Teaching Effectiveness: Some Pointers for Kellogg

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This document is designed to help new faculty as they prepare for their first class at Kellogg. Ultimately, each of you will structure and teach a course that works best for you. You are in charge of your classroom and get to decide how to structure the classroom experience. The goal of this document is to support you in that endeavor. Each of the issues discussed in this document should also be discussed with your mentor. If you have any questions, please feel free to contact me directly at s-chopra@kellogg.northwestern.edu.

Syllabus

Please see the two attached sample syllabi

- David Besanko (Management and Strategy) – MECN 430 (Microeconomics, core class)
- Daniel Diermeier (MEDS) – MGMT 450 (Strategic management in non-market environments, elective)

The syllabus is a key communication document and is the contract between you and your class. It is often the first place the students will go to look for information. Given the students' perception of the syllabus as "the contract," it is best to avoid changing something you have specified on the syllabus. Changes relative to what is stated in the syllabus can cause confusion, making it much harder for the instructor and students. To avoid confusion, if you are going to make changes from the syllabus, please do so in writing and review these changes in class.

Before preparing your own syllabus, it is a good idea to get electronic copies of the syllabi used by a couple of other faculty teaching the same class. Please work with your mentor to identify the appropriate syllabi for you to start with.

Your syllabus should clearly convey the following information to the students:

- Your contact: office number, phone number, e-mail
- Office hours
- Course grade for assignments, exams, papers, participation etc. Please be as clear as possible with regards to the weight assigned to each submission / exam.
- Kellogg code of classroom etiquette and laptop use
- Kellogg honor code
- Course outline, ideally by class session, that conveys coverage in the session along with readings and submissions

COURSE GRADE FOR ASSIGNMENTS / EXAMS

Here is an example of the grading policy for OPNS 455 included in the syllabus.

Grade Component	**Individual / Group**	**Weight**
Submission Cases (4 full)	Group plus Peer Review	48 %
Assignments	Individual	12 %
Final Project	Individual or Group plus Peer Review	20 %
Final Exam	Individual	20 %

Lack of clarity on grades can be a major source of confusion and frustration among students. Be as clear as possible in your syllabus about the weight assigned to work done by the students. You should also be as clear as possible about resources that students may use / refer to as they are doing assignments or exams. This point is also discussed in detail under the Kellogg honor code. Finally, it is a good idea to use some peer review instrument for group work (see peer review page at the end of this document). This ensures that exceptional contributors can be rewarded and free riders are flagged and can be punished in terms of grades.

KELLOGG CODE OF CLASSROOM ETIQUETTE AND LAPTOP USE

Our goal at Kellogg is to have a classroom environment that enhances the learning environment. You are in charge of your classroom and get to set the environment that you feel works best. To support you in this effort, we have a Kellogg code of classroom etiquette (http://www.kellogg.northwestern.edu/stu_aff/policies/etiquette.htm). Students are expected to attend every class and inform faculty when unable to do so. They should be punctual and remain in the classroom throughout. If they have to leave early because of unavoidable circumstances, they should inform the faculty member. Students should refrain from disruptive behavior such as surfing the web, checking e-mail and holding side conversations. It is a good idea to remind students regarding the code of classroom etiquette in your first class.

Cell phones ringing in class can be very disruptive. Thus, all students should turn off their cell phone before the start of class. It is a good idea to remind students of this policy with a slide at the beginning of each class. A PowerPoint slide on cell phone and laptop use is available at

http://www.kellogg.northwestern.edu/dean/images/PhoneOff-ComputerOff.ppt

Our laptop use policy explicitly forbids use of the computer in class for any purposes other than those directly involved with taking notes or participating in class. The standard recommendation is that “all students using computers should make sure to be seated in the last row of class.” As the professor, you have the authority to override this policy by completely prohibiting laptop use or expanding its use if you deem that important. Please make sure to be explicit about your policy in your first class and to remind students regularly.

KELLOGG HONOR CODE

The honor code committee web site is at

http://www.kellogg.northwestern.edu/student/ksa/honor/index.htm

The site is a good source for honor code related information. It is important to remind students about the Kellogg honor code. The honor code itself and related processes are spelled out at

http://www.kellogg.northwestern.edu/stu_aff/policies/honorcode.htm

The Kellogg honor code is an important component of the learning environment. At its most effective, the honor code enhances learning opportunities in a way that a rigid system with complete monitoring would not be able to. While our honor code has been quite effective, there is some perception that it is not adhered to perfectly. The students' perspective on the honor code is available from the survey

http://www.kellogg.northwestern.edu/student/ksa/honor/memos/HC%20Survey%202007_v2.pdf

As you will see from the survey, honest students are uncomfortable with situations that would easily enable cheating and it is in our interest to avoid such opportunities. A few important points that come out from the survey include:

- Students feel that faculty should refrain from giving take home, timed, closed book/notes/cheat sheet exams as this procedure places honorable and conscientious students in a difficult position and often at a disadvantage. If timed, take home exams are given, it is best to use blackboard or have some other mechanism in place to verify that time limits are followed.
- Students feel that enforcing the "pens down" time clearly during in class exams, is desirable. Some students will often try to use a few extra minutes but please remember that this is unfair to the students that handed in their exam on time. If a TA is proctoring the exam, he or she should also follows a strict "pens down" policy.

It is a good idea to be specific about aspects of the honor code that are important for you. Being specific means including important aspects in your syllabus and repeating these aspects a few times in class (especially the first class).

