

AEM 2601
Managerial Economics II – Business Strategy
Spring 2017

003: T/TH 8:40 am – 9:55 am Warren Hall B75

004: T/TH 10:10 am – 11:25 am Warren Hall 175

Instructor: Professor Sarah E. Wolfolds
Dyson School of Applied Economics and Management
375E Warren Hall
Sew276@cornell.edu or aem.2601.0304@gmail.com for logistics

Office Hours: Tuesdays 1:00 – 3:00 p.m in Warren 375E, or by appointment

Course Materials:

- Blackboard Readings
- Grant, Robert M. Contemporary Strategy Analysis. 8th or 9th edition.

Teaching Assistants:

- 003: Asela Kapparova (ak942@cornell.edu), Clark LaRaia (cl846@cornell.edu),
Vidya Bharathi Rajkumar (vr293@cornell.edu)
- 004: Yuanning Liang (yl2544@cornell.edu), Chris St. Germain (ccs232@cornell.edu),
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Course Overview and Learning Outcomes

This course is about understanding why some firms are more successful than others. This course develops the knowledge and skills necessary to effectively analyze and formulate strategy, be it as a manager, a management consultant, or an investment banker. The ultimate objective of this analysis is to guide strategic decisions. Most case studies will involve firms facing important strategic decisions. The course provides theories and frameworks that help in making those decisions.

In this course, we will take a big picture view of the firm and the factors in both the internal and external environment that influence the firm's success. You will develop strategic insight into real-world business problems and will learn about strategic processes and practices for addressing them. You will also improve your comfort with ambiguity—situations in which there is no “right answer.” Finally, you will learn how to effectively communicate the logic behind your recommendation. During the case studies, you will often be assuming the position of a high-level manager, and the role of this decision-maker is to analyze the situation, as well as communicate this strategic plan to other relevant parties to implement the recommendation.

Teaching Methodology

This course relies on the case method and discussion of real-world events, which gives you the opportunity to learn by doing. In class, I will act as moderator, facilitator, and lecturer to help you gain a better understanding of strategic analysis. My role is not merely to give answers implicit in the case, but to weave together the threads of individual contributions into an intelligible pattern and to underscore the lessons of each case. Therefore, it is vital that each of you wrestle with the case and do your own thinking. By actively participating in class discussions, you will sharpen your own insights, and those of your classmates. Most of you will not only become familiar with the content of the course, but perhaps more importantly, you will also learn to master the process of analysis that is a central aspect of strategy, as well as communication of that analysis.

Please bear in mind as you prepare for class that strategic management relies on no straightforward formula. There are no easy and obvious answers to the strategic problems and concerns facing firms. In fact, there often is not even a single right answer or exclusive perspective to the cases we will study in the course. There are, however, a series of time-proven theories, frameworks, and techniques that can be applied so that superior strategic decisions can be reached. Most of these analytical approaches in the “strategy tool kit” will be covered in your assigned readings. Hence, one of the most important requirements for success in this course is thorough, advance preparation and analysis of cases. To guide you in your preparation, I have prepared some questions on the readings that will be e-mailed before class.

To help us maintain a vibrant and respectful community in this class, we will be observing the following class norms that are based on common workplace policies:

1. **Be courteous and professional.** Attend class regularly and come on time. Please refrain from engaging in side conversations while others are speaking.
2. **Form opinions, express them, and respect others’ differing opinions.** Soliciting different opinions will allow us to gain a deeper understanding of the course materials and will help us to come up with better ideas.
3. **Allow everyone a chance to talk.** If you have a lot to say, try to hold back a bit and listen attentively to others. If you are hesitant to speak, come see me but also look for opportunities to contribute to the discussion.
4. **Electronic devices.** Please plan to take notes by hand for this class. If you plan to use a laptop for note-taking, please sit near the back of the class to minimize distraction for other students.

