

Strategic Management II (20692)

Degree/study: Business Administration

Course: 3º / 4º

Term: Third

Number of ECTS credits: 5

Hours of student's dedication: 125 hours

Language of instruction: English

Professor: Andrés Hervás

1. Presentation of the subject

This course exposes students to the drivers of firm performance in competitive marketplaces and the factors that allow the success of firms to persist over time. The focus of the course is on long-term decisions that involve a substantial amount of resources such as firm scale, choice of markets and products, or the decision by an established firm of whether or not to fight off an entrant. The course draws heavily on economic thinking to define concepts and build a coherent framework for competitive analysis at the industry and firm levels. For this reason, it is required that students are familiar with basic knowledge of microeconomics. Students will also benefit from basic knowledge of game theory, though this is not a prerequisite to take the course.

Prerequisite courses: Microeconomics I and II

2. Competences to be attained

<i>General competences</i>	<i>Specific competences</i>
<ul style="list-style-type: none">• Carry out business advisory and consulting tasks• Be able to negotiate appropriately to achieve favorable and sustainable agreements• Solve management and administration problems arising in the company• Be able to establish and manage their own business	<ul style="list-style-type: none">• Understand and contribute to the functional area of Strategy within an organization• Develop analytical skills; ability to apply economic theory to the formulation of firm strategy• Perform basic analysis of the firm's competitive environment• Perform basic strategy formulation: identify the firm's optimal response to its competitive environment• Understand strategy dynamics. Identify trends and technological changes in an industry and anticipate their impact

3. Contents

1. Introduction to the economics of strategy
2. Business models
3. Horizontal boundaries of the firm
4. Vertical boundaries of the firm
5. Market structure and competition
6. Product differentiation
7. Dynamics in oligopolistic industries
8. Entry and exit
9. Industry analysis
10. Competitive advantage

4. Assessment

Final course grades are composed of several components. Half of the final grade (50%) consists of a final exam, and the remaining depends on the presentation and discussion of business cases in the six seminars scheduled during the course. A fifth of the final grade (20%) consists on the student's presentation of one business case in one of the seminars, and the remaining (up to 30%, see below) is given by the student's active participation in the discussion of the remaining five business cases.

The final exam covers the theory content of the course presented during the lectures, and is independent of the seminars. The final exam will generally take the format of a test and last two hours, the precise details will be announced during the course.

Students are expected to present their analysis of one business case during the course. Presentations will be assigned to groups of approximately 5 students. Presentation grades contribute 20% of the final grade in all cases. General remarks on group presentations:

- All presenting groups are expected to hand in a printed copy of their presentation at the beginning of the first theory class of the week in which the presentation takes place. Missing this deadline will reduce the presentation grade.
- Each student in the group is expected to present at some point in the seminar. If a student does not present, his/her grade will depend only on his/her individual contribution to the seminar discussion.
- Students are expected to properly acknowledge sources when citing ideas or opinions from others. Plagiarism and intellectual dishonesty will be punished.
- As a general rule, questions regarding business cases will not be attended *before* the seminar discussions take place.
- Students can only present in the seminar they are enrolled in.

The seminar participation grade (up to 30%) is composed of five participation grades from the five remaining seminars in which the student does not present, with each seminar participation grade weighing 6% towards the final grade. Only those seminars in which the student is awarded a participation grade are considered, and otherwise that component of the grade is awarded to the final exam. For example, if a student has three participation grades (out of five) at the end of the course, the seminar participation grade weighs $6\% \times 3 = 18\%$ towards the final grade and the final exam will weigh 62%.

Furthermore, if the final exam grade of a student is higher than her seminar participation grade, the participation grade will be discarded when computing the final grade (that is, seminar participation grades never penalize towards the final grade). Continuing with the example above, if the student has a participation grade of 7 with weight 18% and obtains an 8 in the final exam, then the exam grade will weigh 80% towards the final grade. But if the student obtains a 6 in the final exam, the exam grade will only weigh 62%.

General remarks on seminar participation:

- Students who are not presenting should not hand in their work; students are expected to prove their work by contributing to the seminar discussion.
- Students should only expect to be awarded a participation grade for seminars in which they contribute to enrich the discussion with thoughtful and sound interventions.
- Students are expected to properly acknowledge sources when citing ideas or opinions from others. Plagiarism and intellectual dishonesty will be punished.
- As a general rule, questions regarding business cases will not be attended *before* the seminar discussions take place.
- Students can only participate in the seminar they are enrolled in.

