

BADM 560 – FIRM ANALYSIS AND STRATEGY

FALL 2017

FULL-TIME MBA SYLLABUS

Professor	Nathan Miller	Chris Rider
Office	Hariri 323	Hariri 321
Class Schedule	Section 01: Tuesday & Thursday @ 11am to 12:20pm in Hariri 240 Section 02: Tuesday & Thursday @ 9:30am to 10:50am in Hariri 240	
Office Hours	Monday @ 12:30-1:30pm Thursday @ 5-6pm	Tuesday @ 12:30-1:30pm Tuesday @ 5-6pm
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COURSE OVERVIEW

BADM 560 – Firm Analysis and Strategy – is an integrative course that provides frameworks, tools and concepts to make sound business decisions. The course foundations are based on theory and empirical research from the fields of microeconomics and competitive strategy. We focus on managing a firm’s competitive position within industries and markets in ways that enhance the firm’s performance and its chances of survival. Understanding microeconomic concepts enables managers to conduct industry and firm analyses that inform such business decisions. Understanding strategic management concepts enables managers to formulate plans to achieve and sustain competitive advantages.

The course begins by clarifying what strategy is and is not before examining how industries are structured in ways that shape profit-making opportunities for industry participants. The course then focuses on essential microeconomic concepts like market demand and supply, economic costs, and profit maximization to provide tools for characterizing industries and markets. We then build on these concepts to consider how firms optimally set price and output levels; when and how firms should enter or exit markets and under what conditions; how firms use resources and capabilities for competitive advantage; how firms position themselves in particular industries; 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 expected to address various challenges germane to the competitive advantage of the firm. Reading materials provide contextual familiarity and teach the tools and skills required for meeting these challenges.

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

- Economic costs
- Supply, demand and market equilibrium
- Pricing, price elasticities and price discrimination
- Firm profitability
- Firm entry and exit
- Market and non-market organization
- Competitive positioning
- Game theory
- Resources and capabilities
- Public policy

Students are expected to develop the following competencies:

- Applying economic principles and strategic management theory to make better decisions in complex situations
- Improving analytical skills and strategic thinking
- Understanding the external and internal environments
- Understanding the organization and its competitive context
- Formulating strategies that create sustainable competitive advantages

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* (8TH 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 online (e.g., <http://www.amazon.com>). The book is not required reading. In our experience, many students nonetheless find that it helps them understand the microeconomic content of the course, so we recommend having access to the book.

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 Canvas via durable links (i.e., stable URLs) or via the GU Library's proxy connection (e.g., if accessing off-campus).

Notes come in two types. The first type is from Professors Miller and Rider. These notes are marked **MR** in the syllabus, are available free-of-charge, and are posted to Canvas. 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, create a user name at Harvard Business School Publishing, and then access the material at the following URL: <http://cb.hbsp.harvard.edu/cbmp/access/66758551>.

We use two types of cases. The first type is cases by Robert Grant. These cases are marked **GR** on the syllabus, are free-of-charge, and are posted to the "Files" section of Canvas. 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 Canvas via stable URLs or via GU library proxy capabilities (e.g., if accessing material from 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 Canvas or in-class handouts.

Online Accessibility

All of the free-of-charge journal articles, cases, news articles and lecture notes are available can be accessed via hyperlinked readings in the syllabus or from the Session Overview pages in Canvas. You will need to login via the GU Library. Slides are usually posted after class, although some slides will be posted in advance of certain sessions.

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 GRADING

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 set, case analyses, and the final project. The grading weights are as follows:

INDIVIDUAL (60%)

Class Participation	10%
Problem Sets	10%
Midterm Exam	30%
Group Member Evaluation	10%

GROUP (40%)

Case Analyses	10%
Final Project	30%

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+).

INDIVIDUAL GRADING

Class Participation

Class participation represents ten percent of your grade. We emphasize quality over quantity in participation. 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 recognize the concept of “making up” class participation if it was missed, so please do not ask us how to do this. Attending class starts you at a score of two (2). Points are earned or deducted based on your contributions to class discussion. The two lowest class participation scores will not be included in calculating your class participation 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, therefore, valued by potential employers.

This course emphasizes logic and analysis. Specific business examples are useful for illustrating abstract reasoning. Business terminology is useful for discussing complicated lines of reasoning. Regurgitating business facts or rhetoric detracts from discussions and collective learning. Successful students consistently exhibit 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 believe? What would it take to change your mind?
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 contributor.** 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.

Problem Sets

Problem sets are individual assignments and represent ten (10) percent of your grade. The questions will be made available on Canvas one week prior to the due date, and submissions must be uploaded to Canvas before class on the due date. Problem sets will not be accepted after the deadline. Professors will not accept problem sets in hard-copy or electronically. Solutions will be distributed via Canvas 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 your submission reflects a less-than-genuine effort.