Course Evaluation

Assignment Points

Prelim Exam	20% (+/-5%)*
Final Exam	30% (+/- 5%)*
Homework	9%
Problem Sets (12.5% each)	25%
Reading Questions	16%
Extra Credit**	5%

* Because students can sometimes have an “off” day, I will weigh the prelim and final exams such that if you do better on the prelim, both will get an equal, 25% weight towards your final grade, and if you do better on the final, it will be weighted 35% and the prelim 15%.

** Extra credit comes in the form of consistent class participation and/or writing about a current event. These opportunities are described further below.

Exams

- Format will be closed book, and mostly short answer
- Topics will cover all class materials and assigned readings
- Prelim is in class on March 23rd
- Final (comprehensive) is during finals week

Problem Sets

- 2 problem sets during the semester
- Similar in format to the exams, except may require outside research (looking up firm or country information, for instance)
- *Problem Sets should be turned in at the beginning of class on the day due in hardcopy or e-mailed to aem.2601.0304@gmail.com*

Homework/Reading Questions

- Reading questions are to ensure understanding of the assigned readings
- Homeworks are shorter than problem sets, but of a similar format
- Do 8/14 reading questions adequately, 2% for each
- Do 3/4 homework assignments adequately, 3% for each
- Any additional above this will count 1% towards extra credit
- *Homework and reading questions will be sent out via e-mail (using Qualtrics) and responses should be submitted prior to the start of class on the day due*

Extra credit (5 points maximum)

- Consistent class participation (5 points)
- Current Events (1 point each)
 - o Find a news article (less than 2 weeks old) and write a 1-2 page single-spaced write-up summarizing the topic and discussing how it relates to the class.

Course Readings

- Background reading is from the text: Grant, Robert M. Contemporary Strategy Analysis. 8th or 9th edition. There are many used copies of the 8th edition available for sale on Amazon for less than \$50. Please let me know if obtaining the text is a hardship.
- I will post the cases and other readings on Blackboard. You should read the material assigned for the session before class, so that you gain the most from the class discussion.

University Policies

1. **Academic Integrity:** Each student in this course is expected to abide by the Cornell University Code of Academic Integrity. Any work submitted by a student in this course for academic credit will be the student's own work. You are encouraged to study together and to discuss information and concepts covered in this course and the sections with other students. However, this permissible cooperation should never involve one student having possession of a copy of all or part of work done by someone else, in the form of an electronic or hard copy. Should copying occur, both the student who copied work from another student and the student who gave material to be copied will both automatically receive a zero for the assignment/exam. Penalty for violation of this Code can also be extended to include failure of the course and University disciplinary action.
2. **Accommodations for students with disabilities:** In compliance with the Cornell University policy and equal access laws, I am available to discuss appropriate academic accommodations that may be required for student with disabilities. Requests for academic accommodations are to be made during the first three weeks of the semester, except for unusual circumstances, so arrangements can be made. Students are encouraged to register with Student Disability Services to verify their eligibility for appropriate accommodations.
3. **Inclusivity:** We understand that our members represent a rich variety of backgrounds and perspectives. Dyson is committed to providing an atmosphere for learning that respects diversity. While working together to build this community we ask everyone to:
 - a. share their unique experiences, values and beliefs
 - b. be open to the views of others
 - c. honor the uniqueness of their colleagues
 - d. appreciate the opportunity that we have to learn from each other in this community
 - e. value each other's opinions and communicate in a respectful manner
 - f. keep confidential discussions that the community has of a personal (or professional) nature
 - g. use this opportunity together to discuss ways in which we can create an inclusive environment in this course and across the Cornell community

