



BUSINESS ECONOMICS II

This course, in continuation with Business Economics I, aims at understanding the new reality that organizations face. In particular, our focus and standpoint will be, mostly, economic. This course represents an economic reading of several organization features and, for this purpose, modern economic analysis tools will be presented, discussed and widely used.

The course is organized with a combination of theory, case discussion, and exercises.

FIRST PART. TOOLS AND PRELIMINARIES

1. Decision Theory

Decision making under uncertainty, the value of information

2. Game Theory

Normal-form games, Nash equilibrium, sequential-form games, subgame perfect Nash equilibrium

SECOND PART. FIRM BOUNDARIES

3. Horizontal boundaries

Economies of scale and scope, sources of economies of scale, learning curve, strategic use of the learning curve

4. Vertical Boundaries

“Make-vs-buy” dilemma, benefits and costs of using the market, the “Hold-up” problem, integration, networks

THIRD PART. MARKETS AND FIRMS

5. Market structure and competition

Competitors and competition, measures of concentration, conditions for price competition, entry and exit analysis, monopoly, oligopoly (Cournot and Bertrand), horizontal differentiation, price discrimination

6. Strategic Commitment

The commitment-flexibility trade-off, determinants of commitment, option value

THIRD PART. TOPICS

7. Topics

Innovation and productivity as a response to globalization.

BIBLIOGRAPHY

- David Besanko, David Dranove, Mark Shanley and Scott Schaefer, *Economics of Strategy*, Fourth Edition, 2007. Wiley. (Strongly recommended)
- Burnes, B.(2000 edition). *Managing Change. A Strategic Approach to Organizational Dynamics*. Prentice Hall.
- Hannagan, T. (2002 edition). *Management. Concepts and Practices*. Prentice Hall.
- Johnson, G. & Scholes, K. (2002 Edition). *Exploring Corporate Strategy. Text and Cases*. Prentice Hall.

- Stacey, R.D. (2000 Edition). Strategic Management & Organizational Dynamics. The Challenge of Complexity. Prentice Hall.
- Regular reading of *The Economist* magazine

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GRADING POLICY

The course grade will be determined on the following basis:

Assignments and class work:	30%
Team Project Presentation:	30%
Final Exam:	40%

Notes:

The failure to attend to exams, present assignments or any other of the grading criteria without justified and properly accredited cause entails that "0" points will be given for that criterion. The failure to attend the final exam, without justified and properly accredited cause, entails a final mark of "Not attended".

In September, the mark will be granted on the basis of:

September exam:	70%
Team Presentation Project:	30%