We strongly recommend that you work diligently on problem sets before submission and review your work after the answers are distributed in order to learn from any mistakes. To achieve an adequate understanding of the course material, we expect all students to attempt all problems individually before seeking any assistance from classmates, tutors, or faculty. Collaborating with group members is permitted but strongly discouraged before making a sincere individual attempt at answering all problem set questions.

Midterm Exam

The midterm exam represents thirty (30) percent of your grade. The midterm is scheduled on October 14TH (SAT) from 3:00-5:00PM. It is two hours in length and must be completed individually. The format and content of the midterm exam will be discussed in more detail during the course.

Group Member Evaluation

Group member evaluations represent ten (10) percent of your grade. Business success requires good communication and teamwork skills. This course prepares students for a successful business career by providing them with multiple opportunities to work as groups on problem sets, case analyses, and the final project. Towards the end of the semester, students will evaluate the contribution of every group member (including themselves) to the group assignments for the course. Students will specifically be instructed to evaluate how much better or worse the group's work products would have been without the focal member's contributions.

GROUP GRADING

Case Analyses

Case analyses are team assignments and represent ten (10) percent of your grade. Solutions must be uploaded to Canvas before class on the due date. 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. The three case assignments below require a single page PowerPoint exhibit that answers the case questions as detailed below.

1. 8/31 – U.S. Airlines Industry – Q. 3
2. 10/5 – Airborne Express – Q. 4
3. 11/2 – Ryanair – Q. 3 & 4

Final Project

The final project represents thirty (30) percent of your grade. Each group will be assigned a publicly-traded company (i.e., your client) for a course capstone project. Your group must draw upon all you've learned in BADM 560 to thoroughly evaluate your client's industry, key markets, competitive position, and resources and capabilities. You will then formulate a detailed strategic recommendation for your client. Over the course of the second module, each group will prepare (a) a 3-page summary report for the client's senior executive team and (b) a presentation outlining the strategic recommendation with supporting analyses. Two appendices will be due as intermediate group assignments during the semester (1: industry analysis, 2: relative value analysis). Groups will present their recommendations in three class sessions in late November. More details will be provided in class.

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 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 Canvas. 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.

STATEMENT ON SEXUAL MISCONDUCT

Georgetown University and its faculty are committed to supporting survivors of sexual misconduct, including relationship violence, sexual harassment and sexual assault. University policy requires faculty members to report any disclosures about sexual misconduct to the Title IX Coordinator, whose role is to coordinate the University's response to sexual misconduct. Georgetown has a number of fully confidential professional resources who can provide support and assistance to survivors of sexual assault and other forms of sexual misconduct. Below are two confidential counseling resources for students. Additional information at <http://sexualassault.georgetown.edu>.

Jen Schweer, MA, LPC
Associate Director of Health Education Services for Sexual Assault Response and Prevention
(202) 687-0323
jls242@georgetown.edu

Jennifer Wiggins
Staff Clinician & Sexual Assault Specialist
(202) 687-8932
sarp@georgetown.edu

COURSE OUTLINE (SHORT)

DAY	SES	PROF	TOPICS	READINGS	CASES / CASELETS	DELIVERABLES
8/29	01	Rider	What is Strategy?	JA Porter (1996) JA Collis & Rukstad (2008)		
8/31	02	Rider	Industry Structure: The Five Forces	JA Porter (2008)	GR US Airline Industry	Case Analysis 1
9/5	03	Miller	Supply and Demand: Introduction	BP CH 2 (pp. 37-56; 62-68)	NA Mickle (2015) NA Ferdman (2016)	
9/7	04	Miller	Supply and Demand: Elasticities and Applications	BP CH 3 (pp. 78-87; 89-94)	NA Robinson (1980) NA Bensinger (2014) NA Ehrenfreund (2017)	
9/12	05	Miller	Costs and Decision Making	BP CH 5 (pp 183-198) NA Pearlstein (2002)	NA Steel (2010) NA Letzing (2012) NA Pearlstein (2004) NA Gross (2014)	Problem Set 1
9/14	06	Miller	Linear Pricing	BP CH 8 (pp. 292-299)	NA McCartney (2010) NA Rishe (2013) NA Rockoff & Silverman (2015)	
9/19	07	Miller	Entry and Exit		NA Terlep (2017) NA Fletcher (2012) NA McFarland (2014)	
9/21	08	Miller	Price Discrimination	BP CH 11 (pp. 416-433) NA Useem (2017)	NA Simon (2013) NA Michaels (2014) NA Fritz (2015)	
9/26	09	Miller	Game Theory I: Strategic Interaction	BP CH 10 (pp. 364-377; 384-399)	NA Kleinfeld (2012) NA Chaffin & Taylor (2006) NA Barr (2013)	Problem Set 2
9/28	10	Miller	Game Theory II: Oligopoly Market Structure	BP CH 09 (pp. 325-328; 330-335; 346-348)	NA Martin (2006) NA Aeppel (2005) NA Rockoff (2016)	
10/3	11	Rider	Game Theory III: Pricing and Collusion	BP CH 10 (pp. 377-384) JA Coyne & Horn (2009)	HBS Lesser Antilles Lines	Problem Set 3
10/5	12	Rider	Module 1 Capstone Case	HBS Ghemawat & Rivkin (2006) HBS Halaburda & Rivkin (2009)	HBS Airborne Express	Case Analysis 2
10/14			Midterm Exam			