Class Meetings

Class No.	Class Date	Topic	Assignments Due	Readings
1	Th, Jan 26 th	Introduction	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Class Syllabus
2	T, Jan. 31 st	Statistics Review I	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Diez, <i>et al.</i> OpenIntro Statistics. 3rd Ed. Chapter 1 (pp. 7-54), Chapter 3.1 & 3.2 (127-141) Redford (2016), "Which NBA Team is the Tallest?" <i>FiveThirtyEight</i>.
3	Th, Feb. 2 nd	Statistics Review II	<ul style="list-style-type: none"> Q1: Reading Questions 	<ul style="list-style-type: none"> Diez, <i>et al.</i> OpenIntro Statistics. 3rd Ed. Chapter 7 (pp. 331-355) Burke (2009), "Fighter Pilots and Firing Coaches," <i>advancednflstats.com</i>. Casselman (2017), "Low-Wage Workers are Getting a Raise, and Economists are Getting an Experiment," <i>FiveThirtyEight</i>.
4	T, Feb. 7 th	What is Strategy?	<ul style="list-style-type: none"> Q2: Reading Questions 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 1, "The Concept of Strategy" Porter (1996), "What is Strategy," <i>Harvard Business Review</i>.
5	Th, Feb. 9 th	What is Strategy? II	<ul style="list-style-type: none"> Q3: Reading Questions 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 2, "Goals, Value, and Performance" Mintzberg (1987), "Crafting Strategy," <i>Harvard Business Review</i>. Collis & Rukstad (2008), "Can You Say What Your Strategy Is?" <i>Harvard Business Review</i>.
6	T, Feb. 14 th	Industry Analysis I	<ul style="list-style-type: none"> H1: Homework 1 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 3, "Industry Analysis: the Fundamentals" Porter (2008), "The Five Competitive Forces that Shape Strategy," <i>Harvard Business Review</i>. Porter (2007), "Understanding Industry Structure," <i>Harvard Business School Background Note</i>.
7	Th, Feb. 16 th	Industry Analysis II	<ul style="list-style-type: none"> Q4: Reading Questions 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 4, "Further Topics in Industry and Competitive Analysis" Grant, <u>Contemporary Strategy Analysis</u>, Case 4, "The U.S. Airline Industry in 2012."
****Feb. Break****				

8	Th, Feb. 23 rd	Competitive Advantage I	<ul style="list-style-type: none"> Q5: Reading Questions 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 5: "Analyzing Resources and Capabilities" Collis & Montgomery (2008), "Competing on Resources," <i>Harvard Business Review</i>. Hansen (2012), "How Zara Grew into the World's Largest Fashion Retailer," <i>The New York Times</i>.
9	T, Feb. 28 th	Competitive Advantage II	<ul style="list-style-type: none"> H2: Homework 2 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 7: "The Sources and Dimensions of Competitive Advantage" Brandenburger & Nalebuff (1995), "The Right Game: Use Game Theory to Shape Strategy," <i>Harvard Business Review</i>. Esterl (2011), "Craft Brewers Tap Big Expansion – Niche Market is Bucking the Broader U.S. Beer Industry," <i>Wall Street Journal</i>.
10	Th, Mar. 2 nd	Guest Speaker – Doug Newhouse	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> TBD
11	T, Mar. 7 th	Technology & Innovation Strategy	<ul style="list-style-type: none"> Q6: Reading Questions 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 9: "Technology-based Industries and the Management of Innovation" Grant, <u>Contemporary Strategy Analysis</u>, Case 12, "Video Game Console Industry in 2012: The Next Round." Bogost (2016), "Nintendo's Sad Struggle for Survival," <i>The Atlantic</i>.
12	Th, Mar. 9 th	Vertical Integration	<ul style="list-style-type: none"> H3: Homework 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 11: "Vertical Integration and the Scope of the Firm" Smith (2016), "An Econ Test Question we Shouldn't Get Wrong," <i>Bloomberg</i>. Bartlett, Dessain, & Sjöman (2006), "IKEA's Global Sourcing Challenge: Indian Rugs and Child Labor (A)," <i>HBS Case Study</i>.
13	T, Mar. 14 th	Incentives I	<ul style="list-style-type: none"> PS1: Problem Set 1 	<ul style="list-style-type: none"> Grant, <u>Contemporary Strategy Analysis</u>, Chapter 6: "Organizational Structure and Management Systems: The Fundamentals of Strategy Implementation" Kerr (1975), "On the Folly of Rewarding A, While Hoping for B," <i>Academy of Management Journal</i>.

