

**BADM 560 – FIRM ANALYSIS AND STRATEGY**

**MON–WED FT MBA SYLLABUS**

Professors:	Jeffrey Macher	Nathan Miller	Chris Rider
Office:	335 Hariri	323 Hariri	321 Hariri
Office Hours:	MO — 05:00-06:15PM TU — 12:30-01:45PM By appointment	WE — 05:00-06:00PM TH — 05:00-06:00PM By appointment	MO — 04:30-05:30PM TU — 04:30-05:30PM By appointment
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**CLASS TIMES**

**SEC 03 – MON WED – 11:00-12:20PM – 250 Hariri**

**SEC 04 – MON WED – 09:30-10:50AM – 250 Hariri**

**COURSE OVERVIEW**

BADM 560 – Firm Analysis and Strategy – is an integrative course that presents concepts related to microeconomics and competitive strategy. Microeconomics is the fundamental discipline (or “mother tongue”) of all business. Understanding microeconomic concepts allows managers to make better business decisions. Moreover, microeconomics represents the basis for developing understanding in several other business disciplines, including finance, strategy, and operations management, among others. Firm analysis and strategy is concerned with managing the competitive position and long-term development of the business enterprise in order to ensure its survival and success. Every firm must create and sustain competitive advantage if it is to survive and prosper over the long-term.

The course provides frameworks, tools and concepts to make economically sound business decisions, and ultimately to identify or create sources of competitive advantage. The course begins with essential microeconomic concepts, including market demand and supply, economic costs, and profit maximization. It then builds on these concepts to examine how different types of industry structures provide profit-making opportunities for industry participants; how firms position themselves in particular industries; how firms optimally set price and output levels; whether firms should enter or exit markets and under what circumstances; how firms build resources and capabilities important for competitive advantage; how firms optimally respond to their competitors; and how firms navigate the policy and non-market environments; among others.

Throughout the course, students are placed in the position of key decision makers (or their advisors) and are asked to solve economic problems that relate to the competitive advantage of the firm. Reading material is used to provide contextual familiarity and teach the tools and skills required for understanding firm analysis and strategy.

This course will help participants develop better understanding of the following economic and strategic concepts:

- Economic costs
- Supply and demand and market equilibrium

- Pricing, price elasticities and price discrimination
- Firm profitability
- Firm entry and exit
- Market and Nonmarket Organization
- Competitive Positioning
- Game Theory
- Resources, Capabilities and Competencies
- Public Policy

This course will help participants with the following competencies:

- Applying economic theory to make better decisions in complex situations
- Improving strategic and systematic thinking
- Understanding the organization and its organizational context
- Understanding the external and internal environments

## COURSE ADMINISTRATION

### Course Materials

Course material consists of book chapter readings, journal articles, notes, cases and news articles (caselets). Book chapters are taken from *Managerial Economics and Business Strategy* (8<sup>TH</sup> Edition: McGraw-Hill Irwin), by Michael Baye and Jeffrey T. Prince. Particular chapters for each class session are marked **BP** on the syllabus. The textbook is available at the GU Bookstore and online at <http://www.amazon.com>.

Journal articles are from academic-oriented management journals (e.g., *Harvard Business Review*, *California Management Review*). Journal articles are marked **JA** on the syllabus, are available free-of-charge, and are posted to Blackboard via durable links (i.e., stable URL) and proxy capabilities (e.g., if accessing this material off-campus).

Notes come in two types. The first type is from Professors Macher, Miller and Rider. These notes are marked **MMR** in the syllabus, are available free-of-charge, and are posted to Blackboard. These notes represent supplementary material that we will provide for particular class sessions. The second type is from Harvard Business School (HBS). These notes are marked **HBS** on the syllabus, require purchase, and are available at the Harvard Business Publishing BADM 560 course [website](#). You will need to first register and create a user name at Harvard Business Publishing. You can access the material by doing the following:

1. Visit **hbsp.harvard.edu** and log in.
2. Click **My Coursepacks**, and then click GU-MSB BADM 560 - 2016

Cases come in two types. The first type is cases by Robert Grant. These cases are marked **GR** on the syllabus, are free-of-charge, and are posted to Blackboard. The second type is from Harvard Business School (HBS). These cases are marked **HBS** on the syllabus, require purchase, and are available at the Harvard Business Publishing BADM 560 course [website](#). Follow the instructions above to access this material.

News articles are taken from the popular press, including *Fortune*, *Forbes*, *Reuters*, *The Economist*, *The Financial Times*, *The New York Times*, *The Wall Street Journal*, *The Washington Post*, among others. These articles provide real-life examples of economic and strategic concepts introduced in the course. News articles are marked **NA** on the syllabus, are available free-of-charge, and are posted to Blackboard via durable links (i.e., stable URL) and proxy capabilities (e.g., if accessing this material off-campus).

The course outline below provides more detailed information on the readings and cases to be prepared for each session, as well as assignment questions for each session. Any additional materials will be distributed on an as-needed basis via Blackboard or in-class handouts.

## **Internet**

We will make extensive use of Blackboard. All of the free-of-charge journal articles, cases, news articles and lecture notes and slides will be made available in electronic Adobe Acrobat .pdf format prior to discussion. If you do not have Adobe Reader, you can download it for free from [www.adobe.com](http://www.adobe.com).

