

UNIVERSITY OF FLORIDA
DEPARTMENT OF ECONOMICS
ECP 5705
Economics of Business Decisions

Fall 2017

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Course Description: This class will focus on the decision-making process of business executives. It provides a comprehensive treatment of economic principles used explicitly or implicitly in determining the behavior of consumers and firms. The course is theory based but practice oriented. Business decisions often require numerical solutions, and therefore algebraic, geometric and game theoretic techniques will be developed and used. Analytical insights will be applied to cases. The class will address several basic questions including the following: What are the determinants of firm size? What are the determinants of business leadership? Why some industries are profitable and some are not? How do strategic decisions affect market equilibrium and competitive advantage? What is the best way to deal with competitors?

Grades: There will be two tests and written case analyses. Grade weights will be approximately as follows: Each test 40%; and case analysis 20%. The following distribution will be used to translate numerical scores into letter grades.

Grade Distribution

Numerical Score Range	Letter Grade
92.00 – 100.00	A
85.00 – 91.99	A-
80.00 – 84.99	B+
70.00 – 79.99	B
60.00 – 69.99	B-
50.00 – 59.99	C+
40.00 – 49.99	C

Employer reimbursement policy will not affect the grade a student earns for this course.

Teams: The MBA office has divided the class into teams. These teams will form the basis for class discussion, class assignments, and class study activities.

Test dates: First test, Friday, October 20, 2017, in class; second test, Friday, December 15, 2017, in class. Each test is closed book, closed notes, no phone use, and no computer use. Calculators (no phone calculators though) are allowed.

Reading Materials: The textbook for this class is David Besanko, David Dranove, Mark Shanley, Scott Schaefer, Economics of Strategy, Seventh Edition, 2016, John Wiley & Sons, designated below as *Besanko et al.* Moreover, PowerPoint lecture notes, and additional readings including class assignments and various handouts will be distributed in class or posted in the web site.

Electronic Communication: There is a class web site in Canvas which will serve as the electronic communication platform for this class.

COURSE OUTLINE

1. Economic Foundations and Principles

- Class Session 1

Introduction to course organisation.

Besanko et al., Economics Primer: Basic Principles.

- Class Session 2

Besanko et al., Economics Primer: Basic Principles.

Besanko et al., Chapter 2 : The Horizontal Boundaries of the Firm.

- Class Session 3

Besanko et al., Chapter 2 : The Horizontal Boundaries of the Firm.

Case discussion: *Leadership and Self-Deception*.

Case readings: The Arbinger Institute, *Leadership and Self-Deception: Getting Out of the Box*.

2. The Market Environment of Business Decisions

- Class Session 4

Test 1

Case Discussion: The Walt Disney Company.

Case readings: HBS Case 9-701-035; Besanko et al., Chapter 2 pp 83-93.

Besanko et al., Chapter 5: Competitors and Competition.

- Class Session 5

Besanko et al., Chapter 5: Competitors and Competition.

3. Strategic Interactions

- Class Session 6

Besanko et al., Chapter 9: Strategic Positioning for Competitive Advantage.

- Class Session 7

Besanko et al., Chapter 9: Strategic Positioning for Competitive Advantage.

Case Discussion: Crown Cork and Seal in 1989.

Case readings: HBS Case 9-793-035; Besanko et al., Chapter 8: Industry Analysis.

Case Discussion: British Satellite Broadcasting vs Sky Television

Case readings: HBS Case 9-794-031; Besanko et al., Chapter 6: Entry and Exit.

- Class Session 8

Test 2

Course Calendar and Deadlines

<u>Date</u>	<u>Deliverable/ Activity</u>
8/19	Class Session 1
8/20	Class Session 1
9/13	Leadership and Self Deception: Case Report, 7:00 pm.
9/15	Class Session 1
9/16	Class Session 2
9/17	Class Session 3
10/18	The Walt Disney Company: Case Report, 7:00 pm
10/20	TEST 1: in class
10/21	Class Session 4
10/22	Class Session 5
11/15	Crown Cork and Seal in 1989: Case Report, 7:00 pm
11/15	BSB vs Sky Television: Case Report 7:00 pm.
11/17	Class Session 6
11/18	Class Session 6
11/19	Class Session 7
12/15	Class Session 8: TEST 2: in class