay style and submission guidelines**

- Front page should include title, perhaps a subtitle that reflects your choice of focus, author's name, phone number, email address.
- Essays should be 1.5-spaced with an approximate length of **1,000 words**.
- If you take information from specific sources (books, articles, internet, etc.) make sure you have correct and complete references. **No plagiarism** is allowed in your essay. Plagiarism is defined as borrowing (almost verbatim) sentences or considerable parts thereof from the work of others without adequate acknowledgment.
- Please prepare your essay topic for class discussion and upload your essay on mystudy and hand in a printout at our secretaries or tutors office no later than **August 15th, 2017**.

## READING ASSIGNMENTS

I would recommend the following books on the digital economy.

Shapiro, C., & Varian, H. R. (1999). *Information rules: A strategic guide to the network economy*. Boston: Harvard Business Press.

Comment: This has become a classic reading from an economic perspective about the nature and mechanisms of the information economy.

Tiwana, Amrit (2014) *Platform ecosystems: Aligning architecture, governance, and strategy*. Amsterdam: Elsevier.

Comment: This book provides a very useful overview of key topic in managing software platforms. The focus is more from a technology management than an economic or strategic perspective.

This following list contains the required readings. Complementary readings are indicated in the respective sessions' lecture slides.

### **1. Strategic management in the age of the digital economy**

- Bharadwaj, A., El Sawy, O. A., Pavlou, P. A., & Venkatraman, N. V. (2013). Digital business strategy: toward a next generation of insights. *MIS Quarterly*, 37(2), 471-482.
- OECD (2015), *OECD Digital Economy Outlook 2015*, OECD Publishing, Paris.
- Shapiro, C., & Varian, H. R. (1999/2013). *Information rules: a strategic guide to the network economy*. Boston: Harvard Business Press.

### **2. Networks, digital markets, and strategy**

- Amit, R., & Zott, C. (2001). Value creation in e-business. *Strategic Management Journal*, 22(6-7), 493-520.
- McIntyre, D. P., & Srinivasan, A. (2017). Networks, platforms, and strategy: emerging views and next steps. *Strategic Management Journal*, 38(1), 141-160.

### **3. From smart organizations to entrepreneurial ecosystems**

- Autio, E., & Thomas, L. 2014. Innovation ecosystems. In *The Oxford handbook of innovation management*, 204-288. Oxford, UK: Oxford University Press

- Hienerth, C., Lettl, C., & Keinz, P. (2014). Synergies among producer firms, lead users, and user communities: the case of the lego producer–user ecosystem. *Journal of Product Innovation Management*, 31(4), 848-866.

#### **4. Dynamics in digital industries**

- Chen, M. J., & Miller, D. (2015). Reconceptualizing competitive dynamics: A multidimensional framework. *Strategic Management Journal*, 36(5), 758-775.
- Eisenmann, T. R. (2006). Internet companies' growth strategies: determinants of investment intensity and long-term performance. *Strategic Management Journal*, 27(12), 1183-1204.
- Gnyawali, D. R., Fan, W., & Penner, J. (2010). Competitive actions and dynamics in the digital age: an empirical investigation of social networking firms. *Information Systems Research*, 21(3), 594-613.

#### **5. Resources and capabilities in digital enterprises**

- Venkatraman, N. V., El Sawy, O. A., Pavlou, P. A., & Bharadwaj, A. (2014). Theorizing digital business innovation: platforms and capabilities in ecosystems. *Fox School of Business Research Paper No. 15-080*.

#### **6. Institutional strategies: How surveillance capitalism is defended**

- Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review*, 16(1), 145-179.
- Zuboff, S. (2015). Big other: surveillance capitalism and the prospects of an information civilization. *Journal of Information Technology*, 30(1), 75-89.

#### **7. Strategies of transaction platforms**

- Dawson, A., Hirt, M., & Scanlan, J. (2016). The economic essentials of digital strategy. *McKinsey Quarterly*.
- Einav, L., Farronato, C., & Levin, J. (2016). Peer-to-peer markets. *Annual Review of Economics*, 8, 615-635.

#### **8. Strategies of innovation platforms**

- Nambisan, Satish, et al. "Digital Innovation Management: Reinventing Innovation Management Research in a Digital World." *MIS Quarterly* (forthcoming).
- Wareham, J., Fox, P. B., & Cano Giner, J. L. (2014). Technology ecosystem governance. *Organization Science*, 25(4), 1195-1215.

#### **9. Strategies of integrated platforms**

- Baesens, B., Bapna, R., Marsden, J. R., Vanthienen, J., & Zhao, J. L. (2016). Transformational issues of big data and analytics in networked business. *MIS Quarterly*, 40(4), 807-818.
- de Wit, Bob & Ron Meyer. 2010. *Strategy: Process, Content, Context*. London: Thomson: 303-324.
- Zuboff, S. (2015). Big other: surveillance capitalism and the prospects of an information civilization. *Journal of Information Technology*, 30(1), 75-89.