## **COURSE FORMAT**

Class sessions will consist of lectures and discussions. Discussions will generally start with a “cold call.” We will cold call students during the discussion, so it is in your best interest to prepare for every class and to pay close attention throughout the discussion. This course will be most valuable (and enjoyable) if all students are engaged and participating in a productive manner. To contribute to the learning environment, please do the following:

### **Expectations of Students**

1. Attend all classes.
2. Arrive on time.
3. Complete all assignments and exams.
4. Prepare for every class.
5. Participate consistently throughout the semester.
6. Treat all classmates and their opinions with respect.
7. Carefully consider your position and state it clearly.
8. Apply course concepts to frame and support your position.
9. Display your name card in each class.
10. Switch cell phones to silent mode during class.

## **COURSE EVALUATION**

### **Grades**

Grades will be based on individual and group performance. Individual performance is based on class participation, the midterm exam, and the final exam. Group performance is based on problem sets and small case assignments. The grading weights are as follows:

#### **INDIVIDUAL**

Class Participation	15%
Midterm Exam	25%
Final Exam	40%

#### **TEAM**

Problem Sets	10%
Case Analyses	10%

## Projected Grade Distribution

Letter grades are determined by how students rank relative to one another across all four sections of this course. Total points earned will be converted to letter grades by (1) pooling scores across sections; (2) ranking scores from all sections from high to low; and (3) assigning letter grades according to the MSB required grade distribution for graduate core classes. Grades in the A range will not exceed 35%. The average GPA will not exceed 3.33 (B+).

## Class Participation

Class participation represents ten percent of your grade. Class participation is graded every class session on a scale from zero (0) to four (4). If you do not attend a class session, you receive a 0. We do not understand the concept of “making up” class participation if it was missed, so please do ask us how to do this. If you attend class, you start out at two (2). You earn (and lose) points based on your performance. We emphasize quality over quantity participation. The two lowest class participation scores will not count toward the final grade (i.e., the two lowest scores will be dropped from the final class participation score total).

Please recognize that we cold-call a lot: from very basic and simple questions to more detailed and probing questions. The course is designed to hone analytical, communication, and teamwork skills, which are critical to success in the business world and sought after by potential employers. Successful students use the readings, assignments, and discussions in this course to practice the following skills:

### *Analytical*

1. **Translate unstructured situations into structured decisions.** Answering the right question is easy. Asking the right question is hard.
2. **Think comparatively.** “A is more than B” is more meaningful than “A is a lot”.
3. **Evaluate decision criteria.** On what basis should we choose? Why?
4. **Evaluate assumptions.** What do we know? What do we not know but still believe? How does this influence our conclusions?
5. **Think systematically about what we don’t know.** Uncertainty is unavoidable. Accounting for uncertainty leads to robust decisions. Simply ignoring it leads to hidden biases.

### *Communication*

1. **Advance collective understanding.** Speak to augment others’ thinking with your own.
2. **Clear speaking means clear thinking.** Keep an active and engaged mind *when not speaking*. Rambling, disjointed speaking exposes unformed thoughts.
3. **Speak to logic.** Use questions to clarify logic and assumptions. Use statements to explain reasoning. Normative statements have no logical content.

### *Teamwork*

1. **Pro-social behavior.** Eagerness to take on responsibility puts positive pressure on others. Teams with positive pressure experience virtuous cycles near deadlines (the whole is stronger than the sum of the parts). Teams with negative pressure experience vicious cycles (the whole is weaker than the weakest part).
2. **Learn each other’s abilities.** Persistent overutilization of some team members and underutilization of others is a failure of organization.
3. **Be a ‘Rudy’.** Contribute any way you can. Stay engaged with the team, regardless of ability. Perseverance is a resource to the team in its own right. And it is contagious.

### *Successful students do not:*

1. **Regurgitate business facts.**
2. **Regurgitate business rhetoric.**

This course is about logic and analysis. Specific business examples are useful and necessary for illustrating abstract reasoning. Similarly, business terminology is useful and necessary for discussing complicated lines of reasoning. However, regurgitating empty business facts or business rhetoric detracts from discussions and our collective learning. It is unsophisticated at best and irresponsible at worst.

### **Midterm Exam**

The midterm exam represents 25 percent of your grade. The midterm is scheduled on October 15<sup>TH</sup> (SAT) from 10:00-12:00AM. It is two hours in length, must be completed individually, and will be taken in-class. The format and content of the midterm exam will be discussed in more detail during the course.

### **Final Exam**

The final exam represents 40 percent of your grade. The final exam is scheduled on December 12<sup>TH</sup> (MON) from 06:30-09:30PM. It is three hours in length, must be completed individually, and will be taken in-class. The final exam is cumulative. The format and content of the final exam will be discussed in more detail during the course.

### **Problem Sets**

Problem sets are team assignments and represent ten (10) percent of your grade. The questions will be made available on Blackboard one week prior to the due date. They are due in the BADM 560 box located in the front room to the 320 suite by 12:30 on the due date. Graders will not accept problem sets past this deadline. Professors will not accept problem sets at all—whether provided in hard-copy or sent electronically. Solutions will be distributed via Blackboard after all sections have completed the problem set.

Problem sets are graded more for effort than for correctness (i.e., you get full credit for attempting to do the problems and turning in your answers). Lower scores will be earned if homework reflects a less-than-genuine effort. The problem sets are useful aids to learning the material and reflect the material on the midterm and final exams. We recommend that you work diligently on problem sets before turning them in, and again after the answers have been distributed. We also recommend that you attempt the problem sets individually before working on them with your MBA-assigned teams.

### **Case Analyses**

Case analyses are team assignments and represent ten (10) percent of your grade. They are due in the BADM 560 box located in the front room of the 320 suite before the start of class on the in which that case is discussed. Graders will not accept case analyses past this deadline. Professors will not accept case analyses at all—whether provided in hard-copy or sent electronically. All case analyses must be the sole work of team members. Only course materials (e.g., notes, readings, and cases) may be used to analyze the case. Any use of outside analysis or un-cited sources will be penalized.

