



Econ 6110J: Competitive Strategy
Fall 2020 Syllabus (Tentative)

Xinyu Hua
Department of Economics

Time and Venue:

Time: 9:00– 12:50, Wednesdays, Oct. 28 – Dec. 9
Venue: TBD

Instructor:

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Email is always a great way to reach me.

Office Hours: By appointment

Course Web Site: canvas.ust.hk

Course credits: 2 credits

Course Description and Intended Learning Outcomes

Warren Buffet once said: “When an industry with a reputation for difficult economics meets a manager with a reputation for excellence, it is usually the industry that keeps its reputation intact.” Many managers fail to appreciate the numerous ways in which economic behavior and competition can destroy profitability. This course focuses on understanding competition and firm strategies using economic analysis.

Students are expected to

- Predict competitors' actions and reactions using basic game-theoretic methods. In the context of oligopoly market, analyze the strategic effects of various business strategies.
- Understand the impact of asymmetric information on market efficiency and strategies.
- Identify firms' competitive advantage and its sustainability.
- Work effectively within a team environment for solving both technical and non-technical problems.

Study Groups and Case Study Method

Each study group should have no fewer than three but no more than five people. The groups are responsible for working on case preparations and group assignments.

The approach toward teaching and learning competitive strategy is primarily inductive. That is, you will learn many concepts and topics outlined above largely through cases, examples, and some simple models – this is the essence of **the case study method**. The goal is to carefully study specific business situations and decisions with the goal of extracting broader principles, which will then be available to you in a wide variety of managerial contexts.

Good cases are necessarily complex and ambiguous (but not necessarily new). In preparing for case discussions, you may find sorting through this complexity and ambiguity to be frustrating. The problems presented in the case discussion may not have one correct answer. However, there will generally be a set of insights and solutions which are better than others. And it is in working through the messy details to find these insights and solutions – both in your preparation and in class discussions – that the concepts and principles introduced in the readings and lectures will come alive and be enriched for you. **For a case discussion to be a valuable learning experience, it is essential that you come prepared to discuss the cases and readings assigned for that class.**

What Materials Will We Use?

The key materials are the lecture notes, cases, and additional readings. You should not distribute these materials outside our class. The following book is just for reference but NOT required:

BDSS: *The Economics of Strategy*, 7th Edition, by David Besanko, David Dranove, Mark Shanley, and Scott Schaefer, Wiley.

How Will You Be Graded?

The grade is made up of five components:

- 1. Final Exam (50%):** This will be an in-class exam on **Dec 9**.
- 2. Individual Simulation (10%):** A URL will be sent to the class. Please finish the game and submit a brief summary **by 3 pm on Nov 10, Tuesday** (instructions to be distributed).
- 3. Group Written Assignment (10%):** **On Nov 18**, all groups please submit answers to a few questions (to be distributed).
- 4. Group Written Case Analysis (15%):** **On Dec 2**, some groups will submit a written report on the case “Revitalizing Dell” (and the Case Flash Forward), and the other groups will submit their report on the case “Enterprise Rent-A-Car”, based on

the case preparation questions on the course site. **The report should be in PowerPoint format and has no more than 20 slides. Two groups will be selected to make a 15-20 min presentation.**

5. Active Class Participation and Contribution (15%): Attendance, preparation, and participation are essential in this class. Active engagement means that you're are *listening carefully* to the comments of other students and seeking opportunities to make comments that move the class discussion forward. Class participation will be evaluated also on (1) the effort and incentives to prepare and to participate in class discussion, and (2) the evaluation of content.

HKUST Honor Code and Classroom Etiquette

The HKUST Academic Integrity and Honor Code apply to this course. In particular, the group assignments must be strictly your group's original work and the individual assignment must be your original work. And you should not get any course material from the classes in previous years.

Students are expected to arrive for class on time and the instructor will start the class according to schedule. Students should demonstrate respect for the instructor and fellow students during the class period. **Please try to avoid side conversations when your classmates raise questions or give comments.** You are welcome to bring your laptop or iPad to class. However, you may not engage in distracting behavior such as surfing the Web or instant messaging.

If the class is held online (via Zoom), **anyone attending the class online should turn on video/webcam and mute your mic.** We will make arrangements so that students will have opportunities to contribute to class discussions: you can use the "raise hand" function on Zoom and then our TA or I may call your name for sharing. Please be patient if there are technical/internet problems or if you are not called due to time constraints.

Brief Course Outline

The table below gives an approximate outline of the course. *The readings shown in italic are optional and NOT required.*

	Topic	Reading and preparation before class
Week 1	Game Theory and Oligopoly Competition Strategic Decisions I: Price and Quantity Competition	Background Notes “ECON Review for Strategy” Mini-Case on “CNS Worldwide” <i>BDSS: Chapter 5 and 7 (optional)</i>
Week 2	Strategic Decisions II: Price Discrimination	Case on “T-Mobile in 2013”
Week 3	Strategic Decisions III: Quality and Asymmetric Information	Individual Assignment due (online simulation) Case on “Rural Taobao” <i>BDSS: Chapter 10 (optional)</i>
Week 4	Strategic Decisions IV: Foreclosure and Strategic Contracts	Group Assignment 1 due <i>BDSS: Chapter 6 (optional)</i>
Week 5	Innovation and Disruption	Case on “Netflix Inc.: Disruptor Faces Disruption” Mini-Case on “Philips CD Introduction”
Week 6	Competitive Advantage	Case on “Revitalizing Dell” (and updates) Case on “Enterprise Rent-A-Car” (and updates) Group Assignment 2 due <i>BDSS: Chapter 8 and 9 (optional)</i>
Week 7	Review and Exam	