Plagiarism is an aspect that students need to be educated on. A very good document prepared by Northwestern University is available at

http://www.northwestern.edu/uacc/plagiar.html

Besides the examples in the two syllabi attached, other good examples of clear honor code expectations include:

Robert McDonald (Finance)

In addition to the usual expectations created by the honor code, there are four aspects I want to interpret and emphasize for this class:

You must have a full understanding of any written material you submit with your name on it. I encourage you to work in groups as I believe this is the best way to learn. You may hand in group problem sets. However, it is an honor code violation if you are not completely familiar with the contents of a document bearing your name.

You may not use any material from previous offerings of this course in preparing material to be graded. For example, you may not look at problem set answers from previous quarters.

You may not collaborate on exams. (Yes, I know this sounds silly but I was advised by a GMA honor code rep that I need to say this explicitly!)

You must cite your sources. In written work you must

- provide complete citations for all your sources
- place in quotation marks any non-trivial portion that is taken directly from a source
- offer citation for any graphs or tables that are taken from another source.

Tim Thompson (Finance)

The structure of this class, especially the amount of group work and measurement of performance based on team product, makes the application of the honor code (for both students and teachers) a little trickier than in a midterm-final class. For example, I can not distinguish, other than information that is given to me on peer evaluations, to what extent one group member shirked on their group's behalf. The following examples, however, are concrete violations of the honor code:

1. Using, as a resource to complete any course requirements, any written or verbal account of a solution to any of the cases taught in the class.

2. Any communication to students in other sections of the class for whom a case is due at a later time concerning any details of the class discussion of the case.

These are written very broadly, I realize, and certainly do not exhaust the possible honor code concerns. The main issues I am addressing are the "unfair advantage" and "truthfully representing fact and self" tenets of the honor code.

Blackboard

Blackboard is a web-based class administration tool supported by Northwestern. Each class has its own "web site" that is pre-made, yet customizable by the instructor. Details about blackboard are available at

http://www.kellogg.northwestern.edu/kis/fit/usingbb.htm (Click on **Blackboard at Kellogg** for a general description)

Students that are registered for your class have a direct link to your blackboard site. Thus, it is a great vehicle to communicate with them. Please set up your blackboard site before classes start.

Even if you set up your own web site, it is a good idea to have a blackboard site that students can access and link to your own web site from there.

The Case Packet

Your case packet should be ready for submission seven weeks before the term in which the packet will be used. Please keep in mind that permissions must be obtained for all content of the case packet before it can be printed. That is the most time consuming step. A case packet typically contains hard copies of any cases and readings that you plan to use in class. Many faculty also include copies of the overheads they plan to use in class in the case packet. For more details regarding the case pack time line please get in touch with your department assistant.

It is rare that you will teach a brand new class when you begin. The best thing to do would be to start with a case packet used by a previous instructor and modify it to suit your style and content. Please talk to your mentor to identify suitable case packets to start with.

The first class

The first class is an important time for you to start establishing a relationship with your class. Take time to introduce your self and do talk about your research. Please make sure to touch upon the key parts of your syllabus such as etiquette, honor code, the timing of exams, course grading. Emphasize the key dates. Many faculty also have students introduce themselves briefly. Not everybody does this and it is up to you to see how student introductions fit with your plans for the first class.

Make sure to ask students to always display their nameplates. This will allow you to address them by name, an act that goes a long way in better engaging students in the classroom.

Many faculty have found it helpful to identify a student liaison in their first class. New faculty should find a liaison of particular value. Please ask students to volunteer for this important role and select one of the volunteers. The responsibilities of the liaison are very similar to academic reps in the first quarter core classes and include:

- Be a sounding board for the faculty member on student related issues
- Communicate any scheduling conflicts regarding assignments, classes, or exams to professors
- Organize dates for lunches with professors and students
- Collect TCE's and turning them in to Student Affairs during the last class

A typical class

Ultimately you are responsible for your class and should structure it in a way that works best for you. A few ideas that are often used by the very best instructors are listed below.

- Students like to be addressed by name in class. Given that not everyone is good at remembering names, it is a good idea to remind students to display their nameplates throughout the quarter. This makes it easy to address them by name.

- Class should start and end on time. Please make sure to emphasize the importance of being on time to your students. Classroom etiquette requires everyone to be in class on time. The beginning of the term usually has everyone coming on time but you will see tardy arrivals as other activities kick into higher gear. A late arrival disturbs the entire class, so please feel free to take a hard line on this. Also, repeated reminders of the importance of this issue will help. Your goal should be to start the class exactly at the designated time and also end at the designated time.

- You have probably heard the following three sentences related to good presentations – "Tell your audience what you are going to tell them. Tell them. Tell them what you told them." This advice also tends to work well in class. At the beginning of class, it helps to list the key learning objectives or the outline for the class. You can have a slide dedicated to the outline or lay it out on the board. It helps to come back to this outline as you finish each item. At the end of class, make sure to take 3-5 minutes to come back to this outline and provide a wrap up for all you discussed. Do not feel that you must accomplish all this the first time you teach. But planning in this manner can be very effective.

- Make an effort to involve the entire class. This helps you take advantage of the varied backgrounds that students will bring to class. Cold calling is an effective means of drawing students into a discussion and does not need to be intimidating. Based on their backgrounds, you may want to let specific students know that you will be calling on them.

Feedback

For any instructor, student feedback is very valuable and a key input for improvement. There are two official feedback points:

- Weeks 4/5: Midterm feedback to be distributed and collected by faculty (on forms provided by student affairs). This feedback is only for the instructor.
- Week 10: Teacher course evaluation forms are to be filled by the class. The results of this feedback are seen by the instructor only after the grades are submitted.