Details on the Lesser Antilles Lines case assignment will be distributed during the course. The remaining three case assignments require a single page PowerPoint exhibit that answers the case questions as detailed below.

- 09/14 – U.S. Airlines Industry – Q. 3
- 09/26 – Airborne Express – Q. 4
- 11/14 – Lesser Antilles Lines
- 11/21 – Ryanair – Q. 3 & 4

### **ACADEMIC ACCOMMODATIONS**

Georgetown does not discriminate or deny access to an otherwise qualified student with a disability on the basis of disability, and students with disabilities may be eligible for reasonable accommodations and/or special services in accordance with the Rehabilitation Act of 1973 and the Americans with Disabilities Amendments Act (ADAA) of 2008. However, students are responsible for communicating their needs to the Academic Resource Center. The University is not responsible for making special accommodations for students who have not requested an accommodation and adequately documented their disabilities. Also, the University need not modify programmatic, course, or degree requirements considered to be an essential requirement of the program of instruction.

MBA faculty and staff cannot provide academic accommodations without an approved Accommodation Letter from the Academic Resource Center. If you need an academic accommodation, please contact the Academic

Resource Center (ARC) directly at [arc@georgetown.edu](mailto:arc@georgetown.edu) or (202) 687-8354. More information can be found on the ARC [website](#). Please contact your Program Advisor if you have any questions about the process.

### **COMMUNITY STANDARDS**

The McDonough School of Business takes academic integrity and student conduct very seriously. All students are responsible for adhering to the academic, classroom, and community guidelines outlined in McDonough's [Community Standards document](#). Unawareness of these rules will not be accepted as an excuse for failure to act in accordance with them. If you have any questions concerning the policies, please ask for clarification. Suspected violations of the system will be reported to the Community Standards Board for review. Students found guilty of community standards violations are subject to sanctions that can include failing the class, a permanent notation on academic transcripts, or dismissal from the MBA Program.

### **RELIGIOUS OBSERVANCES**

Georgetown University promotes respect for all religions. If you are unable to attend classes or to participate in any examination, presentation, or assignment on a given day because of the observance of a major religious holiday or related travel, you shall be excused and provided with the opportunity to make up, without unreasonable burden, any work that has been missed for this reason and shall not in any other way be penalized for the absence or rescheduled work. You remain responsible for all assigned work. Please notify professors in writing at the beginning of the semester of religious observances that conflict with your classes.

### **INSTRUCTIONAL CONTINUITY**

In the case of university closure due to weather or other unexpected circumstance, classes will not be cancelled. Instead, a recorded lecture will be released to students for viewing at their convenience prior to the next session. The recordings will be available starting on the time of the scheduled class, and accessible on Blackboard. The link for viewing will be provided by email to the class as soon as it is available. The course schedule including deadlines will be unaltered unless otherwise notified.

**COURSE OUTLINE (SHORT)**

<b>DAY</b>	<b>SES</b>	<b>PROF</b>	<b>TOPICS</b>	<b>READINGS</b>	<b>CASES / CASELETS</b>	<b>DELIVERABLES</b>
08/29	01	Macher	Introduction	Syllabus BP CH 1 (pp. 1-26) (optional)	NA Esterl (2011) NA Esterl & Mickle (2014) NA Mickle (2015) NA DoJ (2015)	
08/31	02	Rider	What is Strategy?	JA Porter (1996) JA Collis & Rukstad (2008)	NA McHugh (2012) NA Anonymous (2014) NA Pleskot (2016)	
09/07	03	Miller	Supply and Demand Elasticities	BP CH 2 (pp. 37-56; 62-68)	NA Flynn (2014) NA Mickle (2015)	
09/12	04	Macher	Supply and Demand: Applications	BP CH 3 (pp. 78-87; 89-94)	NA Rische (2013) NA Robinson (1980)	
09/14	05	Rider	External Environment Industry Structure	JA Porter (2008)	GR US Airline Industry in 2015	Problem Set 1 Case Analysis 1
09/19	06	Macher	Costs and Decision Making	BP CH 5 (pp 183-198) HBS Schleifer (1997)	NA Pearlstein (2002) NA Lieber (2011) NA Steel (2010)	
09/21	07	Rider	Costs and Decision Making	BP CH 5 (pp 183-198)	NA Letzing (2012) NA Pearlstein (2004) NA Chao (2015)	
09/26	08	Rider	Costs and Activities	HBS Ghemawat & Rivkin (2006) HBS Halaburda & Rivkin (2009)	HBS Airborne Express	Case Analysis 2
09/28	09	Miller	Perfect Competition I	BP CH 8 (pp. 275-287)	NA Economist (2007) NA Nutall (2008) NA Pfanner (2013)	Problem Set 2
10/03	10	Macher	Perfect Competition II	BP CH 8 (pp. 275-287)	NA Fletcher (2012) NA DiColo & Friedman (2012)	
10/05	11	Miller	Imperfect Competition I: Pricing with Market Power	BP CH 8 (pp. 287-299)	NA Fritsch (2002) NA Rockoff & Silverman (2015) NA Ferdman (2014)	Problem Set 3
10/11	12	Miller	Imperfect Competition II: Entry and Exit		NA Kilman & Berry (2010) NA Lee (2013) NA McFarland (2014)	Problem Set 4 (Optional)
10/15			<b>Midterm Exam</b>			