In accordance with the rules set by the Facultad, students who take the final exam and fail the course (obtain a final grade below 5) are eligible to take a recovery exam in July. The grade obtained in this recovery exam will be used to compute the final grade in the exact same way as described above for the final exam in June. Presentation and participation grades cannot be recovered in July, and carry over from those obtained during the course.

Students on exchange programs recognized by the Facultad are eligible to take the recovery exam in July even if they have not taken the final exam in June. But students on exchange programs should be aware that no exceptions are made on presentation and participation grading; in particular, their presentation grade (20%) will be computed exactly as described above.

Please note that the course's language of instruction is English. All lectures, seminars, as well as the final exam, will be conducted exclusively in English. Unforeseen circumstances not covered in this PDA will be resolved following the Facultad's guidelines. If no guidelines exist, no exceptions to the general rules will be applied to individual cases.

5. Bibliography and teaching resources

5.1. Basic bibliography

Besanko, David, David Dranove, Mark Shanley, and Scott Schaefer, "Economics of Strategy", Wiley, 6th Edition, 2012

5.2. Additional bibliography

The following references can be useful to expand on the topics and concepts presented in the course:

Brandenburger, Adam, and Barry Nalebuff, “Co-Opetition”, Currency, 1997

Ghemawat, Pankaj, “Strategy and the Business Landscape”, Prentice Hall, 3rd Edition, 2009

Mcafee, Preston, “Competitive Solutions: The Strategist's Toolkit”, Princeton University Press, 2005

Saloner, Garth, Andrea Shepard, and Joel Podolny, “Strategic Management”, Wiley, 2005

Spulber, Daniel, “Economics and Management of Competitive Strategy”, World Scientific Publishing Company, 2009

5.3. Teaching resources

Slides used in the theory lectures will be made available to students on Aula Global before the lectures.

Case hand-outs for seminars will be made available on Aula Global the week before each seminar case is discussed.

6. Methodology

The course encompasses the following activities:

- Lectures, where the full class meets and the theory content of the course will be explained. The course comprises 18 lectures.
- Seminars, where subgroups of approximately 30 students meet. Each student participates in 6 seminars during the course, and each requires preparation work in advance.
- Directed study outside the classroom, individually, where students will analyze the cases to be discussed in the seminars.
- Directed study outside the classroom, in groups, who will analyze a case to be discussed in the seminars and prepare their presentation of the case (once during the course).
- Directed study outside the classroom, individually, in preparation for the final exam.

7. Activities Planning

The planning of activities, resources, and work load are listed in the tables included in the next pages.

Lectures	Activities inside the classroom			Activities outside the classroom		
	Learning activities	Resources	Estimated time	Learning activities	Resources	Estimated time
Introduction to the economics of strategy	Lecture	Slides	1h			
Horizontal boundaries of the firm	Lecture	Slides	2h	Reading	Slides, Bibliography	3h
Vertical boundaries of the firm	Lecture	Slides	4h	Reading	Slides, Bibliography	3h
Market structure and competition	Lecture	Slides	4h	Reading	Slides, Bibliography	3h
Dynamics in oligopolistic industries	Lecture	Slides	4h	Reading	Slides, Bibliography	3h
Entry and exit	Lecture	Slides	4h	Reading	Slides, Bibliography	3h
Industry analysis	Lecture	Slides	4h	Reading	Slides, Bibliography	3h
Competitive advantage	Lecture	Slides	4h	Reading	Slides, Bibliography	3h
Exam preparation				Study	Slides, Bibliography	12h
Total			27h			33h

Seminars	Activities inside the classroom			Activities outside the classroom		
	Learning activities	Resources	Estimated time	Learning activities	Resources	Estimated time
Seminars (x5): each of the five seminars where the student does not present	Case discussion	Case hand-out	1,5h	Case preparation	Case hand-out Lecture notes Internet	7h
Seminar: where the student presents (in a group)	Case presentation & discussion	Case hand-out Presentation slides	1,5h	Case preparation Group discussion Presentation preparation	Case hand-out Lecture notes Internet	21h
Total (6 seminars)			9h			56h