

MBA 603: Markets—Structures and Dynamics
MBA 605: Organizational Structures and Strategies
Fall 2013

Professor: Frank Scott
Office: B&E 335-M
Phone: 257-7643
e-mail: fscott@uky.edu
web page: <http://gatton.uky.edu/Faculty/scott/index.html>

Course Description:

In these courses we will apply economic theory to managerial decision making and analysis. We will employ many of the traditional tools of microeconomics and see how they can be used to evaluate practical business problems. We will pay particular attention to the strategy of firms in the marketplace. MBA 603 and 605 are core courses in the MBA program and are intended to help you understand basic economic concepts that underlie the business process modules and advanced learning bundles later in the program.

Reading Assignments:

Assigned readings will come from two different managerial economics textbooks:

Brickley, Smith, and Zimmerman, *Managerial Economics and Organizational Architecture* (4th edition), McGraw-Hill Irwin, 2007, and

Besanko, Dranove, Shanley, and Schaefer, *Economics of Strategy* (4th edition), John Wiley & Sons, Inc., 2007.

There will also be assigned readings for each class taken from business periodicals such as the *Wall Street Journal*.

The assigned textbook chapters are available electronically. Instructions for purchase are attached. The outside readings can be accessed electronically through the UK Library.

Grading:

Grades in the course will be determined on the basis of performance on two in-class exams (33% each) and on a team industry study (34%). The teams and industry will be as assigned for Project Connect. The overall grading distribution will comply with the official program standards established by the MBA Policy Committee, i.e. overall class GPA ≤ 3.5 .

Office Hours:

My office is 335-M in the Gatton B&E Building. I will be around and available most of the time during the weeks when our courses are offered. I am also easily reachable by telephone and e-mail.

MBA 603 Course Outline and Reading Assignments:

Friday, August 9: 10:15 a.m.-12:15 p.m.

Monday, August 12: 10:15 a.m.-12:15 p.m.

Introduction, basics of market systems, demand and supply analysis.

Text:

BSZ, ch. 3, “Markets, Organizations, and the Role of Knowledge.”

Outside readings:

“Tempur-Pedic stock up after report, analysis,” *Lexington Herald-Leader*, July 26, 2012, p. B5: http://infoweb.newsbank.com/iw-search/we/InfoWeb?p_product=AWNB&p_theme=aggregated5&p_action=doc&p_docid=14046F45F75377A8&d_place=LHLB&f_issue=2012-07-26&f_publisher=

“China’s Winter of Discontent,” *WSJ*, 3/14/06.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398959819?accountid=11836>

“Lawmakers struggle to define gasoline price ‘gouging,’” *WSJ*, 11/9/05.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398991187?accountid=11836>

“Indonesia Has Lots of Coal—And Blackouts in Capital,” *WSJ*, 7/29/08.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399108953?accountid=11836>

“Corn’s Rally Sends Ripples,” *WSJ*, 1/18/07.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398983538?accountid=11836>

***Team meetings with professor Monday afternoon, August 12, to discuss Project Connect companies. Fifteen minutes—I listen and you tell me all about your company.

Wednesday, August 14: 10:15 a.m.-12:15 p.m.

Friday, August 16: 10:15 a.m.-12:15 p.m.

Determinants of demand, estimating demand, elasticity.

Text:

BSZ, ch. 4: “Demand.”

Outside readings:

“PepsiCo Pushes Breakfast in Bid to Heat Up Oatmeal,” *WSJ*, 7/28/10.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/732571063?accountid=11836>

“Thrill parks try to boost attendance: Some lower their fees to attract crowds,” *Lexington Herald-Leader*, 5/27/06. <http://bit.ly/odthLq>

“For Dollar Stores, a Mixed Bag,” *WSJ*, 7/11/13.

<http://search.proquest.com/docview/1399253185/13FBAC776B7259CDD87/82?accountid=11836>

***Team assignment: write a one-page memorandum about product demand for your Project Connect company. Due at the beginning of class on Monday, 8/19.

Monday, August 19: 10:15 a.m.-12:15 p.m.