The midterm feedback is an opportunity to address concerns / issues raised by the students. It is a good idea to be specific about the changes you plan to put into place and make sure to discuss this with the students within a week of getting the feedback. Some faculty have designed mid-term feedback sheets that are very specific to them. I am including one designed by Mitchell Petersen in the Finance department.

As a first time instructor, half way through the quarter can be a long time before receiving your first feedback. It is a good idea to use the student liaison for this purpose. Set up short (10-15 minute) meetings with liaison for each of the first few weeks (perhaps until the mid-term feedback). The objective of these meetings will be for you to receive feedback from the liaison with regards to how the class is going. Timely feedback will allow you to respond more effectively.

Mid-term and finals

Please schedule the time of your mid-term and finals before the first class. Make sure to include these details in your syllabus and announce these dates in your first class. Starting the quarter with the dates in place allows the students to schedule their plans around these dates. **As discussed earlier under honor code, timed, closed book, take home exams are problematic**. **Also, ensure that the "pens down" time is strictly adhered to during exams**. This ensures fairness to all students.

If you give take home exams, please convey your availability during that period to students so they can come to you for clarifications.

Students should be given the opportunity to know what their performance has been in graded work and to understand the reasons for the grades they received on such work. Accordingly, graded examinations and papers should either be returned to students or, if retained by the instructor, made available for student inspection and discussion with the instructor.

Reasonable opportunity shall be provided for students to review final examinations and papers with their instructors during a period of at least two weeks at the beginning of the subsequent term. During this period, students are allowed to submit their papers for re-grading. Instructors should normally retain students' papers and answers to examination questions for at least one quarter.

Students will often ask for a "sample exam." You may want to use a sample exam from a colleague (given that you do not have historical samples) if that fits your style. If not, just give the students a general idea of the exam and how best they can prepare for it.

Grading and grade challenges

We are aiming for no more than 40 percent As in core classes and no more than 45 percent As in electives. We are also aiming for between 5-10% Cs with core classes having closer to 10% Cs. If you are one of multiple instructors teaching a class, try to maintain some degree of grading consistency across instructors.

If you plan to grade on class participation, it is critical to keep track of participation in real time (preferably noting it after each class). Some faculty use a spreadsheet and some simple codes to keep track of participation.

In case a student has concerns about the grade they have been assigned on assignment or test, please have them submit their concerns in writing. <u>**The faculty member is the ultimate authority on what the grade on an assignment / exam is**</u>. The following is the process we follow at Kellogg for re-grading (detailed in the policy handbook at http://www.kellogg.northwestern.edu/dean/faculty/policieshandbook.htm):

1. Students shall have up to 10 working days after written work has been graded and returned to them (or made available by other means) to submit it for re-grading. In contesting a grade, students should be informed that the entire work may be reviewed, not only the sections in question, and the final grade adjusted accordingly.

2. Submissions for re-grading must be done in writing, with the student outlining the specific areas of the work which he or she feels were incorrectly graded. All submissions should be signed and dated by the student.
3. Professors should re-grade the work being contested and return a written response to the student within 20 working days after the initial returning of the paper, explaining the results of the review and indicating whether the student's grade has changed. All written responses should be signed and dated by the professors.
4. If a student is still dissatisfied with the grading process, he or she shall have up to five working days after receiving the re-graded work to submit it a second time for re-grading, as outlined in Step 2 above.
5. Professors should re-grade the work within five working days of receiving it, as outlined in Step 3. This concludes the grading appeal process.

Note that the individual professor’s judgment on the second submissions of written work will be final. There are no provisions for further appeal in resolving grading disputes.

Group Peer Evaluation

Please use this form to evaluate all of the members of your group, including yourself, on your work together analyzing the cases, completing the leadership development exercises, and preparing for class. Grade each group member using the *comparative* scale below. Awarding a teammate a “1” would indicate that his/her initiative, dependability, etc. went above and beyond the other team members’. In contrast, a “-1” would reflect efforts that weren’t up to par with the other teammates’ inputs – that the person could’ve done more to carry a fair portion of the workload. A zero would indicate that the team member’s efforts and contributions were equal to most of the other group members’.

[-1]……[-0.5]……[0]…...[0.5]...…[1]

could’ve done more equal exceptional contributions

Team Member Name	**Quality of Contribution**	**Dependability**	**Initiative**

Finance II (441) Professor Petersen

MIDTERM EVALUATION

Should the lectures be more qualitative or more quantitative?

more qualitative	1	2	3	4	5	more quantitative

Is the instructor sensitive to students' questions and/or confusions?

insensitive	1	2	3	4	5	very sensitive

Is the instructor able to convey the course material in an interesting way?

v. uninteresting	1	2	3	4	5	v. interesting

Did the instructor present the course material in a well-organized fashion?

v. disorganized	1	2	3	4	5	v. organized

How much did you get out of the course? (so far)

very little	1	2	3	4	5	a great deal

Class Participation Policy:

As you know, I call on people in class when I have a question. Sometimes I call on people at random (i.e. those that don't have their hand up). Which of the following describes your reaction to this?

___ I like this policy because I often have something to say, but I don't like to compete to be called on.
___ I like this policy because I am shy and need to be encouraged to talk more.
___ I like this policy, because it gives me an incentive to be more prepared.
___ I do *not* like this policy because sometimes I am not able to prepare for class.
___ I do *not* like this policy because I am shy and don't want to talk.
___ I do *not* like this policy, but it gives me an incentive to be more prepared.

The following are suggestions of how I might improve the class interaction.