BP – Baye & Prince Textbook; GR – Grant Case; HBS – HBS Note/Case; JA – Journal Article; MMR – Macher, Miller & Rider Note; NA – Newspaper Article

**COURSE OUTLINE (SHORT)**

<b>DAY</b>	<b>SES</b>	<b>PROF</b>	<b>TOPICS</b>	<b>READINGS</b>	<b>CASES / CASELETS</b>	<b>DELIVERABLES</b>
10/24	13	Rider	Resources and Capabilities	<b>JA</b> Collis & Montgomery (2008)	<b>NA</b> Walker (2014) <b>NA</b> Fritz (2015) <b>NA</b> Hansen (2012)	
10/26	14	Miller	Price Discrimination	<b>BP</b> CH 11 (pp. 416-433)	<b>NA</b> Valentino (2014) <b>NA</b> Michaels (2014) <b>NA</b> Ramachandra & Knutson (2015)	
10/31	15	Macher	Competitive Positioning I	<b>JA</b> Porter (1996) <b>JA</b> Baum et al. (2008)	<b>NA</b> Jargon (2012) <b>NA</b> Nicas (2013) <b>NA</b> Ovide & Wakabayashi (2015) <b>NA</b> Esterl (2011)	Problem Set 5
11/02	16	Rider	Competitive Positioning II	<b>HBS</b> Ghemawat & Rivkin (2006)	<b>HBS</b> Ducati	
11/07	17	Macher	Game Theory I: Strategic Interaction	<b>BP</b> CH 10 (pp. 364-377; 384-399)	<b>NA</b> Kleinfeld (2012) <b>NA</b> Chaffin & Taylor (2006) <b>NA</b> Barr (2013)	
11/09	18	Miller	Game Theory II: Oligopoly Pricing	<b>BP</b> CH 09 (pp. 325-328; 330-335; 346-348; 361-363)	<b>NA</b> Martin (2006)	Problem Set 6
11/14	19	Rider	Game Theory III: Pricing and Collusion	<b>BP</b> CH 10 (pp. 377-384) <b>JA</b> Coyne & Horm (2009)	<b>HBS</b> Lesser Antilles Lines	Case Analysis 3
11/16	20	Miller	Competitive Dynamics I	<b>JA</b> Nagle et al. (2010) <b>JA</b> Brandenburger & Nalebuff (1995)	<b>NA</b> Fritz (2015)	
11/21	21	Rider	Competitive Dynamics II	<b>JA</b> Nagle et al. (2010)	<b>HBS</b> Ryanair (2012)	Case Analysis 4
11/28	22	Macher	Vertical Integration	<b>BP</b> CH 06 (pp. 210-234) <b>JA</b> Gertner and Knez (1999)	<b>NA</b> Ordonez et al. (2012) <b>NA</b> Hagerty (2015) <b>NA</b> Bauerlein & Berman (2009)	
11/30	23	Macher	Vertical Relations	<b>JA</b> Cabral (2000)	<b>NA</b> Zimmerman (2012) <b>NA</b> Schwartzel (2015) <b>NA</b> FTC (1998)	Problem Set 7
12/05	24	Miller	Competition Policy	<b>BP</b> CH 14 (pp. 523-529)	<b>NA</b> Sidel (2015) <b>NA</b> Pearlstein (2013) <b>NA</b> Colchester & Passariello (2011)	
12/12			<b>Final Exam</b>			

**BP** – Baye & Prince Textbook; **GR** – Grant Case; **HBS** – HBS Note/Case; **JA** – Journal Article; **MMR** – Macher, Miller & Rider Note; **NA** – Newspaper Article



## COURSE OUTLINE (DETAILED)

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<b>08/29 – SES 01</b>	Introduction
<b>Readings</b>	Syllabus BP CH 1 (pp. 1-26) (optional)
<b>Cases / Caselets</b>	<b>NA</b> Esterl. “Craft Brewers Tap Big Expansion—Niche Market Is Bucking the Broader U.S. Beer Industry.” <i>Wall Street Journal</i> 12/28/2011. <b>NA</b> Esterl & Mickle. “Beer Giants Cultivate Their Crafty Side; Big Brewers Acquire Small Brands, Create Niche Products to Adjust to Changing Tastes.” <i>Wall Street Journal</i> 12/28/2014. <b>NA</b> Mickle. “AB InBev Takeover of SABMiller Would Realign Global Beer Industry: Deal Creates World’s Largest Brewer With Nearly 30% Market Share After Divestitures.” <i>Wall Street Journal</i> 10/13/2015. <b>NA</b> DoJ. “Justice Department Requires Anheuser-Busch InBev to Divest Stake in MillerCoors and Alter Beer Distributor Practices as Part of SABMiller Acquisition,” <i>Department of Justice Office of Public Affairs</i> . 07/20/2016.
<b>Tasks / Questions</b>	1. Class administrative details. 2. Read the syllabus. 3. Read the assigned book chapter section (optional) and caselets. Come prepared for a wide-ranging discussion of the beer industry, in terms of demand, industry structure, pricing and costs, mergers and acquisitions, etc.

