

## **BSE3702 Economics of Strategy**

### ***Instructor***

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### ***Course Description***

Over the past few years, the global business environment has developed and changed very fast. The pandemic has disrupted global supply chains. The Ukraine war has driven up food and energy prices. And rising geopolitical tensions have directly hit many businesses, leaving them in the line of fire. It is as if the rules of business have changed. Does it mean the economic tools we have learnt before have been out of date? And then what rules and tools the business can employ to thrive in today's fast-changing world?

French have an apt rejoinder: Plus ça change, plus c'est la même chose. (The more things change, the more they stay the same.) Consider oil prices, some experts had predicted oil could spike to \$150 per barrel or more due to Russia's invasion of Ukraine. However, China's persistent Covid lockdowns over the first three quarters of 2022 has defied the expectations and the outlook for oil demand continues to deteriorate for now. It seems that the price of oil is unpredictable. But the interaction of demand and supply in Economics can clearly explain the fluctuation of the price. Managers and decision-makers can use the basic principle to analyze the possible cost of production and transportation in order to make a plan for their companies' development.

Many examples have shown that economic principles are enduring. These business principles can be applied all the time to all sectors of the economy. I hope to uncover these durable economic principles that can be applied to many different strategic situations. This module is designed to provide a broader and deeper economic foundation for strategic analysis. It helps to familiarize business students with modern industrial organization and competitive strategy from an economic perspective. The course analyses 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 advantages, and organization design. Main analytical tools will be microeconomic theory. 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. Managers and future managers can better prepare to adjust firms' business strategy to the demands of its ever-changing environment and will have less need to rely on good luck.

### ***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. By the end of the semester, students should be able to

- Determine the boundaries of a firm. What should the firm do, how large should it be, and what businesses should it be in?
- Conduct market and competitive analysis. What is the nature of the markets in which the firm competes and the nature of competitive interactions among firms in those markets?
- Make positioning strategies for a firm. How should the firm position itself to compete, what should be the basis of its competitive advantage, and how should it adjust over time?
- Analysing and arranging internal organization for a firm. How should the firm organize its structure and systems internally?

### ***Pre-requisite***

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

### ***Course Materials***

- David Dranove, David Besanko, Mark Shanley, Scott Schaefer, *Economics and Strategy*, 7<sup>th</sup> Edition, Wiley.
- Recommended readings and videos will be available through NUS Canvas.

Please take note that the textbook is an important learning resource. All cases and examples discussed in class are based on the theory explained in the book. You are strongly encouraged to read the relevant chapters. The concepts and models explained in the book lays an important foundation for our teaching and learning activities. In class, we will focus on discussing examples and cases.

Recommended readings and videos are used to broaden your horizon and to enhance your understanding on some important concepts. It helps you to link the concepts discussed in class to the real-life examples. Hence, students are encouraged to view the readings and videos either before or after class.

### ***Assessments***

#### ***Individual work:***

- Midterm Test: 30%  
This test will be held during our normal class time in week 7. It is not only the opportunity for you to showcase your knowledge and understanding of this course, but also an important indicator of how well you are absorbing, processing and retaining the class material. *Please take note that there will be no concurrent online assessment available. This applies to all students enrolled in the module.* More details will be provided when it is nearer the date of the midterm.

- **Class Participation and learning contribution: 20%**  
Active class participation improves critical and higher-level thinking skills. It provides opportunities for you to articulate your ideas, build shared understandings, engage with content, and to contribute to a dynamic learning environment. You will learn from each other and increase comprehension through discussion. Our class will provide you many opportunities to engage in class activities and discussion. There are many different ways to participate in class. You may ask thought-provoking questions or comment on the reading or examples. You may answer questions asked by your instructor in class. You may share your examples or relevant experience to our class. Alternatively, you may give insightful comments to other group's presentation or provide constructive suggestions during Q&A. In principle, participation means more than attendance. You should think about the quality rather than the quantity of participation.

Throughout the whole semester, your instructor will monitor and assess your class participation according to the following rule:

1. **Class attendance:** You are expected to attend our scheduled class on time and listen attentively and take notes. Your attendance will be counted toward participation. However, only class attendance without actively participate in class discussions will not assign you high marks in this assessment component.
2. **Contribution to whole class discussions:** Your instructor will see who asked relevant questions and who responded to peer's contributions. You are expected to: a) contribute readily to the conversation but do not dominate; b) make thoughtful contributions that advance the conversation; c) show interest in and respect for other views.

Note: Please make your name tags on the first day of class. 5" x 8" cards or A4 papers work well for this. You may use heavy black or blue markers to write your names on the bottom half of the card and then fold the card in half, creating a tent name tag. You keep the name tags with you and can then place the tag in front of your table during our class periods.

- **Final Test: 30%**  
This test will be held during our normal class time in week 13. *Please take note that there will be no concurrent online assessment available. This applies to all students enrolled in the module.* More details will be provided when it is nearer the date of the final test.

#### Group work:

- **Case Presentation(5-7 people): 20%**  
Students will be divided into 8 groups as we have 8 topics to be allocated to. The study group will be formed by week 3 as the number of the students may change during this period. Each group needs to present once throughout the semester. The topics will be made available through NUS Canvas by week 7 and they are randomly allocated to each group.