GEORGETOWN UNIVERSITY **McDonough**

 SCHOOL of BUSINESS

COURSE OUTLINE (SHORT)

DAY	SES	PROF	TOPICS	READINGS	CASES / CASELETS	DELIVERABLES
10/24	13	Rider	Resources and Capabilities	JA Collis & Montgomery (2008)	NA Walker (2014) NA Fritz (2015) NA Hansen (2012)	
10/26	14	Rider	Competitive Positioning I	JA Porter (1996) JA Baum et al. (2008)	NA Jargon (2012) NA Nicas (2013) NA Ovide & Wakabayashi (2015)	Final Project Appendix 1: Industry Analysis
10/31	15	Rider	Competitive Positioning II	HBS Ghemawat & Rivkin (2006)	HBS Ducati	
11/2	16	Rider	Competitive Dynamics	JA Nagle et al. (2010)	HBS Ryanair	Case Analysis 3
11/7	17	Rider	Vertical Integration	BP CH 06 (pp. 210-234)	HBS Disney-Pixar NA Economist (2015)	Final Project Appendix 2: Relative Value Analysis
11/9	18	Rider	Strategic Experimentation	JA Thomke and Manzi (2014)	NA Bloom (2014) NA Hauser & Luca (2015)	
11/14	19	Miller	Ethics and Market Failures	BP CH 12 (pp. 462-468), CH 14 (pp. 534-547) JA Arrow (1972) NA Economist (2017)	NA Ostrom (2012) NA Mufson (2017) NA Scism (2017)	
11/16	20	Miller	Competition Policy	BP CH 14 (pp. 523-534)	NA Colchester & Passariello (2011) NA Ferdman (2014) NA Gluck & Greaney (2017)	
11/21	21	Both	Final Project Presentations			Final Project Report + Presentation
11/28	22	Both	Final Project Presentations			
11/30	23	Both	Final Project Presentations			
12/5	24	Both	Advanced Topics in Strategy	To be announced	To be announced	

BP – Baye & Prince Textbook; GR – Grant Case; HBS – HBS Note/Case; JA – Journal Article; NA – Newspaper Article

COURSE OUTLINE (DETAILED)

8/29 – SES 01	What is Strategy?
Learning Objectives	We distinguish strategic management from operational effectiveness in this session and develop analytical expectations for strategic managers. We focus on activities, which activities are performed by an organization and its competitors, and how activities are performed. We relate a firm’s mission, values, vision, and strategy to each other by familiarizing ourselves with organizational strategy statements that specify objectives, scope, and a basis for competitive advantage that is borne largely of trade-offs.
Readings	<p>JA Porter (1996) “What is Strategy?” <i>Harvard Business Review</i>.</p> <p>JA Collis and Rukstad (2008) “Can You Say What Your Strategy Is?” <i>Harvard Business Review</i>.</p>
Cases / Caselets	None.
Tasks / Questions	<p>Read the assigned journal articles. Prepare to discuss the following:</p> <ul style="list-style-type: none"> • What is strategy? Why is “operational effectiveness” not considered strategy? Why is “competitive positioning” considered strategy? • What are the important components of an effective strategy? Of an effective strategy statement? • How do objective, scope, and advantage relate to strategy?

8/31 – SES 02	Industry Structure: The Five Forces
Learning Objectives	This session covers the fundamentals of industry analysis. The five forces framework is presented as an effective tool for systematically identifying constraints on sustainable industry profitability and identifying what, exactly, a firm must do to survive and to succeed. We demonstrate the value of this approach by discussing the structure of the U.S. airline industry.
Readings	JA Porter (2008) “The Five Competitive Forces That Shape Strategy” <i>Harvard Business Review</i> .
Cases / Caselets	GR “ The U.S. Airline Industry in 2015 .”
Tasks / Questions	<ol style="list-style-type: none"> 1. Read the assigned journal article. Prepare to discuss the following: <ul style="list-style-type: none"> • How might the structural characteristics of an industry influence firm strategy? • When is the bargaining power of buyers and suppliers greatest? • How can firms reduce threats from new entrants, rivals or substitutes? 1. Assess the financial performance of the U.S. airline industry over the past 20 years. 2. Conduct a five force analysis for the US Airline Industry. <ul style="list-style-type: none"> • To what extent is the industry’s profitability attributable to industry structure? • Which of the five forces has had the biggest impact on industry profitability? 3. In what ways, and with what success, have airlines attempted to counteract the competitive forces depressing industry profitability? 4. What is the outlook for industry profitability during the next three years (2017-2019)?

