In this course we will analyse the strategic decisions made by firms to compete successfully in the marketplace, with a special emphasis on European specific problems and environment. The course will provide basic foundations of industrial economics, an introduction to game theory as a tool of strategic thinking but also consider other approaches from management science. We will consider American, European and Spanish firms case studies. We will also discuss the implications and limitations of corporate strategy given by competition law.

Learning Objectives

By completing this course, students will:

- Evaluate firm profitability and competitive advantage in relation to strategic decisions.
- Examine a variety of frameworks to understand a business environment.
- Develop tools to define the market and your business to formulate a strategic position.
- Formulate how to compete (or cooperate) with your rivals in a market.
- Recommend strategic decisions taking in consideration regulatory and antitrust restrictions.

Course Prerequisites

3 semesters of college-level micro- or macroeconomics. 1 semester of calculus recommended.

Methods of Instruction

The course will be taught in English, lectures will be presented in PowerPoint slides, we will discuss many cases and a guest lecturer and a fieldtrip. There will be class debate in every class, for example, to discuss a Harvard Business School case, a short newspaper article or to perform a simulation experiment. These activities will comprise 40% of time of every session. Active participation and debate is greatly encouraged.

Assessment and Final Grade

1. Midterm Exam 30%
2. Final Exam 30%
3. Term Paper Presentation 20%
4. Class Participation & Case Write-ups 20%
TOTAL 100%

Course Requirements

Midterm Exam

Final Exam

The exam will include some short questions, true-false with short explanations and a longer essay question about a short case/article provided in the exam. Each exam will last 80 minutes. The student will not pass the course without any of these two examinations.

Term Paper Presentation
The term paper will be a short description or analysis of the competitive strategy of a firm, no more than eight pages, with double spaced lines. In session seven, students will present the firm (selected by them), the introduction and motivation of the paper to get feedback from the class and the professor. The main findings and conclusions will be presented in class during the last two sessions with a final draft. The final and definite version of the paper will be handed in the day of the final exam. It will count as 20% of final grade.

**Class Participation & Case Write-ups**

Students are expected and encouraged to participate in class discussion and perform short quizzes. Readings (short, about ten-page article/cases) are assigned on a daily basis. (Books will be available in the CIEE library). Students are also expected to answer some three or four basic questions about the cases to be discussed in class.

**Attendance**

Regular class attendance is required throughout the program, and all absences will result in a lower participation grade for any affected CIEE course. Due to the intensive schedules for short-term programs, absences that constitute more than 10% of the total course will result in a written warning.

Students who transfer from one CIEE class to another during the add/drop period will not be considered absent from the first session(s) of their new class, provided they were marked present for the first session(s) of their original class. Otherwise, the absence(s) from the original class carry over to the new class and count against the grade in that class.

For CIEE classes, excessively tardy (over 15 minutes late) students must be marked absent. Attendance policies also apply to any required co-curricular class excursion or event, as well as to Internship, Service Learning, or required field placement. Students who miss class for personal travel, including unforeseen delays that arise as a result of personal travel, will be marked as absent. No make-up or re-sit opportunity will be provided.

Attendance policies also apply to any required class excursion, with the exception that some class excursions cannot accommodate any tardiness, and students risk being marked as absent if they fail to be present at the appointed time.

Absences will lead to the following penalties:

<table>
<thead>
<tr>
<th>Percentage of Total Course Hours Missed</th>
<th>Minimum Penalty</th>
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</thead>
<tbody>
<tr>
<td>Up to 10%</td>
<td>Participation graded as per class requirements</td>
</tr>
<tr>
<td>10 – 20%</td>
<td>Participation graded as per class requirements; grade penalty &amp; written warning</td>
</tr>
<tr>
<td>More than 20%</td>
<td>Automatic course failure, and possible expulsion</td>
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N.B. Course schedule is subject to change due to study tours, excursions, or local holidays. Final schedules will be included in the final syllabus provided to students on site.

**Weekly Schedule**

**Week 1**

Class: Introduction


Recommended reading: Besanko et al Introduction


Case discussion:
Week 2
Class: Developing Strategy
Defining: the horizontal and vertical boundaries of the firm.
Recommended reading: Besanko et al chapter 2 and 3.
Case discussions:
Inditex - Zara
Mercadona
The Investment Game (in class experiment)

Week 3
Class: Industry Analysis – Value Net
Recommended reading: Besanko et al chapter 10.
Case discussion: Crown, Cork and Seal

Week 4
Class: Strategic Positioning
Recommended reading: Besanko et al chapter 11.
Case discussion: Sunrise Medical

Week 5
Class: Competitors and Competition
Market definition and structure
Recommended reading: Besanko et al chapter 6.
Case discussion: Whole Foods and Wild Oats

Week 6
Class: Competitors and Competition (cont.)
Market Power - Price discrimination
Guest Speaker: To be announced
Term paper: short presentation (5 minutes) of the topic selected by the student

Week 7
Class: Competitors and Competition (cont.)
Competition Law and Policy – EU versus USA.
Introduction to Game Theory.
Case discussion: Virgin Atlantic and British Airways
Cournot and Bertrand competition.
In class experiment – Strategy simulations
Week 8
Class: Strategic Commitment

Required reading: Luis Garicano, Game theory, how to make it pay, in *Mastering Strategy*

Recommended reading: Besanko et al chapters 6 and 7

Week 9
Class: Dynamics of Price Competition and Price Wars

Recommended reading: Besanko et al chapter 8.


Case discussion:
Marlboro Friday, cigarette pricing wars in the USA and in Spain
Cartels: The envelope industry in Spain
FIELD VISIT: To Be Announced

Week 10
Class: Differentiation

Location models: Hotelling. Quality Competition.

Case discussions:
Inditex – Zara: What is quality?
iPhone 5S and 5C
Sunrise Medical revisited

Week 11
Class: Entry and Exit

Recommended reading: Besanko et al chapter 9.

Case: Dogfight over Europe: Ryanair

*Term paper: final oral presentation*

Week 12
Class: Final Exam

Course Materials

Readings


Cases

Ghemawat and J.L. Nueno Zara. HBS case 703497.

Hammer and R. Rosenbloom Crown, Cork & Seal. HBS case 388096

McGahan, A. Sunrise Medical. HBS case 794069

Rivkin, J. Dogfight over Europe: Ryanair (A). HBS 700115


Ton Z. and S. Harrow. Mercadona. HBS case 610089