

New Economic School
Masters in Finance
Economics of Strategy

Professor: Sergei Guriev

Email: sguriev@nes.ru

Summary

Why do some firms succeed and others fail? How do firms make their strategic decisions to build their advantage over competitors and sustain these advantages over time? This course discusses the most important strategic decisions: size and scope of the firm, static and dynamic competitive strategy, internal structure and incentives. The goal of the course is to provide the participants with a comprehensive economic framework that would allow to conduct firm and industry analysis in a changing environment, and to understand major tradeoffs that strategic decision makers face. Command of strategic analysis is crucial for a successful financial professional who has to understand how firms create and sustain wealth and how to design a financial strategy to support a chosen business strategy.

Teaching and Learning Strategy

The students will learn both through interactive lectures (50% of the time) and through examples (real-life case studies, the remaining 50%). The course involves a substantial amount of reading, most importantly the textbook and the case studies assigned each week. Each topic will include a lecture where we introduce the key points and tools of analysis and a discussion of a case study. 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. The most important benefit of discussing the case studies is to work out the trade-offs that the real-life managers face in their strategic decision making.

Students are expected to prepare cases in teams; it is essential to prepare for each week's case discussion and answer the assigned questions in writing. Each team should sign up for leading one in-class case discussion.

Grading

The grade is made up of four components:

- Midterm Exam (25%): The midterm will be a written take-home exam – answering a set of questions regarding a case study.
- Class Participation (25%): This includes written answers to cases and active participation in in-class discussion of cases.
- Final Exam (50%): The final will be a comprehensive take-home exam.

Readings

The textbook is *The Economics of Strategy*, 3rd Edition, by David Besanko, David Dranove, Mark Shanley, and Scott Schaefer (BDSS).

Additional readings:

Ian Davies (2006) “Maximizing shareholder value doesn't cut it anymore.”

[Knowledge@Wharton](#)

Jeffrey Immelt (2006) “Growth as a process” Harvard Business Review

Robert Kaplan and David Norton (2006) “How to implement a new strategy without disrupting your organization.” Harvard Business Review

Michael Porter (2006) “Why do good managers choose bad strategies?”

[Knowledge@Wharton](#)

Guest lectures (preliminary).

- Ivan Osadchiy, Head of Strategic Planning Department, Evrazholding
- Vadim Kleiner, Head of Research, Hermitage
- Anton Karamzin, CFO, MorganStanley, Russia

Course Schedule

Week	Date	Topic	Chapters in BDSS	Case*/ Additional reading
1	Jan 11	Introduction to the course. What is a strategy? Tools of strategic analysis.	Introduction. Primer. 1	Porter (2006) Davies (2006)
2	Jan 18	Firm's size and scope. Boundaries of the firm. Integration.	2-5	IBM. Skype.
3	Jan 27	Markets and competitive analysis. Game theory. Static oligopoly analysis.	6	DeBeers US steel industry.
4	Feb 1	Dynamic rivalry. Strategic commitment. Entry and exit.	7-9	Google
<i>Take-home mid-term exam (25%)</i>				
5	Feb 10	Industry analysis. Sustaining competitive advantage.	10-13	Hermitage Fund
6	Feb 15	Incentives in firms. Strategy and structure.	14-16	Kaplan and Norton (2006) UBS Enron
7	Feb 24	Authority. Leadership. Corporate culture.	17-18	Immelt (2006), GE's Jeff Immelt
<i>Take-home final exam (50%)</i>				

* While each case is assigned to a specific topic, it is also relevant for almost any other topic as almost every case requires a comprehensive analysis of designing and implementing a strategy.