Choice of people to participate:

___ Try to get input from more people.
___ Try to get input from fewer people.
___ Cut off people who talk too much.
___ Encourage more debating between class members (always or just during cases).

Additional questions are on the back of this page.

When I ask questions:
___ Ask questions that are more specific.
___ Ask questions that are more general.
___ Ask more questions of people that do not volunteer.
___ Pause longer after asking questions to let people think.

Approximately how many times have you accessed the Corporate Finance Web Page?

Approximately how many times have you read the posting to the Corporate Finance Newsgroup?

How do you read the Corporate Finance Newsgroup? (circle one).

Through the Web Via E-mail

You may return this to me at the end of class or leave it in my mailbox in the main office.

Undergraduate Academic Conduct Committee
Academic Integrity at Northwestern

UACC > *Avoiding Plagiarism*

HOW TO AVOID PLAGIARISM

Northwestern's "Principles Regarding Academic Integrity" defines plagiarism as "submitting material that in part or whole is not entirely one's own work without attributing those same portions to their correct source." Plagiarism can occur in many forms besides writing: art, music, computer code, mathematics, and scientific work can also be plagiarized. This document pays special attention to plagiarism in writing, but it is important to understand that unauthorized collaboration in a math or science assignment is also plagiarism.

In all academic work, and especially when writing papers, we are building upon the insights and words of others. A conscientious writer always distinguishes clearly between what has been learned from others and what he or she is personally contributing to the reader's understanding. To avoid plagiarism, it is important to understand how to attribute words and ideas you use to their proper source.

Guidelines for Proper Attribution

Everyone in the university needs to pay attention to the issue of proper attribution. All of us--faculty and students together--draw from a vast pool of texts, ideas, and findings that humans have accumulated over thousands of years; we could not think to any productive end without it. Even the sudden insights that appear at first glance to arrive out of nowhere come enmeshed in other people's thinking. What we call originality is actually the innovative combining, amending, or extending of material from that pool.

Hence each of us must learn how to declare intellectual debts. Proper attribution acknowledges those debts responsibly, usefully, and respectfully. An attribution is responsible when it comes at a location and in a fashion that leaves readers in no doubt about whom you are thanking for what. It is useful when it enables readers to find your source readily for themselves. You help them along the way, just as that same source helped you along yours. To make sure that our attributions are useful, we double-check them whenever we can. Quite literally, it is a habit that pays. Colleagues in every field appreciate the extra care. Nothing stalls a career faster than sloppy, unreliable work.

Finally, an attribution is respectful when it expresses our appreciation for something done well enough to warrant our borrowing it. We should take pride in the intellectual company we keep. It speaks well of us that we have chosen to use the work of intelligent, interesting people, and we can take genuine pleasure in joining our name with theirs.

A Note about Attributions or Citations

Usually the most helpful form of attribution is a citation (footnote, end note, in-text note) in which you give precise information about your source. Professors and disciplines may vary as to the preferred style for documenting ideas, opinions and facts, but all methods insist upon absolute clarity as to the source and page reference, and require that all direct quotations be followed by a citation. The best solution is to ask which method your instructors prefer. The Reference desk of NU's library has manuals available, but form is not as important as substance.

It is sometimes difficult to judge what needs to be documented. Generally knowledge which is common to all of us or ideas which have been in the public domain and are found in a number of sources do not need to be cited. Likewise, facts that are accepted by most authorities also do not require a citation. Grey areas, however, exist and sometimes it is difficult to be sure how to proceed. If you are in doubt, err on the side of over-documentation.

The following passages come from a number of sources, including undergraduate essays. They are all appropriately documented and each represents a different kind of problem that you will be facing in your own written work.

Examples of Materials which Have Been Appropriately Cited

I. Quoted Material and Unusual Opinion or Knowledge

Source:
The teenage detective who was once a symbol of spunky female independence has slowly been replaced by an image of prolonged childhood, currently evolving toward a Barbie doll detective. ... Every few pages bring reminders of Nancy's looks, her clothing, her effect on other people. ... The first entry in this series carries a description of Nancy: "The tight jeans looked great on her long, slim legs and the green sweater complemented her strawberry-blonde hair."
Jackie Vivelo, "The Mystery of Nancy Drew," *MS.*, November, 1992, pp. 76-77

Use and Adaptation of the Material:
Nancy Drew has become a "Barbie doll" version of her old self. She has become superficial and overly concerned with her looks. She is described in the new series as wearing "tight jeans [that] looked great on her long, slim legs."[1] She has traded her wits and independent spirit for a great body and killer looks.[2]

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[1] Jackie Vivelo, "The Mystery of Nancy Drew," *MS.*, November, 1992, p. 77.
[2] Vivelo, pp. 76-77

Explanation:
The writer has paraphrased most of the material, and she has borrowed a few of the author's words. She has also discovered that the paraphrased ideas are unusual (not found in other sources). Therefore, the writer has placed quotation marks around the author's words and has credited the author twice--once directly after the quoted material and once at the conclusion of the author's ideas.

II. Interpretation

Source:
One recent theory, advanced by the physicist Gerald Hawkins, holds that Stonehenge was actually an observatory, used to predict the movement of stars as well as eclipses of the sun and moon. Such a structure would have been of great value to an agricultural people, since it would enable them to mark the changing seasons accurately, and it would have conferred seemingly supernatural powers on the religious leaders who knew how to interpret its alignments.
Stanford Lehmberg, *The Peoples of the British Isles: A New History*, vol. I, (Wadsworth Publishing Company, 1992), p. 9.