9/5 – SES 03	Supply and Demand: Introduction
Learning Objectives	Be able to use the model of supply and demand to predict how market outcomes and interpret market data. Build familiarity with the language of the model: complements vs. substitutes, normal vs. inferior goods, demand shifters, supply-shifters, equilibrium.
Reference	BP CH 2 “Market Forces: Demand and Supply” (pp. 37-56; 62-68)
Cases / Caselets	NA Mickle . “Bourbon Feels the Burn of a Barrel Shortage” <i>Wall Street Journal</i> 05/11/2015. NA Ferdman . “The Crazy Sequence of Events That’s Making Almonds Cheap Again” <i>Washington Post</i> 01/29/2016.
Tasks / Questions	<ol style="list-style-type: none"> Recall the Smartly materials on supply and demand. The assigned book chapter goes over the same material in greater detail. Focus especially on the comparative statics. Read the caselets and be prepared ready to discuss the economic relevance of each. Consider how supply/demand analysis can be applied to (1) interpret market data, and (2) predict market effects. After lecture, we recommend that you analyze the supply and demand factors that affect your previous or current employer.

9/7 – SES 04	Supply and Demand: Elasticities and Applications
Learning Objectives	The price elasticity of demand (supply) is the percentage change in quantity demanded (supplied) due to a one percent increase in price. The relative demand and supply elasticities determine how market outcomes respond to external stimuli. Further, an elasticity “rule-of-thumb” determines whether price increases raise or lower revenue. Understand the determinants of short run and long run elasticities. Build confidence applying the model of supply and demand to real-world settings.
Reference	BP CH 3 “Quantitative Demand Analysis” (pp. 78-87; 89-94)
Cases / Caselets	NA Robinson . “D.C. Council Votes To Repeal Tax On Gasoline Sales” <i>Washington Post</i> 11/26/1980. NA Bensinger . “Amazon Raises Prime Subscription Price To \$99 A Year; Move Represents First Increase in the Shipping and Video-Streaming Service’s Nine-Year History” <i>Wall Street Journal</i> 03/13/2014. NA Ehrenfreund . “A ‘Very Credible’ New Study on Seattle’s \$15 Minimum Wage Has Bad News for Liberals” <i>Washington Post</i> 06/25/2017.
Tasks / Questions	<ol style="list-style-type: none"> The assigned book chapter provides a good overview of the lecture materials. Notice that there are three formulas provided for the own price elasticity of demand (two on p. 80 and one on p. 84). Which is most likely to be useful in practice? Read the caselets and come prepared ready to discuss the economic relevance of each. After lecture, we recommend that you identify and analyze one “supply and demand” article published in the <i>Wall Street Journal</i> or comparable newspaper. After lecture, we recommend that you use the model of supply and demand to analyze the broad forces that affect your target employment sector (e.g., “consulting” or “investment banking”). How elastic/inelastic are supply and demand, and how does that affect your analysis?

9/12 – SES 05	Costs and Decision Making
Learning Objectives	Identify “opportunity costs” and “sunk costs” and understand their proper role in business decision making. Be able to calculate economic profit, fixed costs, variable costs, marginal costs, and net present value. Define economies and diseconomies of scale and scope, and understand their implications for long run firm size and industry structure.
Reference	BP CH 5 “The Production Process and Costs” (pp 183-198) NA Pearlstein . “...And the New Thinking About Money is That Your Irrationality is Predictable” <i>Washington Post</i> 01/27/2002.
Cases / Caselets	NA Steel . “AOL to Bail Out of Bebo Social Site” <i>Wall Street Journal</i> 04/07/2010. NA Letzing . “Amazon Adds That Robotic Touch” <i>Wall Street Journal</i> 03/20/2012. NA Pearlstein . “Scaling the Myth of Mergers’ Efficiencies” <i>Washington Post</i> 04/21/2004. NA Gross . “The Sales Pitch on Hybrids? Outfit Fleet and Save Big.” <i>The Concord Monitor</i> 05/27/2014.
Tasks / Questions	<ol style="list-style-type: none"> Recall the Smartly materials on the time value of money. The Pearlstein article discusses a series of prominent examples, developed by behavior economists, about how people often make economically irrational decisions. The book chapter goes into the nitty gritty of average costs, marginal costs, scale economics, etc. Read the caselets and be prepared ready to discuss the economic relevance of each. After lecture, we recommend that you (1) consider instances in which individuals made economically poor decisions due to a misunderstanding of sunk or opportunity costs; and (2) consider the cost structure of firms in your target employment sector. If the cost structure is changing then what are the implications for firm size and market structure?
9/14 – SES 06	The Theory of Linear Pricing
Learning Objectives	Firms that select a single price for their product employ “linear pricing” (so called because revenues increase linearly in unit sales). The profit-maximizing linear price falls between the marginal cost of production and the maximum consumer willingness-to-pay, and can be obtained by equating marginal revenue and marginal cost. Profit maximizing firms do not price on the inelastic portion of their demand curve. The consequences of miscalculating the best linear price are small (large) for small (large) miscalculations.
Reference	BP CH 8 “Managing in Competitive, Monopolistic, and Monopolistically Competitive Markets” (pp. 292-299)
Cases / Caselets	NA McCartney . “You Paid What for that Flight?—It Can Cost More to Fly to Hartford than Barcelona; How Airlines Determine Ticket Prices” <i>Wall Street Journal</i> 08/26/2010. NA Rishe . “Superbowl XLVII Pricing: A Lesson in Demand Elasticity” <i>Forbes</i> 09/19/2013. NA Rockoff and Silverman , “Pharmaceutical Companies Buy Rivals’ Drugs, Then Jack Up the Prices” <i>Wall Street Journal</i> 04/27/2015.
Tasks / Questions	<ol style="list-style-type: none"> The assigned book passage delves into the mathematics of single-firm (“monopoly”) profit maximization. Lecture will build on that material. Read the caselets and be prepared ready to discuss the economic relevance of each. After lecture, we recommend that you identify a second “supply and demand” article published in the <i>Wall Street Journal</i> or comparable newspaper. How are firms likely to change price in response to demand- or supply-shifts, and why? After lecture, we recommend that you consider the information that firms in your target employment sector have about marginal cost and consumer willingness-to-pay. Would having better information substantially improve pricing practices? Note that there are obvious connections to your marketing course here.

