



Department of Technology Management and Innovation

MG-GY 6083 - Economics and Strategy

Fall 2019

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Office/Hours: By Appointment
5 MetroTech Center, LC401

Class Schedule: [Insert Course Information Here]

Course Pre-requisites: This course does not have any pre-requisite. It provides an economic foundation for the subject matter of your courses in finance, management, marketing, and innovation.

Course Description:

This is a course in Economics, Strategy and the Firm with a primary focus on the needs of managers. It draws a range of concepts and tools from the fields of Industrial Organization and Strategic Management, which leads to an extended representation of the firm. Topics include demand analysis and estimations, the theory of costs and production, dynamics in competitive and noncompetitive markets, industry analysis, Shumpeterian innovation, transaction cost economics, value-chain analysis, competitive positioning, the resource-based view of the firm, and dynamic capabilities. Every theory contributes elements to the notion but none, by itself, explains completely the nature of strategy. They are the cognitive building blocks that provide an economic foundation to strategic thinking.

Course Objective:

After completing this course students should be able to:

- ↳ Explain the structure of the industry in which a firm competes and the nature of the competitive interactions among firms in those markets.
- ↳ Articulate the differences in the firms' positions to compete and the basis of their competitive advantage.

Course Structure:

The course relies on a combination of lectures, in-class discussions, and students' presentations. The class will typically begin with a discussion of a set of articles that students have selected from the Wall Street Journal. I will call a student to open the class discussion with a brief presentation of an article that has been prepared before hand. A formal lecture that introduces new economic theories that expand the analytical horizon of students will conclude the session. Chances are that students, who have invested quality time to prepare for class, will initiate a valuable discussion during my lectures. Notice that the last session will be devoted to students' presentations.

Readings:

Required Text(s): The textbook emphasizes strategic behavior and covers a wide range of topics in great details. However, please notice that there is no single textbook that includes all topics covered in the course.

[ES] Economics of Strategy
by David Besanko and David Dranove
Wiley Binder Version, 7th edition

Optional Text(s):

Lecture Notes

Your lecture notes provide the basic reading material and serve as a subject guide. Study the lecture notes first, and then the corresponding chapters in the textbook and the additional readings. As rule, your exams are designed to test your basic knowledge and questions will be drawn for the lecture notes.

Additional Readings

[AR] Several book chapters and journal articles supplement your textbook and cover concepts that are not discussed in the main textbook.

Wall Street Journal

You will read the *Wall Street Journal* on a regular basis during the duration of the course. You are strongly encouraged to subscribe to this publication for the duration of the course.

Syndicated websites

You will be instructed to visit and explore various websites to collect data and work on assignments. You will soon find out that these websites will serve you well as you build your career.

Course Assignments and Grading:

What's the point?

This project should be considered a laboratory in which you can test your ability to identify and clearly explain complex strategic issues. You will write several reports based on articles that you select from the *Wall Street Journal*. You are required to submit one-page written reports based on your articles. You will be notified when to do so.

A good report is expected to have the following structure:

“What’s the point?”

Your Name:

Due Date:

What's the Point?

This is your general brief statement, the strategic lesson you have learned by analyzing the article. Do not simply repeat the title of the article. Notice that you might be able to derive several lessons, but you will select and focus on only one point.

Source:

List the data and title of the WSJ article.

Analysis:

- Part 1. Plan of Action. Describe the actions taken by management.
- Part 2. Situation. Explain the strategic issue that managers had to address.
- Part 3. Objective & Outcome. Explain the logic.
- Part 4. Generality. Explain if this is a problem that other companies (even in different industries) are facing now or could be facing in the future?

Research Project

This is your chance to gain experience conducting industry research. Student will form teams to undertake an analysis of a selected industry which will consists of two parts: (a) industry analysis, and (b) strategic positioning. The first part will analyze the overall attractiveness of the industry using the five-forces methodological framework. It should clearly identify the nature of rivalry among competitors, and the forces that influence the industry's overall performance. The second part of the study should focus on the competitive positions of the major players in the industry as well as the basis of their competitive advantage. An up to ten-page double-spaced report will be prepared to showcase your research, not including accompanying charts and bibliography. The report should be a professionally looking document that relies heavily on economic theory to draw its conclusions.

A summary of your research paper will be presented in class.

A two-page research proposal could be submitted for approval. The proposal will be a first draft of the introduction you will use in your research paper. Notice that you do not have to submit a proposal, but you are strongly encouraged to do so. The earlier you submit your proposal, the more

time you will have to devote to your research paper.

Your research paper should follow the following structure:

Title

Executive Summary

You are conducting this research to prepare your audience to deal with some challenging industry issues. The executive summary will explain to the reader the importance of your research.