Guidelines to presentation:

- Presentation 20mins
- Q&A 10mins
- Peer Review 5 mins – 10mins

Week 11 and week 12 will contribute to presentation. Each lesson will allow 4 presentations. There are some tips for you: a) Please practice your presentation and time it. You will struggle to finish your presentation if you try to include unnecessary details or cover everything about a topic. b) Rehearse out loud. You will improve your confidence and find it easier to stay on track while you're presenting. c) Avoid using a printed script – if you lose your place in a script it's difficult to get back on track. Learning your content will mean you look more confident during your presentation and help you recover if you end up off track. d) Use visual aids like presentation slides to add value to your presentation and help your audience understand your subject. Avoid excessive videos, animations, or images - visual aids are here to support you rather than take attention away from you speaking.

Presentation Rubric:

Criteria	Beginning (0-5)	Developing (6-10)	Proficient (11-15)	Mastery (16-20)
<u>Content:</u> Relevance and accuracy of facts, overall treatment of topic	Answers lacks relevance or focus; presentation contains multiple fact errors	Answers would benefit from more focus; Presentation contains some fact errors or omissions	Answer is adequately focused and relevant; major facts are accurate and generally complete	Answer is tightly focused and relevant; presentation contains accurate information with no fact errors
<u>Organization/Clarity:</u> Appropriate introduction, body, and conclusions; logical ordering of ideas; transitions between major points	Ideas are not presented in proper order, transition are lacking between major ideas; several parts of presentation are wordy or unclear	Some ideas not presented in proper order; transitions are needed between some ideas; some parts of presentation may be wordy or unclear	Most ideas are in logical order with adequate transitions between most major ideas; presentation is generally clear and understandable	Ideas are presented in logical order with effective transitions between major ideas; presentation is clear and concise

<p><u>Completeness:</u>          Level of details depth, appropriate length, adequate background of information</p>	<p>Presentation does not provide adequate depth; key details are omitted or undeveloped; presentation is too short or too long</p>	<p>Additional depth needed in places; important information omitted or not fully developed; presentation is too short or too long</p>	<p>Presentation provides adequate depth; few needed details are omitted; major ideas adequately developed; presentation is within specified length</p>	<p>Presentation provides good depth and detail; ideas well developed; facts have adequate background; presentation is within specified length</p>
<p><u>Documentation:</u>          Proper support and sourcing for major ideas, inclusion of visual aids that support message</p>	<p>Little or no message support provided for major ideas; visual aids are missing or inadequate; little or no sourcing provided</p>	<p>Some message support provided by facts and visual aids; sourcing may be outdated or thin, visual aids need work</p>	<p>Adequate message support provided for key concepts by facts and visual aids; sourcing is generally adequate and current</p>	<p>Effective message support provided in the form of facts and visual aids; sourcing is current and supports major ideas</p>
<p><u>Delivery:</u>          Adequate volume, appropriate pace, diction, personal appearance, enthusiasm/energy, posture, effective use of visual aids</p>	<p>Low volume or energy; pace too slow or fast; poor diction; distracting gestures or posture; unprofessional appearance; visual aids poorly used</p>	<p>More volume/energy needed at times; pace too slow or fast; some distracting gestures or posture; adequate appearance; visual aids could be improved</p>	<p>Adequate volume and energy; generally good pace and diction; few or no distracting gestures; professional appearance; visual aids used adequately</p>	<p>Good volume and energy; proper pace and diction; avoidance of distracting gestures; professional appearance; visual aids used effectively</p>
<p>Adequate eye contact with</p>	<p>Little or no eye contact</p>	<p>Additional eye contact needed</p>	<p>Fairly good eye contact</p>	<p>Good eye contact with</p>

audience, ability to listen and/or answer questions	with audience; poor listening skills; uneasiness or inability to answer audience questions	at times; better listening skills needed; some difficulty answering audience questions	with audience; displays ability to listen; provides adequate answers to audience questions	audience; excellent listening skills; answers audience questions with authority and accuracy
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Please note that presentation is a group work. If you find any free-rider problem in your team, you need to contact your instructor at an early stage so that there will be sufficient time to resolve the issue.

***Tentative Schedule***

<b>Week</b>	<b>Topics</b>
1	<b>Course Overview and the Horizontal Boundaries of the Firm</b>
2	<b>The Vertical Boundaries of the Firm</b>
3	<b>Integration and Its Alternatives</b>
4	<b>Competitors and Competition</b>
5	<b>Entry and Exit Dynamics: Competing Across Time</b>
6	<b>Strategic Positioning for Competitive Advantage</b>
	<b>Recess Week</b>
7	<b>Midterm Test</b>
8	<b>Information and Value Creation</b>

9	<b>Sustaining Competitive Advantage</b>
10	<b>Performance Measurement and Incentives</b>
11	<b>Presentation: Topic 1-4</b>
12	<b>Presentation: Topic 5-8</b>
13	<b>Final Test</b>

### ***Academic Honesty & Plagiarism***

It is important to note that plagiarism is an academic offence that is taken very seriously by the University, as stated in the NUS Code of Student Conduct.

The University takes a strict view of cheating in any form, deceptive fabrication, plagiarism and violation of intellectual property and copyright laws. Any student who is found to have engaged in such misconduct will be subject to disciplinary action by the University.

Code of Student Conduct is available at:

<https://studentconduct.nus.edu.sg/wp-content/uploads/2022/01/NUS-Code-of-Student-Conduct.pdf>