9/19 – SES 07	Entry and Exit
Learning Objectives	Entry and exit decisions are placed within the framework of net present value. Understand how long run entry/exit decisions affect the market supply curve, market outcomes, firm size, and firm profit. Scale economies, network effects, government regulation, and consumer switching costs can provide “barriers to entry” that help protect economic profit from entry.
Reference	None.
Cases / Caselets	<p>NA 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.</p> <p>NA Terlep. “Gillette, in Change, Shaves Prices” <i>Wall Street Journal</i> 04/05/2017.</p> <p>NA McFarland. “The Unstoppable TI-84 Plus: How an Outdated Calculate Still Holds a Monopoly on Classrooms” <i>Washington Post</i> 09/02/2014.</p>
Tasks / Questions	<ol style="list-style-type: none"> 1. Read the caselets and be prepared ready to discuss the economic relevance of each. 2. Introspection: consider your target employment sector. Do current conditions provide an incentive for entry or exit? If incentives for entry exist, identify and evaluate any barriers that protect incumbents from prospective entrants. What are the long run prospects for profit in the industry?

9/21 – SES 08	Price Discrimination
Learning Objectives	Linear pricing does not fully capture the value created by the firm because some consumers pay less than their willingness-to-pay while others are priced out of the market. Four alternative pricing models are introduced: direct segmentation, indirect segmentation, perfect discrimination, and bundling. Each model has distinct advantages and disadvantages, and implementation requires different information about consumers.
Reference	<p>BP CH 11 “Pricing Strategies for Firms with Market Power” (pp 416-433)</p> <p>NA Useem. “How Online Shopping Makes Suckers of Us All.” <i>The Atlantic</i> 05/2017.</p>
Cases / Caselets	<p>NA Simon. “Colleges Cut Prices by Providing More Financial Aid?” <i>Wall Street Journal</i> 05/06/2013.</p> <p>NA Michaels. “Why This Plane Seat Is the Most Profitable” <i>Wall Street Journal</i> 03/04/2014.</p> <p>NA Fritz. “Disney Parks Consider Off-Peak Prices; Demand-Based Pricing Could Help Reduce Congestion, Raise Attendance At Slower Times” <i>Wall Street Journal</i> 10/05/2015.</p>
Tasks / Questions	<ol style="list-style-type: none"> 1. The assigned book chapter does not track lecture exactly, and we recommend that you read it afterward. The Useem article in <i>The Atlantic</i> is a fantastic discussion of online pricing that we recommend you engage with, but you don’t need to be prepared to discuss details in class. Is this what the future of pricing looks like? 2. Read the caselets and be prepared ready to discuss the economic relevance of each. 3. Recommended <i>ex post</i> exercise: Pay attention to the pricing strategies you see advertised. What are the firms trying to do, and why might it makes sense?

9/26 – SES 09	Game Theory I: Strategic Interaction
Learning Objectives	Three classic “one-shot” games are highly relevant for business decision-making: The Prisoners’ Dilemma, Matching Pennies, and the Commitment Game. These games can be represented in their normal form or their extensive form. Understand the conditions under which firms have a dominant strategy. Be able to identify pure-strategy Nash equilibria and mixed-strategy Nash equilibria. Be able to solve “repeated” games using backward induction and net present value calculations.
Reference	BP CH 10 “Game Theory: Inside Oligopoly” (pp. 364-399)
Cases / Caselets	<p>NA Kleinfeld. "In Manhattan Pizza War, Price of Slice Keeps Dropping" <i>New York Times</i> 03/30/2012.</p> <p>NA Chaffin and Taylor. “Sony and Toshiba Could Be Left Behind In Format War” <i>Financial Times</i> 12/19/2006.</p> <p>NA 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.</p>
Tasks / Questions	<ol style="list-style-type: none"> The assigned book chapter has a very nice overview of game theory that dovetails with what we’ll be doing in lecture. If you are constrained start with the one-shot games. Read the caselets and be prepared ready to discuss the economic relevance of each. After lecture, we recommend that you consider an instance in which you were in a strategic situation. How could you model the situation with game theory? Did you think about others’ incentives, beliefs, and possible actions?