I. Introduction

- ✗ What is the scope of the research?
- ✗ Identify the industry and provide a brief history.
- ✗ Industry Size and Growth Trends
- ✗ Brief description of key challenging issues

II. Industry Overview

- ✗ PEST Analysis (external driving forces that are causing the industry to change)
- ✗ Elaborate on the key challenges faced by the industry
- ✗ Factors that affect trends in demand and supply growth

III. Industry Analysis

Study the structure of the industry using Porter's *Five Forces Model*. The focus is on explaining how the challenging issues that have been identified influence the attractiveness of the industry.

IV. Positioning

Select a key industry competitor and explain what the company you study is doing to meet these challenges. Summarize your work with the use of a SWOT analysis.

V. Conclusions

Wind up the industry analysis report with a one or two paragraphs summarization.

Academic writing follows specific styles and each style has different peculiarities and distinctive features. The most common styles are: American Psychological Association (APA) style, Modern Language Association (MLA) style, and the Chicago style. Use the one that fits your style, but be consistent. Notice that *Word* will format your paper based on the selected style.

Examinations

There will be two exams. Both exams will ask you to answer multiple choice questions and are designed to test your basic knowledge in the subject area. All questions will be selected from the material you will find in your lecture notes.

Assessment

What's the point? 10%
Class/Forum Participation 10%
Research Paper: 25%
Mid-Term Exam: 25%
Final Exam: 30%

Grading Policy

Students are reminded that grades are not “given” but reflect what is “earned” by the student through course performance along clearly established dimensions, and not what they have (falsely) learned to “expect” or managed to negotiate with the instructor, or what the instructor believes is the effort level or commitment.

In particular, grades of A and A- are reserved for superlative students. By this very definition, it should not be expected that a significant large percentage of the class receives an A in any particular course. At the other end of the spectrum, extremely poor or unacceptable performance along the outlined dimensions will carry a grade of F.

Course Topic Outline

Class Date and Topic	Readings, Assignments, & Exams
1. An Introduction to Economics	<ul style="list-style-type: none">• [AR] Habits of Strategists• [AR] What are Economic Models?• [AR] Identifying the Economic Problem• [AR] Two Kinds of Reasoning• [AR] Understanding Economic Statistics, OECD publication 2008, Pages 23-4
2. Capitalism and Entrepreneurship	<ul style="list-style-type: none">• [AR] The Market System and the Circular Flow• [AR] The Engine of Capitalist Process, Formaini• [AR] Capitalist Entrepreneurship, Knudsen and Swedberg• [AR] Capitalism as a Mixed Economic System• [ES] Economic Costs and Profitability, Pages 17-19

3. Key Concepts in Strategic Management	<ul style="list-style-type: none"> • [ES] Introduction: Strategy and Economics • [AR] The Concept of Strategy, Graham • [AR] History of Strategy and its Future Prospects • [ES] The Power of Principals: An Historical Perspective • [AR] Having Trouble with your Strategy? Then Map it,
4. Industry Analysis	<ul style="list-style-type: none"> • [ES] Industry Analysis, Pages 248-275 • [ES] Entry and Exit, pp. 187-195 • [AR] The Five Competitive Forces that Shape Strategy", Porter • [AR] Shaping an Industry in your Favor • [AR] An Example of an Industry Analysis Report, FCC 2015
5. Competitive Positioning	<ul style="list-style-type: none"> • [ES] Strategic Positioning for Competitive Advantage, Pages 277-318 • [AR] Generic Strategies and Value Chain • [AR] What is Strategy? Porter
6. The Resource-Based View of the Firm	<ul style="list-style-type: none"> • [ES] The Learning Curve and Diversification, pages 70-88 • [ES] Sustaining Competitive Advantage, Pages 349-381 • [AR] Contrasting Porter's Competitive Strategy Framework and the RBV
Mid-Term Exam	
7. Market Analysis	<ul style="list-style-type: none"> • [AR] Demand and Supply Analysis • [AR] Models of Demand and Supply • [AR] Producer Surplus and Supply Curve
8. Demand Driven Estimations	<ul style="list-style-type: none"> • [ES] Demand and Revenues, Pages 18-22 • [AR] Profit Parabolas: Bringing Science to the Art of Pricing • [AR] A Future that Works, Executive Summary only • [AR] Top 10 Global Consumer Trends in 2017

9. Production Technology and Cost Behavior	<ul style="list-style-type: none"> • [ES] Economic Primer: Cost Functions, Pages 9-18 • [ES] The Horizontal Boundaries of the Firm, Pages 55-76 • [AR] Production and Costs: An Outline • [AR] The Art of Scale
10. Market Structure and Competition	<ul style="list-style-type: none"> • [ES] Theory of the Firm, Pages 23-34 • [ES] Competitors and Competition, Page 155-184 • [ES] Where Does Market Structure Come From, Pages 248-255 • [AR] Monopolistic Competition and Oligopoly
11. The Economics of Transaction Costs	<ul style="list-style-type: none"> • [ES] The Vertical Boundaries of the Firm, Pages 90-112 • [AR] Transaction Cost Economics. • [AR] Global Outsourcing Survey, 2017
Presentations of Research Papers	
Final Exam	

Academic Integrity:

All students are responsible for understanding and complying with the NYU Statement on [Academic Integrity](#).

