Shidler College of Business
University of Hawai‘i at Mānoa
Full-time (Day) MBA Program
Fall 2016

Bus 622 – Economic Foundations of Strategy
Meeting Days: Mon. (Aug. 22 – Oct. 10)
Meeting Times: 1330 – 1615
Classroom Number: G-103
Dates of Course: See calendar, below

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Shidler C401a
Cff. Hrs: Mon. 1200 -1315, and by appt.
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Course Description: Later in the MBA program you will take a course on strategy. This course is intended to prepare you for that. We do so by focusing on “durable economic principles that are applicable to many different strategic situations.” (From page 1 of the course text.) We will add to your repertoire of problem solving skills and in the process make yourself a better consumer of economic information whether found in the media or provided by “expert” consultants. As such, we’ll do four things:

1. We’ll look at how economic ways of thinking and economic concepts and models (also known as economic theory) can be used to lend structure to and thus help solve managerial problems, and to suggest strategies for success.
2. We’ll apply various tools (some of which are quantitative in nature) to managerial problems.
3. We’ll increase your understanding of the competitive economic environment in which you operate. Such understanding will not allow you to control this environment, but it will provide you with a competitive advantage in responding to it.
4. We’ll create a foundation for success in other MBA courses such as accounting, finance and strategy.

Pre-requisites: If you have not had principles of microeconomics you must attend the economics tutorial. Likewise, if your math skills are weak, you must attend the math tutorial.


Thematic Company: This semester we will use the U.S. motorcycle company Harley-Davidson as an example for some of our class topics and discussions. The latest annual report (Form 10-K) filed with the U.S. Securities and Exchange Commission (SEC) is available on Laulima Resources in the External Readings folder.

Additional Readings and Cases: Additional readings and cases are required as part of this course. (See the schedule below.) Some of these readings and cases are available on Laulima Resources in the Non-Copyright External Readings folder. Some you need to purchase from Harvard Publishing (see the instructions at the end of this syllabus).

Course Grading Policy: This course reflects a “learning-by-doing” philosophy. Assignments are made to get you to do things and learn from the experience. What you do will be evaluated.
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(measured) to see what you have learned. The purpose of measurement is two-fold: to determine your progress and to check how I am doing as a teacher.

To that end, the following ways will be used to facilitate your learning and to measure our progress through the course:

1. **Class Participation:** Graduate business education assumes that you will learn much from your fellow students. Hence, it is expected that students participate actively and positively in the class. Class participation is diminished if you are absent, late, or otherwise not engaged, and your score will reflect that. *If you do not attend, regardless of reason, your class participation grade will suffer.*

2. **Homework:** Regular homework assignments will be made. These will be collected, and it is strongly recommended that you work the problems since this is an important learning tool. Homework is also important since it reflects what I consider to be some of the priority areas that you should give significant attention in your studies. Homework **must be prepared and submitted individually** though you may wish to work in groups to accelerate your learning. Homework will be graded on a scale of 0 – 5 with 5 being excellent.

3. **Cases:** There will be a number of cases relevant to the course materials. Certain aspects of the cases will be discussed in class through questions and answers. Some questions will be known to you in advance, others will not. Students will be called at random on at least two occasions during the course to answer questions and answers will be scored. *Lack of preparation for case discussion is a serious shortcoming. Note that there may only be two occasions that you will be called on. Hence do not mess up on these chances.*

4. **Competitive Environment Project:** See instructions at the end of this syllabus.

5. **Final Examination:** There will be an in-class final exam **the evening of October 10.** It will be open-book, and open-note, but no internet access. The exam will consist of numerical problems, short answers, and analytical tasks.

**Course Grade:** The following points (total = 200) are associated with the five assignments:

- **Class participation:** 20 points
- **Homework:** 40 (8 assignments times 5 points each)
- **Case discussions:** 30 (Based on at least 2 occasions)
- **Final Exam:** 60
- **Group Competitive Environment Project:** 50 (includes 5 pts for comp. selection)

**Grade distribution policy:**

The Shidler College of Business MBA program faculty members are free to determine grades as they see fit. The College suggests the following grade distribution policy.

1. The target for “A” grades in MBA core courses is no more than 30 percent of assigned grades.
2. The target for “A” grades in MBA elective courses is no more than 40 to 50 percent of assigned grades.

**Academic Dishonesty:** Please refer to the student handbook. All information on student services, policies and procedures not mentioned on this syllabus are available in the Shidler College of Business Graduate Student Handbook. You will be held responsible for understanding all University of Hawaii and Shidler College of Business policies and procedures, if you have questions regarding any of these items, please contact the MBA Coordinator.
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Pages: 2
Cost: 2
Balance: 133 pages
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**Tentative Course Calendar:** What follows is the tentative schedule of events, which is subject to minor changes depending on progress made during the course. The reading assignments are from the BDSS text plus supplementary readings. *You must read the material prior to class* so as to maximize the usefulness of the classroom time. Course materials such as lecture notes, homework assignments, and some supplemental readings will be distributed via Laulima, and/or via e-mail. Copyrighted materials will have to be purchased by the student. (See below.)