14	Th, Mar. 16 th	Incentives II/Midterm Wrap-Up	<ul style="list-style-type: none"> Q7: Reading Questions 	<ul style="list-style-type: none"> Lazear (2000), "Performance Pay and Productivity," <i>The American Economic Review</i>. Janofsky (1993), "Domino's Ends Fast-Pizza Pledge After Big Award to Crash Victim," <i>The New York Times</i>.
15	T, Mar. 21 st	Guest Speaker – Brian Friedman	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> TBD
16	Th, Mar. 23 rd	***Prelim*** (in class)	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None
17	T, Mar. 28 th	Diversification I	<ul style="list-style-type: none"> Q8: Reading Questions 	<ul style="list-style-type: none"> Grant, <i>Contemporary Strategy Analysis</i>, Chapter 13: "Diversification Strategy" Fortune (July 10, 2012). "Volkswagen: Das auto giant."
18	Th, Mar. 30 th	Diversification II	<ul style="list-style-type: none"> Q9: Reading Questions 	<ul style="list-style-type: none"> Grant, <i>Contemporary Strategy Analysis</i>, Chapter 12: "Global Strategy and the Multinational Corporation" (pp. 316-332) The Economist (September 29, 2011). "Samsung: The Next Big Bet."
****Spring Break****				
19	T, Apr. 11 th	Toyota Case	<ul style="list-style-type: none"> Q10: Reading Questions 	<ul style="list-style-type: none"> "Toyota Motor Manufacturing, U.S.A., Inc." (1995) HBS Case Study.
20	Th, Apr. 13 th	Geographic Expansion and Bottom of the Pyramid	<ul style="list-style-type: none"> Q11: Reading Questions 	<ul style="list-style-type: none"> Cuervo-Cazurra & Genc (2008), "Transforming Disadvantages into Advantages: Developing Country MNEs in the Least Developed Countries," <i>Journal of International Business Studies</i>. (pp. 957-966, until research design) Prahalad & Hammond (2002), "Serving the World's Poor, Profitably," <i>Harvard Business Review</i>.
21	T, Apr. 18 th	Guest Speaker – Peter Gold	<ul style="list-style-type: none"> Q12: Reading Questions 	<ul style="list-style-type: none"> Eckert & Oster (2008), "First Book Marketplace," <i>Yale SOM Case Study</i>.
22	Th, Apr. 20 th	Government and Business	<ul style="list-style-type: none"> Q13: Reading Questions 	<ul style="list-style-type: none"> "The Role of Regulation in Strategy," <i>McKinsey Quarterly</i> (4): 92-102. Oberholzer-Gee, Cantrill, & Wu (2007), "Note on Lobbying," <i>HBS Background Note</i>.
23	T, Apr. 25 th	Government and Society	<ul style="list-style-type: none"> PS2: Problem Set 2 	<ul style="list-style-type: none"> Porter & Kramer (2006), "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility," <i>Harvard Business Review</i>. Oberholzer-Gee (2006), "Wal-Mart's Business Environment," <i>HBS Case Study</i>.

24	Th, Apr. 27 th	Executing Strategy	<ul style="list-style-type: none"> Q14: Reading Questions 	<ul style="list-style-type: none"> Waterman, Jr. & Peters & Philips (1980), "Structure is Not Organization," <i>Business Horizons</i>. Kaplan & Norton (2006), "How to Implement a Strategy without Disrupting your Organization," <i>Harvard Business Review</i>.
25	T, May 2 nd	Disney Case	<ul style="list-style-type: none"> H4: Homework 4 	<ul style="list-style-type: none"> Rukstad & Collis (2009), "The Walt Disney Company: The Entertainment King," <i>HBS Case Study</i>.
26	Th, May 4 th	In-class: Final Review	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None
27	T, May 9 th	In-class: Final Review	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None