9/28 – SES 10	Game Theory II: Oligopoly Market Structure
Learning Objectives	The undifferentiated-products “Cournot” and “Bertrand” models are introduced and solved using reaction functions. Adding competitors puts downward pressure on price and limits the incentive of firms to pass-through firm-specific cost changes. Demand, marginal costs, and fixed/entry costs interact to affect market structure in long run equilibrium, as does the “intensity” of competition. Collusion can be possible under some market conditions.
Reference	BP CH 09 “Basic Oligopoly Models” (pp. 325-328; 330-335; 346-348)
Cases / Caselets	<p>NA 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.</p> <p>NA Aepfel. “Rigidity Pays in Packaging” <i>Wall Street Journal</i> 05/23/2005.</p> <p>NA Rockoff. “Drug Prices Rises Stick Stubbornly” <i>Wall Street Journal</i> 11/28/2016.</p>
Tasks / Questions	<ol style="list-style-type: none"> Oligopoly theory necessarily gets mathematical. The assigned book passages give a sense for that (e.g., the pages on Cournot). Please don’t get “stuck” in the calculus---the intuition is what is most important. Read the caselets and be prepared ready to discuss the economic relevance of each.

10/3 – SES 11	Game Theory III: Pricing and Collusion
Learning Objectives	This session highlights competitive pricing dynamics between close rivals. We focus on the importance of anticipating rivals' reactions to our strategic actions. The Lesser Antilles Lines case discussion lays the groundwork for a competitive pricing game that students play against each other. This exercise provides insights on the importance of not only anticipating competitors' responses but, also, checking our intuitive responses to competitors' actions in order to be strategic managers.
Readings	BP CH 10 "Game Theory: Inside Oligopoly" (pp. 377-384) JA Coyne and Horn (2009) "Predicting Your Competitor's Reaction" <i>Harvard Business Review</i> .
Cases / Caselets	HBS Lesser Antilles Lines
Tasks / Questions	<ol style="list-style-type: none"> 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?
10/5 – SES 12	Mod 1 Capstone Case: Airborne Express
Learning Objectives	This session integrates Mod 1 content and applies it to an extensive analysis of the express mail industry. We examine the relationship between activities and costs as a way to understand how some companies create and sustain competitive advantages, even in structurally unattractive industries. Analyzing competition between Airborne Express and Federal Express, we consider the competitive implications of firm choices regarding activities (e.g., which to perform and how to perform them). We then evaluate the relative willingness-to-pay and cost figures of Airborne and FedEx as well as the sustainability of their advantages over the others.
Readings	HBS Ghemawat and Rivkin (2006) "Creating competitive advantage." <i>HBS Publishing</i> . HBS Halaburda and Rivkin (2009) "Analyzing relative costs." <i>HBS Publishing</i> .
Cases / Caselets	HBS Airborne Express
Tasks / Questions	<ol style="list-style-type: none"> 1. Read the assigned HBS note and case. 2. How and why has the express mail industry structure evolved in recent years? How have the changes affected small competitors? 3. How has Airborne Express survived, and recently prospered, in this industry? 4. Quantify Airborne Express' 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 Canvas might be useful in keeping track of the differences among the competitors.</p>

10/14	Midterm Exam (3:00PM to 5:00PM)
Classrooms	Students are assigned to rooms alphabetically by the MBA Program Office.

10/24 – SES 13 Resources and Capabilities

Learning Objectives	Industry analysis identifies external constraints on profitability for all competitors within an industry but limited insights on how an organization can outperform its industry competitors. In this session, we focus internally on an organization’s core resources (e.g., physical and intangible assets) and capabilities (e.g., processes) to understand superior performance within an industry. Our case discussion of Zara demonstrates how activities, resources, and capabilities are crucial elements of an organization’s strategy. We focus specifically on strategic trade-offs that organizations must make.
Readings	JA Collis and Montgomery (2008) “Competing on Resources” <i>Harvard Business Review</i> .
Cases / Caselets	<p>NA 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.</p> <p>NA Fritz. “How Disney Milks Its Hits for Profits Ever After,” <i>Wall Street Journal</i> 06/09/2015.</p> <p>NA Hansen. “How Zara Grew Into the World’s Largest Fashion Retailer,” <i>The New York Times</i> 11/09/2012.</p>
Tasks / Questions	1. Read the assigned journal article and caselets. Come prepared ready to discuss the strategic relevance of it.

