

BSE3702 Economics of Strategy

Instructor

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Course Description

This module aims to familiarize business students with modern industrial organization and competitive strategy from an economic perspective. The course analyzes the role of imperfectly competitive markets for corporate decisions as well as the firms' responses to changes in the market environment. It includes four parts: boundaries of firm, competition, positioning and sustaining advantage, and interface between the theory of the firm, organization design, and business strategy. With many real-world examples, this course brings the economic models to life, which helps students to achieve a deeper understanding and appreciation of strategic business practices and organization. Main analytical tools will be microeconomic theory and game theory.

Learning Objectives

The main objective of the module is to help students to deeply understand the working of models and to connect the theoretical insights with practice. These models, often simple and yet powerful, can be applied to a broad range of real-world business problems. Managers and future managers can better prepare to adjust his or her firm's business strategy to the demands of its ever-changing environment and will have less need to rely on good luck.

Pre-requisite

Students taking this module should have completed a basic economic module. [E.g. Managerial Economics, Microeconomics or any equivalent]

Textbooks

David Dranove, David Besanko, Mark Shanley, Scott Schaefer, *Economics and Strategy*, 7th Edition, Wiley

Assessments

1. Midterm Test: 30%
2. Class Participation: 10%
3. Group Presentation: 20%

4. Final Test: 40%

Tentative Schedule

Week	Topics
1	Course Overview and Introduction
2	The Horizontal Boundaries of the Firm
3	The Vertical Boundaries of the Firm (Class Activity: Presentation 1, Q&A and Presentation Evaluation)
4	Integration and Its Alternatives (Class Activity: Presentation 2, Q&A and Presentation Evaluation)
5	Competitors and Competition (Class Activity: Presentation 3, Q&A and Presentation Evaluation)
6	Entry and Exit (Class Activity: Presentation 4, Q&A and Presentation Evaluation)
	Recess Week
7	Dynamics: Competing Across Time (In-Class Test)
8	Industry Analysis (Class Activity: Presentation 5, Q&A and Presentation Evaluation)
9	Strategic Positioning for Competitive Advantage (Class Activity: Presentation 6, Q&A and Presentation Evaluation)
10	Information and Value Creation (Class Activity: Presentation 7, Q&A and Presentation Evaluation)
11	Sustaining Competitive Advantage (Class Activity: Presentation 8, Q&A and Presentation Evaluation)
12	Performance Measurement and Incentives & Final Review
13	Final Test (In-Class)