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<b>08/31 – SES 02</b>	What is Strategy?
<b>Readings</b>	JA Porter (1996) “What is Strategy?” <i>Harvard Business Review</i> JA Collis & Rukstad. (2008) “Can You Say What Your Strategy Is?” <i>Harvard Business Review</i>
<b>Cases / Caselets</b>	<b>NA</b> McHugh. “VW launches lighter, more fuel-efficient Golf.” Associated Press. 09/05/2012. <b>NA</b> Anonymous. “Volkswagen in America: Beetling Back to Success.” <i>The Economist</i> . 06/24/2014. <b>NA</b> Pleskot. “VW’s Strategy 2025 Outlines Greener Engines, Ride Sharing Future.” <i>Motor Trend</i> 06/22/2016.
<b>Tasks / Questions</b>	1. Read the assigned journal articles. Prepare to discuss the following: <ul style="list-style-type: none"><li>• What is strategy? Is operational effectiveness strategy? Is competitive positioning strategy?</li><li>• What are the important components of an effective strategy? Of an effective strategy statement?</li><li>• How do objective, scope and advantage relate to strategy?</li></ul>

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<b>09/07 – SES 03</b>	Supply and Demand Market Elasticities
<b>Readings</b>	BP CH 2 “Market Forces: Demand and Supply” (pp. 37-56; 62-68)
<b>Cases / Caselets</b>	<b>NA</b> Flynn. “Diamond Regain Their Sparkle for Miners on Rising Demand and Prices” <i>Wall Street Journal</i> 07/08/2014 <b>NA</b> Mickle. “Bourbon Feels the Burn of a Barrel Shortage” <i>Wall Street Journal</i> 05/11/2015
<b>Tasks / Questions</b>	1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each. 2. Think about how supply/demand analysis can be used to (1) interpret market data, and (2) predict market effects.

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<b>09/12 – SES 04</b>	Supply and Demand: Applications
<b>Readings</b>	<b>BP</b> CH 3 “Quantitative Demand Analysis” (pp. 78-87; 89-94)
<b>Cases / Caselets</b>	<b>NA</b> Rische. “Superbowl XLVII Pricing: A Lesson in Demand Elasticity” <i>Forbes</i> 09/19/2013 <b>NA</b> Robinson. “D.C. Council Votes To Repeal Tax On Gasoline Sales” <i>Washington Post</i> 11/26/1980
<b>Tasks / Questions</b>	1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.

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<b>09/14 – SES 05</b>	External Environment & Industry Structure
<b>Readings</b>	<b>JA</b> Porter (2008) “The Five Competitive Forces That Shape Strategy” <i>Harvard Business Review</i> .
<b>Cases / Caselets</b>	<b>GR</b> “The U.S. Airline Industry in 2015”
<b>Tasks / Questions</b>	<ol style="list-style-type: none"> <li>1. Read the assigned journal article. Prepare to discuss the following: <ul style="list-style-type: none"> <li>• How might the structural characteristics of an industry influence firm strategy?</li> <li>• When is the bargaining power of buyers and suppliers greatest?</li> <li>• How can firms reduce threats from new entrants, rivals or substitutes?</li> </ul> </li> <li>2. Assess the financial performance of the U.S. airline industry over the past 20 years.</li> <li>3. Conduct a five force analysis for the US Airline Industry. <ul style="list-style-type: none"> <li>• To what extent can the industry’s profitability attributable to industry structure?</li> <li>• Which of the five forces has had the biggest impact on industry profitability?</li> </ul> </li> <li>4. In what ways, and with what success, have airlines attempted to counteract the competitive forces depressing industry profitability?</li> <li>5. What is the outlook for industry profitability during the next three years (2015-2017)?</li> </ol>

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<b>09/19 – SES 06</b>	Costs and Decision Making I
<b>Readings</b>	<b>BP</b> CH 1 “The Fundamentals of Managerial Economics” (pp. 5-6; 19-26) <b>BP</b> CH 5 “The Production Process and Costs” (pp 183-198) <b>HBS</b> Schleifer. “Relevant Costs and Revenues” (1994) <i>HBS Note</i> 9-892-010.
<b>Cases / Caselets</b>	<b>NA</b> Pearlstein. “...And the New Thinking About Money is That Your Irrationality is Predictable” <i>Washington Post</i> 01/27/2002 <b>NA</b> Lieber. “Adding It Up: Amazon Ship vs. Costco Shop” <i>New York Times</i> 03/04/2011 <b>NA</b> Steel. “AOL to Bail Out of Bebo Social Site” <i>Wall Street Journal</i> 04/07/2010 <b>NA</b> Hermalin. “The Parable of Red Pens and Blue Pens” 01/01/1999
<b>Tasks / Questions</b>	1. Read the assigned book chapter sections, HBS note, and caselets. Come prepared ready to discuss the economic relevance of each.

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<b>09/21 – SES 07</b>	Costs and Decision Making II
<b>Readings</b>	<i>Review:</i> <b>BP</b> CH 5 “The Production Process and Costs” (pp 183-198)
<b>Cases / Caselets</b>	<b>NA</b> Letzing. “Amazon Adds That Robotic Touch” <i>Wall Street Journal</i> 03/20/2012 <b>NA</b> Pearlstein. “Scaling the Myth of Mergers’ Efficiencies” <i>Washington Post</i> 04/21/2004 <b>NA</b> Chao. “7-Eleven Expands Locker Space, Hoping to Cash In on E-Commerce Wave” <i>Wall Street Journal</i> 11/12/2015
<b>Tasks / Questions</b>	1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.