<table>
<thead>
<tr>
<th>Date*</th>
<th>Topics</th>
<th>Readings (in advance of class)</th>
<th>Class Discussion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 15-17</td>
<td>Math tutorial</td>
<td>- Review math tutorial materials on Laulima&lt;br&gt;- Familiarize yourself with your calculator&lt;br&gt;- Be somewhat acquainted with Excel</td>
<td>Some Excel work</td>
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<tr>
<td>Aug 15-17</td>
<td>Econ tutorial</td>
<td>- Review the economics tutorial material on Laulima&lt;br&gt;- BDSS, Economics Primer, pp. 8-32&lt;br&gt;- **Corts and Rivkin, “A Note on Microeconomics for Strategists” pp. 1-14</td>
<td>Some more Excel work</td>
</tr>
<tr>
<td>Aug 22</td>
<td>Introduction A: Cost behaviors; demand elasticity; pricing and decision models</td>
<td>- Harley-Davidson Annual Report (Form 10-K)&lt;br&gt;- BDSS, Introduction (read on own; will not be discussed in class)&lt;br&gt;- BDSS, Economics Primer, pp. 8-32.&lt;br&gt;- BDSS, Ch. 1 (read on own; will not be discussed in class)&lt;br&gt;- **Corts and Rivkin, “A Note on Microeconomics for Strategists” pp. 1-14&lt;br&gt;- National Public Radio, “Being a Loyal Auto Insurance Customer Can Cost You”</td>
<td>Case 1: **Lille Tissages, SA</td>
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<tr>
<td>Sep 7 (note this is a Wed. class)</td>
<td>Horizontal and vertical dimensions of the firm: scale, scope, suppliers, and customers</td>
<td>- BDSS, Chs. 2 and 3&lt;br&gt;- **Ashish Nanda, “Scale and Scope in Professional Service Firms,”&lt;br&gt;- <em>The Economist</em>, “Keeping It Under Your Hat”&lt;br&gt;- McKinsey, “Growing Beyond the Core Business”</td>
<td>Case 3: **“OSI in China”</td>
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<tr>
<td>Sept 19</td>
<td>Competition and Strategic Commitment</td>
<td>- BDSS, Economics Primer, pp. 29-32.&lt;br&gt;- BDSS, Ch. 5 (pp. 170-181)&lt;br&gt;- BDSS, Ch. 7 (pp. 214-221)&lt;br&gt;- **Coughlan, “Competitor Analysis: Anticipating Competitive Actions”&lt;br&gt;- <em>The Economist</em>, “Steel: Inferno of Unprofitability”&lt;br&gt;- Brandenburger, “Business Strategy: Getting Beyond Competition”</td>
<td>Game theory simulation</td>
</tr>
</tbody>
</table>
Sept 26  Pricing Rivalry
- BDSS, Ch. 7 (pp. 224-236)
- The Economist, “Free Exchange – Guaranteed Profits”

Oct 3  Entry and Exit
- BDSS, Ch. 6
- The Economist, “Pretty Profitable Parrots”
- Sean Williams, “How Fritz-Kola Took on Coke (and Kind of Won)”
- Wall Street Journal, “Costly Race in the Sky”

Oct 10  In-class Final Exam 6-9pm (Open-book and open-note, but no internet access)

* Subject to change.
** Readings need to be purchased from Harvard. See below. All other readings are available on Laulima

Supplementary Readings (** Purchase from Harvard, see below. Others on Laulima):
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Pages: 1
Cost: 1
Balance: 141 pages
Date: 11/01/2013 15:40
Document: Print
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Cases to Read and Discuss (**Purchase from Harvard):

**Harvard Business Publishing course pack can be accessed at:
http://ch.hbsp.harvard.edu/chymp/research/50965086

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COMPETITIVE ENVIRONMENT ANALYSIS

Due 11:55 PM October 16

Context

Note: This is a group-assignment utilizing the company you selected for your integrative work. (See the separate company selection document distributed via Laulima.)

The competitive environment in which a company operates is crucial to its long-term viability. Thus, understanding this environment is an integral part of understanding the company and its prospects. In the economics sessions we discuss the "Porter Five Forces Model." (See the economics text, Chapter 8 and especially its appendix.) We will use the augmented Porter model of analysis as set forth in the article by Slater and Olson, “A Fresh Look at Industry and Market Analysis.”

Competitive Environment Analysis Paper:
For the economics class, your team must write a paper that must be no more than 10 pages long (1.5 or 2 spacing), not including any exhibits/charts/tables. The paper should be of graduate-level quality: page numbers, no cutting/pasting from the web, proper citation of sources via footnotes (not end notes) and list of references (bibliography), headings and sub-headings, charts and tables integrated into the text and properly numbered and sourced. If you are uncertain about citations and references, the following website is an acceptable source for appropriate citations and referencing procedures:
https://owl.english.purdue.edu/owl/section/2/

This paper must be organized as follows:

a. A short description of the industry in which your company is situated. Give the relevant SIC/NAICS code.

b. Briefly discuss industry size, growth rate and relevant important trends.

c. Include a discussion of the "players" in the industry and the market structure in which your company competes, including relevant concentration ratios (see Chapter 5 of the economics text).

d. What is your company’s standing in the industry? (That is to say, are they small or large; leader or follower, etc.)

e. This is the key part of the paper: An evaluation of the current and near future competitive environment using each of the six factors set forth in the Slater and Olson article. (For the basics of the Porter Five Forces model, see Chapter 8 and especially the appendix to Chapter 8.)

f. Draw conclusions from the items above about the company’s profitability in the next two years.

You will be graded as a group. However, your individual grade will be affected by the peer assessments that are provided by your fellow group members. (See the Company Selection document.)

Since this is a group project, your report is due via e-mail.
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