Overview: This course applies tools from microeconomics to decision making in environments of strategic interdependence. We begin by offering a basic foundation in game theory and industrial organization (IO). Next, we illustrate the use of game-theoretic and IO tools for the familiar topics of industry analysis and competitive advantage. The majority of the course, which follows, will consider business settings with a small number of players, where strategic interdependence shapes the industry. Topics include entry, commitment, price wars, tacit collusion, antitrust and new product introduction. The course will rely heavily on case studies.

Grading:

- Class Participation: 20%
- Group Case Writeups: 30%
- New Case: 20%
- Final Exam: 30%

Class Participation: This is key to developing the ability to identify optimal strategies and communicate them persuasively. People who ask and answer questions subject their prior beliefs and knowledge to direct scrutiny, which facilitates learning and growth in confidence. Students are therefore encouraged to ask questions in class (especially clarifying questions!) and should expect to be cold-called with questions from the reading and cases. Each student is required to bring a name tent to class each day. I will begin each class with an open offer for any student to introduce a strategy-relevant current event for brief class discussion.

Group Case Writeups: Students should form groups of 4-5 people to collectively analyze cases. Each group is required to write up 4 cases. Group memos should be no longer than 2 pages and should focus on summarizing the case and addressing specific questions (provided later). Memos may include tables, figures and calculations that do not count against the 2-page limit.

New Case: Each group is required to develop a new mini-case, based on a current business situation, and summarize the strategic elements. Discuss relevant news (events, dates, commentary), then offer your own analysis (this is most certainly not an exercise in regurgitating what people already know). Limit your writing to 1000 words or less. Examples of how this might be done can be found at http://www.strategytoday.blogspot.com/, a blog that accompanied a course at Chicago Booth in 2005.
**Honor Code:** You will follow UGA’s Honor Code. You may not discuss cases with people outside of this class, nor may you use analyses written by others.


McAfee, P. *Competitive Solutions*. Princeton U. Press, 2002 (slightly less important, but extremely useful and not expensive)


**Course Plan:**

Note book chapters in parentheses: BDSS – Besanko et al (chapter in 2009 book listed first, with the 2004 chapter listed next in parentheses), M- McAfee, DS- Dixit and Skeath.

**Introduction**

Hand out syllabus, discuss course

**Game Theory Fundamentals (4-5 classes)**

Rules (DS 2, BDSS 1 (2004 - Economics Primer))
Simultaneous Move Games (DS 4)
Sequential Move Games, Bargaining (DS 2, M 14)
Mixed Strategies (DS 5)
*Case:* Nintendo (HBS 9-795-102)

**Monopoly (2)**

Price Discrimination (M 11)
Bundling

**Rivalry (2)**

Output Competition (Cournot), Price Competition (Bertrand) (BDSS 8 (2004 - 6))
Horizontal and Vertical Differentiation

**Industry Analysis (2)**

Porter’s Five Forces, the Value Net (BDSS 12 (2004 - 10), M 2)
*Case:* Fox Broadcasting Company (HBS 9-387-096)

**Competitive Advantage (2)**

Cost and Differentiation Strategies (BDSS 13 (2004 - 11), M 3)
*Case:* Airborne Express (HBS 9-799-157)

**Price Wars and Tacit Collusion (3)**

Dynamic Rivalry (BDSS 10 (2004 - 8), M 6)
Trigger Strategies
*Case:* GE-Westinghouse (380-128, 380-129, 380-130)
Entry and Exit (3)

Barriers to Entry (BDSS 11 (2004 - 9))
Deterrence, Judo Entry
Case: Ryan Air (HBS 700-115)

Commitment (3)

Credibility, Threats (BDSS 9 (2004 - 7))
Wars of Attrition (M 14)
Case: Sky Television (HBS 794-031)

Antitrust (3)

Overview of US Antitrust Laws (FTC Merger Guidelines)
Mergers, Foreclosure (M 9)
Case: NBCU-Comcast (to be written)

New Products (2)

R&D Races, Intellectual Property, Imitation
Case: Amgen’s Epogen (HBS 706-454)

Conclusion

make up day