Academic Integrity for Students at NYU

This policy sets forth core principles and standards with respect to academic integrity for students at New York University. Each school at New York University may establish its own detailed supplemental guidelines for academic integrity, consistent with its own culture, and consistent with the University-wide general guidelines described in this document.

At NYU, a commitment to excellence, fairness, honesty, and respect within and outside the classroom is essential to maintaining the integrity of our community. By accepting membership in this community, students take responsibility for demonstrating these values in their own conduct and for recognizing and supporting these values in others. In turn, these values will create a campus climate that encourages the free exchange of ideas, promotes scholarly excellence through active and creative thought, and allows community members to achieve and be recognized for achieving their highest potential.

In pursuing these goals, NYU expects and requires its students to adhere to the highest standards of scholarship, research and academic conduct. Essential to the process of teaching and learning is the

periodic assessment of students' academic progress through measures such as papers, examinations, presentations, and other projects. Academic dishonesty compromises the validity of these assessments as well as the relationship of trust within the community. Students who engage in such behavior will be subject to review and the possible imposition of penalties in accordance with the standards, practices, and procedures of NYU and its colleges and schools. Violations may result in failure on a particular assignment, failure in a course, suspension or expulsion from the University, or other penalties.

Faculty are expected to guide students in understanding other people's ideas, in developing and clarifying their own thinking, and in using and conscientiously acknowledging resources - an increasingly complex endeavor given the current environment of widely available and continually emerging electronic resources. In addition, students come to NYU from diverse educational contexts and may have understandings regarding academic expectations that differ from those at NYU. NYU values and respects all academic traditions; however, while at NYU, students are expected to adhere to the norms and standards of academic integrity espoused by the NYU community and will be assessed in accordance with these standards. Students should ask their professors for guidance regarding these standards as well as style guide preferences for citation of sources for assignments in their courses.

Following are examples of behaviors that compromise the academic and intellectual community of NYU. The list is not exhaustive. Students should consult the websites and guidelines of their individual schools for an extended list of examples and for further clarification.

1. Plagiarism: presenting others' work without adequate acknowledgement of its source, as though it were one's own. Plagiarism is a form of fraud. We all stand on the shoulders of others, and we must give credit to the creators of the works that we incorporate into products that we call our own. Some examples of plagiarism:

- a sequence of words incorporated without quotation marks
- an unacknowledged passage paraphrased from another's work
- the use of ideas, sound recordings, computer data or images created by others as though it were one's own

2. Cheating: deceiving a faculty member or other individual who assess student performance into believing that one's mastery of a subject or discipline is greater than it is by a range of dishonest methods, including but not limited to:

- bringing or accessing unauthorized materials during an examination (e.g., notes, books, or other information accessed via cell phones, computers, other technology or any other means)
- providing assistance to acts of academic misconduct/dishonesty (e.g., sharing copies of exams via cell phones, computers, other technology or any other means, allowing others to copy answers on an exam)
- submitting the same or substantially similar work in multiple courses, either in the same semester or in a different semester, without the express approval of all instructors
- submitting work (papers, homework assignments, computer programs, experimental results, artwork, etc.) that was created by another, substantially or in whole, as one's own
- submitting answers on an exam that were obtained from the work of another person or providing answers or assistance to others during an exam when not explicitly permitted by the instructor

- submitting evaluations of group members' work for an assigned group project which misrepresent the work that was performed by another group member
- altering or forging academic documents, including but not limited to admissions materials, academic records, grade reports, add/drop forms, course registration forms, etc.

3. Any behavior that violates the academic policies set forth by the student's NYU School, department, or division.

Moses Center Statement of Disability

If you are a student with a disability who is requesting accommodations, please contact New York University's Moses Center for Students with Disabilities at [212-998-4980](tel:212-998-4980) or mosescsd@nyu.edu. You must be registered with CSD to receive accommodations. Information about the Moses Center can be found at www.nyu.edu/csd. The Moses Center is located at 726 Broadway on the 2nd floor.