Wednesday, August 21: 10:15 a.m.-12:15 p.m.

Production, economic costs, economic profit.

Text:

BSZ, ch. 5: "Production and cost."

Outside readings:

"Holiday Hiring Call: People vs. Robots," *WSJ*, 12/20/10.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/818622450?accountid=11836>

"Honda's Flexible Plants Provide Edge," *WSJ*, 9/23/08.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399105360?accountid=11836>

"Small Talk," *WSJ*, 5/30/06.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399047133?accountid=11836>

"Small Investments with Major Returns," *WSJ*, 1/5/09.

<http://online.wsj.com/article/SB123116077359153453.html>

***Individual assignment: take the virtual plant tour of Toyota's Georgetown manufacturing facility (<http://www.toyotageorgetown.com/vtour/vtour.asp>). YouTube video of a Corolla plant: <http://www.youtube.com/watch?v=hg5RlapdEtE>

Friday, August 23: 10:15 a.m.-12:15 p.m.

Horizontal boundaries of the firm.

Text:

BDSS, ch. 2: "The Horizontal Boundaries of the Firm: Economies of Scale and Scope."

Outside readings:

"Power Pork: Corporations Begin to Turn Hog Business into an Assembly Line," *WSJ*, 3/28/94.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398373847?accountid=11836>. If you want to see a pork processing plant in action, try

<http://www.youtube.com/watch?v=LsEbvMipJI>

"Meet the World's Largest Cargo Ships," *WSJ*, 1/8/13.

<http://search.proquest.com/docview/1266990140/13FBAE3E923680778EB/71?accountid=11836>

"Going to the Well: A Powerful Idea," *Lexington Herald-Leader*, 7/4/11.

<http://bit.ly/nHKQQA>

***Team assignment: meet with professor for fifteen minutes on Friday afternoon, August 23, to discuss production and cost aspects of your company, preparing you to write a one-page memorandum describing the nature of short-run and long-run costs for your Project Connect company. Are there significant economies of scale? Economies of scope? Learning curve effects? Due at the beginning of class on Monday, 8/26.

Monday, August 26: 10:15 a.m.-12:15 p.m.

Vertical boundaries of the firm.

Text:

BDSS, ch. 3: "The Vertical Boundaries of the Firm."

Outside readings:

“Made to Measure: Invisible Supplier Has Penney’s Shirts All Buttoned Up,” *WSJ*, 9/11/03.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398953831?accountid=11836>

“Bike Maker Faces a Tactical Shift,” *WSJ*, 10/28/98.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398673631?accountid=11836>

“Companies More Prone to Go ‘Vertical,’” *WSJ*, 11/30/09.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399140920?accountid=11836>

***Team assignment: write a one-page memorandum describing the vertical structure of the industry for your Project Connect company. Due at the beginning of class on Wednesday, 9/4.

Wednesday, August 28: 1:00 p.m. – 3:00 p.m.
MBA 603 in-class exam

MBA 605 Course Outline and Reading Assignments:

Wednesday, September 4: 10:15 a.m.-12:15 p.m.

Markets and market structure.

Text:

BDSS, ch. 6, “Competitors and Competition.”

Outside readings:

“Greece is the Word,” *WSJ*, 7/30/04.

http://www.sailingissues.com/online.wsj.com/article_email/0,,SB109112801159177914-INje4Nplad3oZunaoKGBauBm4,00.html

“Winds of Change for Boeing, Airbus,” *WSJ*, 3/16/10.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399095358?accountid=11836>

“The tri-county pizza war,” *Lexington Herald-Leader*, 11/10/05.

<http://bit.ly/poGliZ>

“Show Stopper: How Plastic Popped the Cork Monopoly,” *WSJ*, 5/1/10.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/220157523?accountid=11836>

***Team assignment: meet with professor for twenty minutes on Wednesday afternoon 9/4 or Thursday afternoon, 9/5, to discuss market structure, preparing you to write a two-page memo in which you describe the characteristics of your company’s industry and explain which particular category of market structure it exemplifies. Specify the dimensions of the product market and geographic market. Due at the beginning of class on Monday, 9/9.