Use and Adaptation of the Material:
If Stonehenge was an astronomical observatory which could predict the coming of spring, summer, and fall, this knowledge would have given tremendous power to the priestly leaders of an agricultural community.[1]

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[1] Stanford Lehmberg, *The Peoples of the British Isles: A New History*, vol. I, (Wadsworth Publishing Company, 1992), p. 9

Explanation:
The writer has appropriately cited this material since the writer is in debt to someone else for the analysis, even though the writer has not used any direct quotations.

III. Paraphrased Material

Source:
As a recent authority has pointed out, for a dependable long-blooming swatch of soft blue in your garden, ageratum is a fine choice. From early summer until frost, ageratum is continuously covered with clustered heads of tine, silky, fringed flowers in dusty shades of lavender-blue, lavender-pink, or white. The popular dwarf varieties grow in mounds six to twelve inches high and twelve inches across; they make fine container plants. Larger types grow up to three feet tall. Ageratum makes an excellent edging.
How to Grow Annuals, ed. Sunset Books and Sunset Magazine (Menlo Park, CA: Lane Books, 1974), p. 24.

Use and Adaptation of the Material:
You can depend on ageratum if you want some soft blue in your garden. It blooms through the summer and the flowers, soft, small, and fringed, come in various shades of lavender. The small varieties which grow in mounds are very popular, especially when plandted in containers. There are also larger varieties. Ageratum is good as a border plant.[1]

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[1]*How to Grow Annuals*, ed. Sunset Books and Sunset Magazine (Menlo Park, CA: Lane Books, 1974), p. 24.

Explanation:

The writer has done a good job of paraphrasing what could be considered common knowledge (available in a number of sources), but because the structure and progression of detail is someone else's, the writer has acknowledged the source. This the writer can do at the end of the paragraph since he or she has not used the author's words.

IV. Using Other Authors' Examples

Sources:
The creative geniuses of art and science work obsessively. ... Bach wrote a cantata every week, even when he was sick or exhausted.
Sharon Begley, "The Puzzle of Genius," *Newsweek*, June 28, 1993, p. 50.

Albert Einstein published nearly 250 papers in his life, but a sizeable percentage of them were ignored or even proven wrong.
"What Produces Scientific Genius?" *USA Today*, June 1989, p. 11.

Use and Adaptation of the Material
If there is a single unifying characteristic about geniuses, it is that they produce. Bach wrote a cantata every week. Einstein drafted over 250 papers.[1]

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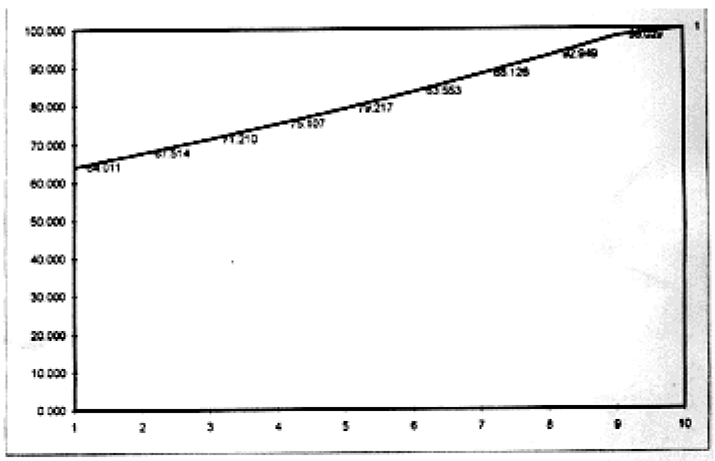
[1]Sharon Begley, "The Puzzle of Genius," *Newsweek*, June 28, 1993, p. 50; "What Produces Scientific Genius?" *USA Today*, June 1989, p. 11.

Explanation:
Instead of finding an original example, the writer has used an author's example to back up what the writer had to say; therefore the writer has cited it.

V. Using Other Authors' Charts and Graphs

Source:



	01/01/96	01/01/97	01/01/98	01/01/99	01/01/00	01/01/01	01/01/02	01/01/03	01/01/04	05/15/04
ADJ COST:	64.011	67.514	71.210	75.107	79.217	83.553	88.126	92.949	98.029	100.000
ACCRETION:		3.503	3.696	3.897	4.110	4.336	4.573	4.823	5.080	1.971
INTEREST:		875.750	924.000	974.250	1027.500	1084.000	1143.250	1205.750	1270.000	492.750
ILL TAX DUE:		26.273	27.720	29.226	30.825	32.520	34.298	36.172	38.100	14.783

Accretion Chart for Illinois tax on OID bond, prepared by John Lindsay, Principal Financial Securities, Inc., 6/12/95.

Use and Adaptation of the Material:
As the following chart indicates, investment in an OID (Original Issue Discount) bond is taxable by the State of Illinois on the accretion and interest.[1]

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[1]Accretion Chart for Illinois tax on OID bond, prepared by John Lindsay, Principal Financial Securities, Inc., 6/12/95.

Explanation:
Instead of creating an original chart or graph, the writer has used one from an outside source to support what the writer has to say; therefore the chart or graph has been cited. If the writer had created an original chart, some of the facts might need citations (see example VIII).