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<b>09/26 – SES 08</b>	Costs and Activities
<b>Readings</b>	<b>HBS</b> Ghemawat, P. & J. Rivkin (2006). “Creating competitive advantage.” <i>HBS Publishing</i> . <b>HBS</b> Halaburda, H. & J. Rivkin (2009). “Analyzing relative costs.” <i>HBS Publishing</i> .
<b>Cases / Caselets</b>	<b>HBS</b> Airborne Express
<b>Tasks / Questions</b>	<ol style="list-style-type: none"> <li>1. Read the assigned HBS note and case.</li> <li>2. How and why has the express mail industry structure evolved in recent years? How have the changes affected small competitors?</li> <li>3. How has Airborne Express survived, and recently prospered, in this industry?</li> <li>4. Quantify Airborne Express’ sources of competitive advantage. <p>HINT 1 – It is often useful to analyze a company’s cost position relative to rivals and to examine the willingness to pay (WTP) of customers for the company’s products relative to rivals’ products. The case allows you to analyze the relative costs of Airborne Express in detail. Compare the costs of an overnight letter shipped by Airborne Express to one shipped by Federal Express.</p> <p>HINT 2 – To examine relative costs, start with the cost structure of a Federal Express overnight letter, given in Exhibit 3. Use information in the case and your understanding of what influences each cost item to estimate each of the items for Airborne Express.</p> <p>HINT 3 – The case does not allow you to compare WTP across companies more than qualitatively, but it does permit you to examine relative prices.</p> <p>HINT 4 – In preparing your answers, the table available on Blackboard might be useful in keeping track of the differences among the competitors.</p> </li> <li>5. What must Robert Brazier, Airborne Express’ President and COO, do in order to strengthen the company’s position?</li> </ol>

<b>09/28 – SES 09</b>	Perfect Competition I
<b>Readings</b>	<b>BP</b> CH 8 “Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets” (pp. 275-287)
<b>Cases / Caselets</b>	<b>NA</b> “How Do Mobile Phones Promote Economic Growth?” <i>The Economist</i> 5/12/2007 <b>NA</b> Nuttall. “Low-Cost Laptops Make Computer Makers Mull Their Margins” <i>Financial Times</i> 01/31/2008 <b>NA</b> Pfanner. “Taiwan Chip Industry Powers the Tech World, but Struggles for Status” <i>New York Times</i> 09/15/2013
<b>Tasks / Questions</b>	<ol style="list-style-type: none"> <li>1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.</li> <li>2. How much should a firm without market power produce?</li> <li>3. Under what conditions can a firm without market power earn profit?</li> </ol>

<b>10/03 – SES 10</b>	Perfect Competition II
<b>Readings</b>	<b>BP</b> CH 8 “Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets” (pp. 275-287)
<b>Cases / Caselets</b>	<b>EA</b> Fletcher. “Ethanol Makers’ Long Hot Summer: Sluggish Fuel Sales, Spike in Corn Prices Lead to Spate of Plant Idlings Across the Farm Belt,” <i>Wall Street Journal</i> 07/26/2012 <b>EA</b> DiColo and Friedman. “Lobster Glut Slams Prices; Some Fishermen Keep Boats in Port; Outside Maine, No Drop for Consumers,” <i>Wall Street Journal</i> 07/16/2012
<b>Tasks / Questions</b>	<ol style="list-style-type: none"> <li>1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.</li> </ol>

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<b>10/05 – SES 11</b>	Imperfect Competition I: Pricing with Market Power
<b>Readings</b>	<b>BP</b> CH 8 “Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets” (pp. 287-299) <b>MMR</b> Profit Maximization Note (optional reading)
<b>Cases / Caselets</b>	<b>NA</b> Fritsch. “Hard Profits: A Cement Titan in Mexico Thrives By Selling to Poor...” <i>Wall Street Journal</i> 04/22/2002 <b>NA</b> Rockoff and Silverman, “Pharmaceutical Companies Buy Rivals’ Drugs, Then Jack Up the Prices” <i>Wall Street Journal</i> 04/27/2015 <b>NA</b> Ferdman. “Your Chocolate Addiction is Only Going to Get More (and More, and More) Expensive” <i>Washington Post</i> 07/19/2014.
<b>Tasks / Questions</b>	<ol style="list-style-type: none"> <li>1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.</li> <li>2. How can firms with market power set prices to maximize profit?</li> <li>3. What is the connection between demand elasticity and the profit maximizing price?</li> <li>4. Should firms pass cost increases through to consumers?</li> </ol>

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<b>10/11 – SES 12</b>	Imperfect Competition II: Entry and Exit
<b>Readings</b>	<b>BP</b> CH 8 “Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets” (pp. 301-312)
<b>Cases / Caselets</b>	<b>NA</b> Kilman and Berry. “Monsanto Cuts Roundup Prices as Knockoff Flood Farm Belt” <i>Wall Street Journal</i> 05/28/2010 <b>NA</b> Lee. “Here’s Why Verizon and AT&T Don’t Need to Worry about Suffering BlackBerry’s Fate” <i>Washington Post</i> 09/22/2013 <b>NA</b> McFarland. “The Unstoppable TI-84 Plus: How an Outdated Calculate Still Holds a Monopoly on Classrooms” <i>Washington Post</i> 09/02/2014
<b>Tasks / Questions</b>	<ol style="list-style-type: none"> <li>1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.</li> <li>2. How can pricing analysis be used to support entry/exit decisions?</li> <li>3. Explain the connection between entry and long run profit.</li> </ol>

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<b>10/15</b>	Midterm Exam (10:00AM-12:00PM)
<b>Classrooms</b>	SEC 01 – SEC 06 assigned to rooms alphabetically