Friday, September 6: 10:15 a.m.-12:15 p.m.

Monday, September 9: 10:15 a.m.-12:15 p.m.

Competitive markets.

Text:

BDSS, ch. 6, "Competitors and Competition."

BSZ, ch. 6, "Market Structure."

Outside readings:

"Alligator Farming Shows There's a Lot to be Said for Cows," *WSJ*, 8/2/89.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398158016?accountid=11836>

"Economic Woes Take a Bite out of Alligator Ranching," *WSJ*, 11/12/97.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398605851?accountid=11836>

"A Run on Alligators Sends Designers Scrambling," *WSJ*, 3/18/06.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399057549?accountid=11836>

Wednesday, September 11: 10:15 a.m.-12:15 p.m.

Friday, September 13: 10:15 a.m.-12:15 p.m.

Monopoly, pricing with market power.

Text:

BSZ, ch. 6, "Market Structure."

BSZ, ch. 7, "Pricing with Market Power."

Outside readings:

"How a Fight Over a Board Game Monopolized an Economist's Life," *WSJ*, 10/20/09.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399064057?accountid=11836>

"Seeking Fame in Apple's Sea of Apps," *WSJ*, 7/15/09.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399087647?accountid=11836>

"Seeking Perfect Prices, CEO Tears Up the Rules," *WSJ*, 3/27/07.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399036795?accountid=11836>

***Individual assignment: go to <http://disneyworld.disney.go.com/wdw/index> and check out Disney World's pricing strategy for its theme parks, resort hotels, special events, etc. Also visit your favorite airline's web site, e.g. <http://www.delta.com/home/index.jsp>, and analyze pricing for air travel and vacation packages. Finally, visit your local cable monopoly and check out its bundling strategy: http://midwest-offer.airprx.timewarnercable.com/west/tv_internet_phone.php?aitrk=twcmw&cid=ppc:aim:00000220&oo=1&qso=1&teng=go&geng=s01-d&aeng=qsooo_adgs01-d-j&keng=time%20warner&meng=p&peng=1t1

Monday, September 16: 10:15 a.m.-12:15 p.m.

Tuesday, September 17: 10:15 a.m.-12:15 p.m.

Oligopoly, rivalry, strategic behavior.

Text:

BSZ, ch. 6, "Market Structure."

BSZ, ch. 9, "Economics of Strategy: Game Theory."

Outside readings:

"Haven't Shareholders Had Enough Chicken?" *WSJ*, 4/4/01.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398780117?accountid=11836>

"Cruise Lines Slash Their Prices as War Fears Rattle Travelers," *WSJ*, 1/29/03.

<http://online.wsj.com/article/SB1043780266145632024.html>

"Upstart's Tactics Allow it to Fly in Friendly Skies of a Big Rival," *WSJ*, 6/23/99.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398729938?accountid=11836>

"Techdom's Two Cold Wars," *WSJ*, 7/22/09.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399099640?accountid=11836>

Thursday, September 19: 8:00 a.m.-10:00 a.m.
MBA 605 in-class exam

Tuesday, September 24:
Project Connect industry study presentations. Schedule TBA.

Instructions for Purchasing Electronic Textbooks:

While the electronic textbooks are from the 4th edition of each book, you may be able to find a different edition online for a cheaper price. That should work equally well.

Brickley, Smith, and Zimmerman, *Managerial Economics and Organizational Architecture* (4th edition), McGraw-Hill Irwin, 2007:

Click on <https://create.mcgraw-hill.com/shop/#/catalog/details/?isbn=9781121597365>

Buy the book.

Besanko, Dranove, Shanley, and Schaefer, *Economics of Strategy* (4th edition), John Wiley & Sons, Inc., 2007:

Click on <http://coursepacks.xanedu.com/login.shtml?PackId=456053>

Click the Register link underneath the Students heading. Complete the registration page and click Continue.

Confirm your CoursePack selection and click Continue.

Complete your billing information, confirm and click Continue.