VI. Using Class Notes

Source: Lecture Notes
A. Born in USA--Springsteen's 7th, most popular album
a. Recorded with songs on Nebraska album--therefore also about hardship
1. Nebraska about losers and killers
b. About America today--Vietnam, nostalgia, unemployment, deterioration of family
c. Opening song--many people missed the Vietnam message about how badly vets were treated.
class notes--Messages in Modern Music A05
Professor Mary McKay--March 10, 1995

Use and Adaptation of the Material:
As Professor McKay has pointed out, many of the songs in *Born in the USA* (Springsteen's seventh and most popular album), including the title song, were recorded with the songs on *Nebraska*. Consequently, *Born in the USA* is also about people who come to realize that life turns out harder and more hurtful than what they might have expected. However, while *Nebraska* deals with losers and killers, *Born in the USA* deals more locally with the crumbling of American society--its treatment of returning Vietnam veterans, its need to dwell on past glories, its unemployment and treatment of the unemployed, and the loss of family roots. This is apparent from the opening song of the album "Born in the USA" in which Springsteen sings from the perspective of a Vietnam Veteran.[1]

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[1]Mary McKay, "Messages in Modern Music" A01 (Northwestern University) March 10, 1995.

Explanation:
The writer has acknowledged that these ideas (which are not commonly held or the writer has not investigated to find out if they are commonly held) come from a lecture.

VII. Debatable Facts

In the campaigns of 1915 Russian casualties have been conservatively estimated at more than 2 million.
Gordon Craig, *Europe Since 1815* (Dryden Press, 1974), p. 370.

By the end of the summer [of 1915] in addition to military casualties totalling 2,500,000 men, Russia had lost 15 percent of her territories...
L. S. Stavrianos, *The World Since 1500* (Prentice Hall, 1966), p. 438.

Response to the Material
Estimates of the number of deaths in Russia during 1915 range from over two million[1] to two and a half million.[2]

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[1] Gordon Craig, *Europe Since 1815* (Dryden Press, 1974), p. 370.
[2] L. S. Stavrianos, *The World Since 1500* (Prentice Hall, 1966), p. 438.

Explanation:
The writer found different facts in different sources; therefore the "facts" needed to be documented.

VIII. Unusual Facts

Source:
There also has been a dramatic shift in the percentage of our students whose mothers work outside the home. Approximately 80% of our entering students in 1994 have mothers who are employed outside the home. In 1967, more than half of our students' mothers were full-time homemakers.
"Characteristics of Northwestern Students: Data from the Cooperative Institutional Research Project," Northwestern University, 1994 p. 2.

Use and Adaptation of the Material:
At Northwestern University, the rise in the number of mothers working outside the home has been dramatic--moving from less than half in 1967 to about 80 percent among the freshman class of 1994.[1]

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[1]"Characteristics of Northwestern Students: Data from the Cooperative Institutional Research Project," Northwestern University, 1994 p. 2.

Explanation:
The writer found this fact in only one source and wants his reader to know where to find it.

Plagiarism

Failure to acknowledge the sources from which we borrow ideas, examples, words and the progression of thought constitutes plagiarism.
Here are some examples:

A. DIRECT PLAGIARISM

Source Material
From: *Emotion in the Human Face: Guidelines for Research and an Integration of Findings* by Paul Ekman, Wallace V. Friesen, Phoebe Ellsworth (New York: Pergamon Press, Inc), p.1. (Psychology source)

The human face in repose and in movement, at the moment of death as in life, in silence and in speech, when alone and with others, when seen or sensed from within, in actuality or as represented in art or recorded by the camera is a commanding, complicated, and at times confusing source of information. The face is commanding because of its very visibility and omnipresence. While sounds and speech are intermittent, the face even in repose can be informative. And, except by veils or masks, the face cannot be hidden from view. There is no facial maneuver equivalent to putting one's hands in one's pockets. Further, the face is the location for sensory inputs, life-necessary intake, and communicative output. The face is the site for the sense receptors of taste, smell, sight, and hearing, the intake organs for food, water, and air, and the output location for speech. The face is also commanding because of its role in early development; it is prior to language in the communication between parent and child.

Misuse of source
(italicized passages indicate direct plagiarism):
Many experts agree that *the human face*, whether *in repose or in movement, is a commanding, complicated, and sometimes confusing source of information. The face is commanding because it's visible and omnipresent.* Although *sounds and speech may be intermittent, the face even in repose* may give information. *And, except by veils or masks, the face cannot be hidden. Also, the face is the location for sensory inputs, life-supporting intake,* and communication.

Comment
The plagiarized passage is an almost verbatim copy of the original source. The writer has compressed the author's opinions into fewer sentences by omitting several phrases and sentences. But this compression does not disguise the writer's reliance on this text for the concepts he passes off as his own. The writer tries to disguise his indebtedness by beginning with the phrase "Many experts agree that. ..." This reference to "many experts" makes it appear that the writer was somehow acknowledging the work of scholars "too numerous to mention." The plagiarized passage makes several subtle changes in language (e.g., it changes "visibility and omnipresence" to "it's visible and omnipresent"). The writer has made the language seem more informal in keeping with his own writing style. He ignores any embellishments or additional information given in the source-passage. He contents himself with borrowing the sentence about how only masks and veils can hide the face, without using the follow-up elaboration about there not being a "facial equivalent to putting one's hands in one's pockets." He also reduces the source's list of the face's diverse activities at the end of the paragraph.
Had the writer credited the authors of the Emotions book in this text or in a footnote, and enclosed the borrowed material in quotation marks, this would have been a legitimate use of a source.