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<b>10/24 – SES 13</b>	Resources and Capabilities
<b>Readings</b>	<b>JA</b> Collis and Montgomery (2008) “Competing on Resources” <i>Harvard Business Review</i>
<b>Cases / Caselets</b>	<b>NA</b> Walker. “Botox Itself Aims Not to Age; Finding New Uses for Allergan’s Big Product Is R&D Priority, Even for Valeant,” <i>Wall Street Journal</i> 05/18/2014 <b>NA</b> Fritz. “How Disney Milks Its Hits for Profits Ever After,” <i>Wall Street Journal</i> 06/09/2015 <b>NA</b> Hansen. “How Zara Grew Into the World’s Largest Fashion Retailer,” <i>The New York Times</i> 11/09/2012
<b>Tasks / Questions</b>	<ol style="list-style-type: none"> <li>1. Read the assigned journal article and caselets. Come prepared ready to discuss the strategic relevance of it.</li> </ol>

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<b>10/26 – SES 14</b>	Price Discrimination
<b>Readings</b>	<b>BP</b> CH 11 “Pricing Strategies for Firms with Market Power” (pp 416-433)
<b>Cases / Caselets</b>	<b>NA</b> Valentino et al. “Websites Vary Prices, Deals Based on Users’ Information” <i>Wall Street Journal</i> 12/24/2012 <b>NA</b> Michaels. “Why This Plane Seat Is the Most Profitable” <i>Wall Street Journal</i> 03/04/2014 <b>NA</b> Ramachandran and Knutson. “Verizon Breaks Pay-TV Bundle as Competition Mounts” <i>Wall Street Journal</i> 04/17/2015
<b>Tasks / Questions</b>	1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.

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<b>10/31 – SES 15</b>	Competitive Positioning I
<b>Readings</b>	<b>JA</b> Porter (1996) “What is Strategy?” <i>Harvard Business Review</i> <b>JA</b> Baum, Dobrev and van Witteloogstuijn (2008) “Strategic Ecology: What Management Can Learn From Ecology” <i>Rotman Magazine</i>
<b>Cases / Caselets</b>	<b>NA</b> Jargon. “Fast Food Aspires to Move Up the Food Chain” <i>Wall Street Journal</i> 10/11/2012 <b>NA</b> Nicas. “From Toledo to Profitability --- Allegiant's Airplanes Guzzle Gas and Are Often Tardy; But Its Strategy Is Working” <i>Wall Street Journal</i> 06/05/2013 <b>NA</b> Ovide & Wakabayashi. “Apple's Share of Smartphone Industry's Profits Soars to 92%; Apple's share of profits is remarkable given that it sells less than 20% of smartphones,” <i>Wall Street Journal</i> 07/12/2015
<b>Study Questions</b>	1. Read the assigned journal articles and HBS note. Come prepared to discuss the following: <ul style="list-style-type: none"> <li>• What is competitive positioning?</li> <li>• What activities does competitive positioning rely on?</li> <li>• Understand the different frameworks related to competitive positioning (e.g., entrants vs. incumbents; generic low-cost vs. differentiation; niche width; etc.)</li> </ul> 2. Read the assigned caselets. Come prepared ready to discuss the strategic relevance of each.

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<b>11/02 – SES 16</b>	Competitive Positioning II
<b>Readings</b>	<b>HBS</b> Ghemawat & Rivkin (2006). “Creating competitive advantage.” <i>HBS Publishing</i> .
<b>Cases / Caselets</b>	<b>HBS</b> Ducati Case
<b>Study Questions</b>	1. What was Ducati’s turnaround strategy? 2. Can Ducati sustain its competitive advantage? 3. Should Ducati offer cruisers? 4. How will you persuade the CEO to follow your strategic recommendation?

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<b>11/07 – SES 17</b>	Game Theory I
<b>Readings</b>	<b>BP</b> CH 10 “Game Theory: Inside Oligopoly” (pp. 364-377; 384-399)
<b>Cases / Caselets</b>	<b>EA</b> Kleinfeld. "In Manhattan Pizza War, Price of Slice Keeps Dropping" <i>New York Times</i> 03/30/2012.  <b>EA</b> Chaffin and Taylor. “Sony and Toshiba Could Be Left Behind In Format War” <i>Financial Times</i> 12/19/2006.  <b>EA</b> Barr. “Holiday shopping price war gets 'irrational': Amazon slashes toy prices 16% in a week, while Apple chops iBook e-book prices 25%, according to analysts” <i>USA Today</i> 11/26/2013.
<b>Study Questions</b>	1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.

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<b>11/09 – SES 18</b>	Game Theory II
<b>Readings</b>	<b>BP</b> CH 09 “Basic Oligopoly Models” (pp. 325-328; 330-335; 346-348; 361-363)
<b>Cases / Caselets</b>	<b>NA</b> Martin. “This Spud’s Not for You: Growing Co-Op of Farmers Seeks to Become OPEC of Potatoes by Controlling Supply” <i>Wall Street Journal</i> 09/26/2006
<b>Study Questions</b>	1. Read the assigned book chapter sections and caselet. Come prepared ready to discuss the economic relevance of each. 2. How should you respond to the output/pricing decisions of your competitors? 3. Why does competition reinforce the Nash equilibrium solution? What are the implications for market analysis?

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<b>11/14 – SES 19</b>	Game Theory III
<b>Readings</b>	<b>BP</b> CH 10 “Game Theory: Inside Oligopoly” (pp. 377-384)  <b>HBS</b> Coyne & Horm (2009) “Predicting Your Competitor’s Reaction” <i>Harvard Business Review</i>
<b>Cases / Caselets</b>	<b>HBS</b> Lesser Antilles Lines
<b>Study Questions</b>	1. Read the assigned book chapter sections, journal article and case. Come prepared to discuss the economic relevance of each. 2. What is LAL’s pricing strategy? Is it sustainable? What is KL’s pricing response to LAL? Is it sustainable? 3. Does collusion between LAL and KL change their pricing strategies? 4. What assumptions are important to examining these pricing strategies?