10/26 – SES 14 Competitive Positioning I

Learning Objectives	This session utilizes the value creation framework to understand how strategic choices concerning activities, resources, and capabilities influence the gap between firms’ costs and their customers’ willingness to pay for their offerings. We focus on how reinforcing choices can provide an organization with a cost advantage or a differentiation advantage over its competitors. Using various industries as illustrative examples, we consider both the creation and sustainability of advantage.
Readings	<p>JA Porter (1996) “What is Strategy?” <i>Harvard Business Review</i>.</p> <p>JA Baum, Dobrev and van Witteloostuijn (2008) “Strategic Ecology: What Management Can Learn From Ecology” <i>Rotman Magazine</i>.</p>
Cases / Caselets	<p>NA Jargon. “Fast Food Aspires to Move Up the Food Chain” <i>Wall Street Journal</i> 10/11/2012.</p> <p>NA 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.</p> <p>NA Ovide and 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.</p>
Tasks / Questions	<p>1. Read the assigned journal articles and HBS note. Come prepared to discuss the following:</p> <ul style="list-style-type: none"> • What is competitive positioning? • What activities does competitive positioning rely on? • Understand the different frameworks related to competitive positioning (e.g., entrants vs. incumbents; generic low-cost vs. differentiation; niche width; etc.) <p>2. Read the assigned caselets. Come prepared ready to discuss the strategic relevance of each.</p>

10/31 – SES 15	Competitive Positioning II: Ducati
Learning Objectives	This session highlights the relationship between activities and willingness to pay as a way to understand how some companies create and sustain competitive advantages. We focus on the roles of organizational objectives and strategic vision in helping organizational leaders establish defensible positions relative to competitors. The Ducati case discussion examines how organizations can create sustainable advantages through strategic choices and also considers implicit trade-offs imposed by such choices.
Readings	HBS Ghemawat & Rivkin (2006) “Creating competitive advantage.” <i>HBS Publishing</i> .
Cases / Caselets	HBS Ducati .
Tasks / Questions	<ol style="list-style-type: none"> 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?

11/2 – SES 16	Competitive Dynamics: Ryanair
Learning Objectives	This session builds upon previous sessions by considering the entry of Ryanair on the Dublin-London route traditionally served by Aer Lingus and British Airways. We place ourselves in the positions of Aer Lingus and British Airways’ executives who must evaluate the threat posed by Ryanair. We then consider Ryanair’s position and try to anticipate the most likely response by these two rivals to Ryanair’s entry. Based on these perspective-taking exercises, we then evaluate the potential profitability and sustainability of Ryanair’s launch strategy.
Readings	JA CH 11 of The Strategy and Tactics of Pricing , (2010) 5 th Ed., by Thomas Nagle, John Hogan and Joe Zale.
Cases / Caselets	HBS Dogfight over Europe: Ryanair (A) .
Tasks / Questions	<ol style="list-style-type: none"> 1. Read the assigned book chapter and HBS case. Come prepared to discuss the economic relevance of each. 2. Based on an industry and competitive positioning analyses, what is your assessment of Ryanair’s launch strategy? 3. Will Ryanair’s launch at a £98 roundtrip fare 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. 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. 5. Will Ryanair gain a sustainable competitive advantage?

11/7 – SES 17	Vertical Integration
Learning Objectives	This session considers strategic choices about the value chain activities that a firm chooses to perform or to not perform (i.e., the firm’s vertical scope). Such choices are often cast as “make or buy” decisions but we also consider hybrid approaches. We discuss and apply two classic tests often used to inform decisions about the vertical scope of the firm: (1) the “better-off” test focusing on value creation and (2) the “ownership” test focusing on transaction costs. Several caselets serve as illustrative discussions for applying these tests to strategic decisions regarding a firm’s vertical scope.
Readings	BP CH 06 “The Organization of the Firm” (pp. 210-234) NA Anonymous . “Six Big Ideas: Coase’s Theory of the Firm.” <i>The Economist</i> , 07/27/2017.
Cases / Caselets	HBS The Walt Disney Company and Pixar Inc.: To Acquire or Not to Acquire? .
Tasks / Questions	<ol style="list-style-type: none"> 1. Read the assigned book chapter section, journal article and caselets. Come prepared ready to discuss the economic relevance of each. 2. Which is greater: the value of Pixar and Disney in an exclusive relationship, or the sum of the value that each could create if they operated independently of one another or were allowed to form relationships with other companies? 3. Assuming that Pixar and Disney are more valuable in an exclusive relationship, can that value be realized through a new contract? Or is common ownership required (i.e., must Disney acquire Pixar)?
11/9 – SES 18	Strategic Experimentation
Learning Objectives	This session introduces the role of field experiments in strategic management. Although big data analytics promises to inform leaders of effective practices, such insights are only as relevant as the data from which they are drawn and most data are ill-suited to our purposes. Drawing on principles of experimental design, we will discuss how strategic leaders can overcome such limitations by designing and implementing field experiments that produce highly credible and applicable evidence.
Readings	JA Thomke and Manzi (2014) “The Discipline of Business Experimentation.” <i>Harvard Business Review</i> .
Cases / Caselets	NA Bloom (2014) “To Raise Productivity, Let More Employees Work From Home.” <i>Harvard Business Review Blog</i> . NA Hauser and Luca (2015) “How To Design (And Analyze) A Business Experiment.” <i>Harvard Business Review Blog</i> .
Tasks / Questions	<ol style="list-style-type: none"> 1. Read the assigned HBR article and blog posts. Come prepared ready to discuss each. 2. Consider how you might design and implement a field experiment for your employer.