B. THE MOSAIC

Source Material
From: *Language in Sociocultural Change* by Joshua Fishman (Stanford University Press, 1972), p.67. (Linguistics source)

In a relatively open and fluid society there will be few characteristics of lower-class speech that are not also present (albeit to a lesser extent) in the speech of the working and lower middle classes. Whether we look to phonological features such as those examined by Labov or to morphological units such as those reported by Fischer (1958) (Fischer studied the variation between -in' and -ing for the present participle ending, i.e. runnin' vs. running and found that the former realization was more common when children were talking to each other than when they were talking to him, more common among boys than girls, and more common among "typical boys" than among "model boys"), we find not a clear-cut cleavage between the social classes but a difference in rate of realization of particular variants of particular variables for particular contexts. Even the widely publicized distinction between the "restricted code" of lower-class speakers and the "elaborate code" of middle-class speakers (Bernstein 1964, 1966) is of this type, since Bernstein includes the cocktail party and the religious service among the social situations in which restricted codes are realized. Thus, even in the somewhat more stratified British setting the middle class is found to share some of the features of what is considered to be "typically" lower-class speech. Obviously then, "typicality," if it has any meaning at all in relatively open societies, must refer largely to repertoire range rather than to unique features of the repertoire.

Misuse of source
(italicized passages indicate direct plagiarism):
In a relatively fluid society many characteristics of lower-class speech will also be found among the working and lower middle classes. Labov's and Fischer's studies show that *there is not a clear-cut cleavage between social classes but only a difference* in the frequency of certain speech modes. All classes share certain speech patterns. The difference among classes would only be apparent by the frequency with which speech expressions or patterns appeared. By this standard, then, Bernstein's distinction between the "restricted code" of the lower-class speakers and the "elaborated code" of middle-class speakers is useful only up to a point, since Bernstein mentions cocktail parties and religious services as examples of "restricted speech" groupings. "Typicality" *refers more to speech "range" than to particular speech features.*

Comment
While this passage contains relatively few direct borrowings form the original source, all its ideas and opinions are lifted from it. The writer hides her dependency on the source by translating its academic terms into more credible language for a novice in sociology. For example, the plagiarist steers clear of sophisticated terms like "phonological features," "morphological units," and "repertoire range." However, her substitutions are in themselves clues to her plagiarism, since they over-generalize the source's meaning. The writer seems to acknowledge secondary sources when she refers to Labov's and Fischer's studies, but she obviously has no first-hand knowledge of their research. If she had consulted these studies, she should have footnoted them, rather than pretending that both she and her audience would be completely familiar with them. She intertwines her own opinions with the source and forms a confused, plagiarized mass.
The writer should have acknowledged her indebtedness to her source by eliminating borrowed phrases and crediting her paragraph as a paraphrase of the original material.

C. PARAPHRASE

Source Material
From: *Cliff's Notes* on *The Sun Also Rises* by Ernest Hemingway

THE DISCIPLINE OF THE CODE HERO
If the old traditional values are no good anymore, if they will not serve man, what values then will serve man? Hemingway rejects things of abstract qualities courage, loyalty, honesty, bravery. These are all just words. What Hemingway would prefer to have are concrete things. For Hemingway a man can be courageous in battle on Tuesday morning at 10 o'clock. But this does not mean that he will be courageous on Wednesday morning at 9 o'clock. A single act of courage does not mean that a man is by nature courageous. Or a man who has been courageous in war might not be courageous in some civil affair or in some other human endeavor. What Hemingway is searching for are absolute values, which will be the same, which will be constant at every moment of every day and every day of every week.
Ultimately therefore, for Hemingway the only value that will serve man is an innate faculty of self-discipline. This is a value that grows out of man's essential being, in his inner nature. If a man has discipline to face one thing on one day he will still possess that same degree of discipline on another day and in another situation. Thus Francis Macomber in the short story "The Short, Happy Life of Francis Macomber," has faced a charging animal, and once he has had the resolution to stand and confront this charging beast, he has developed within himself a discipline that will serve him in all situations. This control can function in almost any way in a Hemingway work.

Misuse of source:
Hemingway tries to discover the values in life that will best serve man. Since Hemingway has rejected traditional values, he himself establishes a kind of "code" for his heroes. This code is better seen than spoken of. The Hemingway hero doesn't speak of abstract qualities like courage and honesty. He lives them. But this living of values entails continual performance the Hemingway hero is always having his values put to the test.
How can the hero be up to this continual test? Hemingway stresses the faculty of self-discipline as the backbone of all other virtues. Self-discipline places man's good qualities on a continuum. The dramatic change in Francis Macomber in "The Short, Happy Life of Francis Macomber" stems more from his new-found self-control than from any accidental combination of traits.

Comment
This illustrates plagiarism since the writer used the notion of the "Hemingway code hero" presented in Cliff's Notes as the sole basis for his own essay. He has absorbed his source's concepts, re-phrased them, and, perhaps, made them simpler. But there is a one-to-one relationship between the development of ideas in the Cliff's Notes and the plagiarists' rendition.
The first two sentences of the plagiarist's are directly borrowed from his source; the remaining sentences are more artfully disguised. The worst feature of this idea-copying is that it seems to be the end product of a close reading of Hemingway's "Short, Happy Life," the writer makes it appear that his

comments are based on this short story.
The writing here would be acceptable if he had written the same paraphrase with the proper acknowledgement of his source.

D. INSUFFICIENT ACKNOWLEDGEMENT

Source Material
From: Peter Laven, *Renaissance Italy*: 1464-1534 (New York: Capricorn, 1964), pp. 130f.

The tenacious particularism of the Italian state gave rise to a wide variety of constitutional solutions and class structures throughout Italy. Even conquered territories and those swallowed up by bigger neighboring powers often managed to retain much of their internal organization as it had been. If power changed hands, the instruments and forms of power usually remained the same. Since the economic needs of such territories did not suddenly alter with a change of government or master, those classes which had been important before the change tended to continue to be important afterwards as well. Only when the nature of the change was economic and social might there have been a reversal in the relationships of classes; but even in this there was no sudden revolution in the structure of classes.

