

Course Outline

Course Code	: BSE3702
Course Title	: Economics of Strategy
Semester	: Semester 2, Academic Year 2023/24
Faculty	: Dr. Xu Le
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Overview

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 Does it mean the economic tools we have learnt before have been out of date?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.

Course 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?

General Guide & Reading

- David Dranove, David Besanko, Mark Shanley, Scott Schaefer, *Economics and Strategy*, 7th 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.

Assessment

Assessment Components	Weightage
Case Presentation (5-7 people):	20%
Class Participation and learning contribution	20%
Midterm Test	30%
Final Test	30%

Academic Honesty & Plagiarism

Academic integrity and honesty is essential for the pursuit and acquisition of knowledge. The University and School expect every student to uphold academic integrity & honesty at all times. Academic dishonesty is any misrepresentation with the intent to deceive, or failure to acknowledge the source, or falsification of information, or inaccuracy of statements, or cheating at examinations/tests, or inappropriate use of resources.

Plagiarism is “the practice of taking someone else’s work or ideas and passing them off as one’s own” (The New Oxford Dictionary of English). The University and School will not condone plagiarism. Students should adopt this rule - You have the obligation to make clear to the assessor which is your own work, and which is the work of others. Otherwise, your assessor is entitled to assume that everything being presented for assessment is being presented as entirely your own work. This is a minimum standard. In case of any doubt, you should consult your instructor.

Additional guidance is available at:

- <http://www.nus.edu.sg/registrar/administrative-policies-procedures/acceptance-record#NUSCodeofStudentConduct>

- <http://nus.edu.sg/osa/resources/code-of-student-conduct>

About me . . .

Dr. Xu Le is a lecturer at the Department of Strategy and Policy at the National University of Singapore (NUS) Business School. She is scholar of regional and global economy with over ten years of research and educational experience. She received her PhD in Economics from the University of Manchester and her research interests include microeconomics, macroeconomics and game theory. She serves as the coordinator of the Business Economics specialization in the department and conducts lectures on strategy of economics, global economy and managerial economics. She has also served as an economic consultant to some business entities in China and has rich knowledge about China's economy and its business environment.

As an Economics expert, she actively comments on current affairs and has authored numerous opinion pieces for various publications including ThinkChina, Lianhe Zaobao, The Business Times, and The Strait Times. Due to her expertise in the field, she is frequently invited to share her insights on economic topics across various media platforms such as Chanel 8, City 958 and Money FM.

Schedule and Outline

Lesson/ Week	Topic	Activity
1	Course Overview and the Horizontal Boundaries of the Firm	
2	The Vertical Boundaries of the Firm	
3	Integration and Its Alternatives	
4	Competitors and Competition	
5	Public Holiday	Materials of reading will be uploaded to Canvas
6	Entry and Exit Dynamics	
Recess Week		
7	Midterm Test & Entry and Exit Dynamics	Midterm
8	Information and Value Creation	
9	Sustaining Competitive Advantage	
10	Performance Measurement and Incentives	
11	Presentation: Topic 1-4	Case presentation
12	Presentation: Topic 5-8	Case presentation
13	Final Test	Final Test