

334.100/101 Masterkurs Management

Prof. Dr. Michael Kopel

Institute of Organization and Economics of Institutions

<http://www.uni-graz.at/organisation>

Office Hours: see UGO



*“The value of studying firm behavior lies in helping us identify the general principles explaining why firms behave as they do, not in trying to develop lists of characteristics that lead to automatic success. **There is no such list.** A strategy textbook can provide the general principles that underlie strategic decisions. Success depends on the manager who must match principles with conditions.”*
(Besanko/Dranove/Shanley/Schaefer, 2007)

Course description

This is a Master-level course in *Management*. The course draws heavily on insights from Transaction Cost Economics, Property Rights Theory, Principal-Agent Theory, and Industrial Economics. It develops concepts and theoretical constructs that provide the basis for the formulation of innovative solutions for managers in today’s business environment.

In this course we will address the following key topics: Horizontal and vertical boundaries of the firm; Make-or-Buy and Hybrid organizational structures; Diversification; Performance measurement and agency issues; Strategy and structure; Market structure and competition; FT-Taxonomie of Business Strategies.

Previous knowledge expected (Prerequisites)

It is expected that you have mastered the concepts and analytical methods in intermediate courses on Business Economics, Microeconomics, and Game Theory. As a refresher you might want to read “*Introduction: Strategy and Economics*” and “*Primer: Economic Concepts for Strategy*” in Besanko/Dranove/Shanley/Schaefer (2007).

Objective

After this course, students should have a basic understanding of key issues in Organizational Economics and Strategic Management. The concepts and frameworks introduced in this course will help the participants learn to put structure on complex and unstructured problems in business firms, in particular with regard to decisions that concern the internal structure of firms and the strategic positioning in markets.

Language of instruction:

This course will be held in German.

Teaching and learning method

The course consists of a mix of lectures, group discussions, case studies, and video lectures.

Exam information

Assessment is based on a multiple-response exam. This exam accounts for 100% of the grade.

Required readings

We will rely on the textbook, *Economics of Strategy* by David Besanko, David Dranove, Mark Shanley, and Scott Schaefer (2007) for the theory and on several case studies and video lectures for applications.

Additional readings

We will discuss only a selection of chapters of this main text (see below). Students are encouraged to read the chapters not discussed in class to obtain a more thorough understanding of key issues in Organizational Economics and Strategic Management of Firms.

Course material

Course material and further information are provided via UGO and moodle (<http://moodle.uni-graz.at>).

ECTS

This course has 4 ECTS = 100 hours. Since you will spend $13 \times 1.5 = 19.5$ hours in class, you should spend approx. 80 hours outside of class for reviewing material, reading the cases/exercises, preparing for the exam, and so on. Therefore, please reserve at least 6 hours outside class for each in-class lecture.

Schedule

TBA

Topics

Introduction (the following chapters are to be read at home!)

- Primer: Economic Concepts for Strategy
- Chapter 1: The Evolution of the Modern Firm

Case Study: Enron – The smartest guys in the room (documentary and discussion)

Firm Boundaries

- Chapter 2 The Horizontal Boundaries of the Firm: Economies of Scale and Scope
- Example 2.1 “*Hub-and-Spoke Networks and Economies of Scope in the Airline Industry*”
- Example 2.5 “*The AOL Time Warner Merger and Economies of Scope*”
- Example 2.6 “*The Boston Consulting Group Growth-Share Paradigm*”

- Chapter 3 The Vertical Boundaries of the Firm
- Example 3.1 “*Vertical Disintegration in the Pharmaceutical Industry*”
- Example 3.4 “*The Fundamental Transformation in the US Automobile Industry*”
- Example 3.6 “*Underinvestment in Relationship-Specific Assets by British Sub-contractors*”

- Chapter 4 Organizing Vertical Boundaries: Vertical Integration and Its Alternatives

- Chapter 5 Diversification
- Example 5.1 “*Changes in Diversification, from American Can to Primerica*”
- Example 5.2 “*Acquiring for Synergy: Procter & Gamble Buys Gillette*”
- Example 5.4 “*The Search for Synergy in New Markets: Ebay’s Acquisition Binge*”

Internal Organization

- Chapter 14 Agencies and Performance Measurement
- Example 14.2 “*Pay, Performance, and Selection at Safelite Glass*”

- Chapter 15 Incentives in Firms
- Example 15.1 “*Promotions Tournaments at General Electric*”

- Chapter 16 Strategy and Structure
- Example 16.3 “*Strategy, Structure and the Attempted Merger Between the University of Chicago Hospital and Michael Reese Hospital*”
- Example 16.4 “*Samsung: Reinventing a Corporation*”
- Example 16.5 “*Transnational Strategy and Organization Structure At SmithKline-Beecham*”

Market and Competitive Analysis

- Chapter 6 Competitors and Competition
- Example 6.6 “*Cournot Equilibrium in the Corn Wet Milling Industry*”

- Chapter 7 Strategic Commitment
- Example 7.2 “*Strategic Commitment and Preemption in the Global Airframe Market: Airbus Versus Boeing*”
- Example 7.4 “*Commitment at Nucor and USX: The Case of Thin-Slab Casting*”
- Example 7.6 “*Corning’s Nuclear Winter*”