11/14 – SES 19	Ethics and Market Failures
Learning Objectives	Students are introduced to the <i>First Theorem of Welfare Economics</i> , which states that markets yield Pareto-efficient outcomes if (i) there are no transactions costs, (ii) actors have perfect information, (iii) actors take prices as given, and (iv) entry and exit are free. It is unusual for actual markets to exhibit all of these characteristics. The economics of externalities and imperfect information (e.g., moral hazard, adverse selection) are developed. The incentive and ability for managers and government to address such market failures are discussed.
Readings	<p>BP CH 12 (pp. 462-468) and CH 14 (pp. 534-547)</p> <p>JA Arrow "Social Responsibility and Economic Efficiency"</p> <p>NA Anonymous. "Pigouvian Taxes: What to Do When the Interests of Individuals and Society Do Not Coincide?" <i>The Economist</i>, 08/17/2017.</p>
Cases / Caselets	<p>NA Ostrom. "Why Washington State's Health Reform Faltered after Loss of Mandates," <i>The Seattle Times</i> 03/27/2012.</p> <p>NA Mufson. "Financial Firms Lead Shareholder Rebellion against ExxonMobil Climate Change Policies", <i>The Washington Post</i> 05/31/2017.</p> <p>NA Scism. "Insurers Struggle to Keep Truckin'" <i>Wall Street Journal</i> 06/05/2017.</p>
Tasks / Questions	<ol style="list-style-type: none"> 1. The Arrow article provides one economist's opinion on whether "the individual has some responsibility to others in the conduct of economic affairs." It is <u>optional</u> material but should be thought-provoking for those of you who are interested in business ethics. The author, Kenneth Arrow, is a Nobel Prize winner. <i>The Economist</i> article focuses more specifically on addressing externalities with Pigouvian taxes. 2. The book passage discusses some of the topics that will come up in lecture. 3. Read the caselets and be prepared ready to discuss the economic relevance of each. 4. After class, we recommend that you think about whether private incentives in your target employment sector may lead firms to pursue actions that undermine some notion of social welfare. Does that pose an ethical dilemma? And is there a suitable mechanism that could resolve the conflict?
11/16 – SES 20	Competition Policy
Learning Objectives	The <i>First Theorem of Welfare Economics</i> does not apply if firms have market power. Enforcement of the antitrust statutes—the Sherman Act of 1890 and the Clayton Act of 1914—is used to constrain the development and exercise of market power. Particular attention is paid to collusion ("price-fixing") and mergers. Anti-collusion enforcement makes it more difficult to for prospective cartels to sustain super-competitive prices, but can be circumvented if prices are transparent and there are few enough firms. Merger enforcement protects against combinations that would enable collusion or otherwise reduce competition without offsetting benefits to consumers.
Readings	BP CH 14 "A Manager's Guide to Government in the Marketplace" (pp. 523-529)
Cases / Caselets	<p>NA Colchester and Passariello. "Dirty Secrets in Soap Prices" <i>Wall Street Journal</i> 12/09/2011.</p> <p>NA Ferdman. "Your Chocolate Addiction is Only Going to Get More (and More, and More) Expensive" <i>Washington Post</i> 07/19/2014.</p> <p>NA Gluck and Greaney. "Court Blocks Aetna-Humana Deal: The Mega-Mergers Meet the Trump Administration Next" <i>Health Affairs</i> 01/30/2017.</p>
Tasks / Questions	<ol style="list-style-type: none"> 1. Read the caselets and be prepared ready to discuss the economic relevance of each.

11/21 to 11/30 – Final Project Presentations
SES 21/22/23

Learning Objectives In these sessions, groups draw upon all they've learned in BADM 560. Groups will thoroughly evaluate their corporate client's industry, key markets, competitive position, and resources and capabilities in order to formulate a strategic recommendation for creating and sustaining a competitive advantage in creating and capturing value. Each group will submit a 3-page summary report for the client's senior executive team as well as a presentation outlining their recommendation and supporting analyses. These projects will all be due on November 21st and presented in three class sessions in late November. Students who are not presenting will provide feedback to the presenting groups on the persuasiveness of their recommendations. Professors will ask pointed questions. Groups will provide clear and convincing answers.

Readings *None.*

Study Questions *None.*

12/5 – SES 24 Advanced Topics in Strategy

Learning Objectives Prior sessions of the course are based on the theoretical and empirical foundations previously established by economics and strategy researchers. In this session, we examine the frontiers of business research by discussing recent and ongoing research by Georgetown professors and others working in the fields of economics and strategic management.

Readings *To be determined.*

Cases / Caselets *To be determined.*

Tasks / Questions Read the assigned articles and caselets. Come prepared ready to discuss all readings.