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<b>11/16 – SES 20</b>	Competitive Dynamics I
<b>Readings</b>	<b>JA</b> CH 11 of <u>The Strategy and Tactics of Pricing</u> , (2010) 5 <sup>th</sup> Ed., by Thomas Nagle, John Hogan and Joe Zale  <b>JA</b> Brandenburger and Nalebuff (1995) “The Right Game: Use Game Theory to Shape Strategy” <i>Harvard Business Review</i>
<b>Cases / Caselets</b>	<b>NA</b> Fritz. "The ‘Summer’ Blockbuster That Debuts in March" <i>Wall Street Journal</i> 03/31/2015.
<b>Tasks / Questions</b>	1. Read the assigned journal article, book chapter, and caselet. Come prepared to discuss the economic relevance of each. 2. What is a strategic commitment? How can a strategic commitment be used by incumbents to deter entry, or by entrants to induce a “soft” competitive response? 3. What considerations guide the proper response of incumbents to entry?

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<b>11/21 – SES 21</b>	Competitive Dynamics II
<b>Readings</b>	<b>JA</b> CH 11 of <u>The Strategy and Tactics of Pricing</u> , (2010) 5 <sup>th</sup> Ed., by Thomas Nagle, John Hogan and Joe Zale
<b>Cases / Caselets</b>	<b>HBS</b> Dogfight over Europe: Ryanair (A)
<b>Tasks / Questions</b>	<ol style="list-style-type: none"> <li>1. Read the assigned book chapter and HBS case. Come prepared to discuss the economic relevance of each.</li> <li>2. Based on an industry and competitive positioning analyses, what is your assessment of Ryanair’s launch strategy?</li> <li>3. Will Ryanair’s launch at a £98 roundtrip fare at be profitable?  HINT 1 – It is often useful to analyze a firm’s revenue and cost position relative to rivals. The case allows you to analyze the revenue and costs of British Airways in detail.  HINT 2 – To examine relative costs, start with BA’s revenue and cost per passenger, given in Exhibit 4. Use information in the case and your understanding of how each cost item might be influenced or altered for Ryanair.</li> <li>4. Will rivals accommodate or deter Ryanair’s entry? Determine quantitatively by examining the profit implications.  HINT 3 – British Airways can either hold its current price or match Ryanair’s price. Compare the profit of these different pricing approaches using information in the case and recognizing the effects of pricing on capacity utilization.</li> <li>5. Will Ryanair gain a sustainable competitive advantage?</li> </ol>

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<b>11/28 – SES 22</b>	Vertical Integration
<b>Readings</b>	<b>BP</b> CH 06 “The Organization of the Firm” (pp. 210-234) <b>JA</b> Gertner and Knez. “Vertical Integration: Make or Buy Decisions” <i>Financial Times</i> 11/29/1999
<b>Cases / Caselets</b>	<b>NA</b> Ordonez, Carey and Fowler. “Crude or Refined? Delta’s Fuel Gambit” <i>Wall Street Journal</i> 04/05/2012 <b>NA</b> Hagerty. “A Radical Supply Chain Idea: Own Your Trucking Operation; As Most Companies Outsource Trucks and Drivers, Ashley Furniture Takes a Different Path,” <i>Wall Street Journal</i> 04/29/2015 <b>NA</b> Bauerlein and Berman. “PepsiCo Nabs Bottlers After Months at Table” <i>Wall Street Journal</i> 08/05/2009
<b>Study Questions</b>	1. Read the assigned book chapter section, journal article and caselets. Come prepared ready to discuss the economic relevance of each.

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<b>11/30 – SES 23</b>	Vertical Relations
<b>Readings</b>	<b>JA</b> Cabral “Vertical Relations” in <u>Introduction to Industrial Organization</u> , The MIT Press (2000): 189-2004
<b>Cases / Caselets</b>	<b>NA</b> Zimmerman. “Sony, Samsung Rein In Retailers’ Discounts on TVs” <i>Wall Street Journal</i> 05/23/2012 <b>NA</b> Schwartzel. “DOJ Looking Closer Into Movie Distribution; Theater Chains’ Practice of Seeking Exclusivity For Some Releases Scrutinized” <i>Wall Street Journal</i> 04/16/2015 <b>NA</b> “FTC Upholds Charges That Toys “R” Us Induced Toy Makers to Stop Selling Desirable Toys to Warehouse Clubs” <i>FTC Press Release</i> 10/14/1998
<b>Study Questions</b>	1. Read the assigned book chapter and caselets. Come prepared ready to discuss the economic relevance of each.

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<b>12/05 – SES 24</b>	Competition Policy
<b>Readings</b>	<b>BP</b> CH 14 “A Manager’s Guide to Government in the Marketplace” (pp. 523-529)
<b>Cases / Caselets</b>	<b>NA</b> Sidel. “AmEx to Stop Merchant Curbs after a Judge Found the Practice Anticompetitive” <i>Wall Street Journal</i> 06/18/2015
	<b>NA</b> Pearlstein. “Beer Merger would Worsen Existing Duopoly by AB InBev, SABMiller” <i>Washington Post</i> 02/2/2013
	<b>NA</b> Colchester and Passariello. “Dirty Secrets in Soap Prices” <i>Wall Street Journal</i> 12/09/2011
<b>Study Questions</b>	1. Read the assigned book chapter sections and caselets. Come prepared ready to discuss the economic relevance of each.

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<b>12/12</b>	Final Exam (06:30-09:30PM)
<b>Classrooms</b>	SEC 01 – SEC 06 assigned to rooms alphabetically

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