Misuse of source:
In his comprehensive study, *Renaissance Italy*, Peter Laven discusses the peculiar organization of Renaissance city-states:
The tenacious particularism of the Italian states gave rise to a wide variety of constitutional solutions and class structures throughout Italy. Even conquered territories and those swallowed up by bigger neighboring powers often managed to retain much of their internal organization as it had been.[1]
This means that if power changed hands, the instruments and forms of power usually remained the same. Since the economic needs of such territories did not suddenly alter with a change of government or master, those classes which had been important before the change tended to continue to be important afterwards as well. Only when the nature of the change was economic and social might there have been a reversal in the relationships of classes; but even in this there was no sudden revolution in the structure of classes.

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[1] Peter Laven, *Renaissance Italy,* p. 130-31.

Comment
This half-crediting of a source is a common form of plagiarism. It stems either from a desire to credit one's source and copy it too, or from ignorance as to where to footnote. The general rule is to footnote after rather than before your resource material. In this case, the plagiarist credits historian Peter Laven with two sentences and then continues using the author without giving acknowledgement. The writer disguises the direct plagiarism as a paraphrase by using the falsely-explanatory phrase "This means that ..." in the third sentence. This example of plagiarism is especially reprehensible because the writer seemingly acknowledges her source--but not enough.

The section on attribution was written by Jean Smith of the CAS Writing Program, with help from Bob Wiebe of the History Department. Contributers include Katrina Cucueco (Speech '96), Ryan Garino (CAS '98), Scott Goldstein (Tech '96), and Jean Smith and Ellen Wright of the Writing Program. The examples of plagiarism and comments are based upon *Sources: Their Use and Acknowledgement* (published by Dartmouth College).

For more on plagiarism, see Charles Lipson, *Doing Honest Work in College. How to Prepare Citations, Avoid Plagiarism, and achieve Real Academic Success* (Univ. of Chicago Press, 2004) and UC Davis's "Plagiarism--The Do's and Don'ts"


The Arch on the Evanston campus

MECN 430
Microeconomic Analysis
Fall Quarter 2006 Syllabus

**** REVISED ****

Tuesday and Friday
10:30 a.m. – 12 noon
3:30 p.m. – 5:00 p.m.

Professor David Besanko
(847) 491-7753
www.kellogg.northwestern.edu/faculty/besanko/

Office Hours:
Tuesday and Friday, 1:30 – 2:30 p.m.
Thursday 12:30 – 4:30 p.m.

What is this Course About?

The social purpose of any business, Peter Drucker has written, is to create and serve a satisfied customer. A business fulfills this purpose by combining inputs such as labor, materials, and capital to make products and services whose attributes succeed in satisfying consumer needs and desires. The business survives and thrives by charging a price that equals or exceeds the cost of delivering the attributes that consumers value. In short, businesses are institutions that exist to create and capture economic value. Which brings us to the subject of this course: ***MECN 430 is about the economic forces that determine the extent to which businesses can capture the value that they create.***

Ultimately, the prices that consumers pay for a firm's product, and the prices that the firm pays for the inputs it acquires to make that product, determine the extent to which economic value is divided between the firm, its consumers, and its suppliers. ***The objective of MECN 430 is to teach you how to use structured thinking based on microeconomic theory to enable your intuition about how economic fundamentals (e.g., demand, cost, market structure, and government policy) determine the prices that prevail in a market.*** An understanding of the economic fundamentals governing the distribution of value in markets is critical to informed strategic decision making on issues relating to pricing, capacity management, new market entry, and exit decisions.

More specifically, by the time you are done with this course, you will have learned how to do five things:

1. You will know how to construct a fact-based, logically grounded analysis of a competitive market that will allow you to make educated conjectures about the likely path of prices in that market.
    - *Such conjectures can serve as a valuable input into financial analyses of major strategic decisions such as capacity expansion or new market entry.*

2. You will learn how to identify the categories of costs that are relevant for critical business decisions such as pricing, capacity abandonment and exit, and new market entry.
    - *A typical business's costs fall into numerous categories, and mistakes in identifying which of these categories truly matter for the decision at hand can lead to decisions that impair a business's competitiveness and destroy profitability.*
3. You will be able to construct models of how government interactions shape the determination of prices and the distribution of value in competitive markets.
    - *Insight about the economic impact of government policies not only makes you a more informed consumer of the business and economic press (which can help you in job interviews!), but it also can help you spot opportunities for using the institutions in the non-market environment of your business to capture additional value or prevent the capture of value at your expense by others.*
4. You will learn how the interplay between cost and demand fundamentals determines profit-maximizing pricing decisions.
    - *Price is the most important of the "4-P's" and an understanding of the role of economic fundamentals can translate directly into more profitable pricing decisions.*
5. You will learn several important game-theory based models of competition in oligopoly markets.
    - *Game theory models of market competition are widely used by strategic planners, management consultants, and investment analysts, and the construction of simple models can force the decision maker or analyst to surface and confront hidden assumptions about competition and competitors.*
6. You will learn how wages are determined in a labor market in a global economy.
    - By understanding how labor markets work, you will be able to judge the likely impact of immigration reform on U.S. workers.

To accomplish these objectives, the course is divided into five parts:

1. The Determination of Prices in Perfectly Competitive Markets (A): Supply, Demand, and Entry and Exit Dynamics.

    In this part of the course, we study how supply and demand interact to determine prices in perfectly competitive markets, markets such as copper, aluminum, fresh flowers, and commodity semiconductors, in which an individual firm lacks the power, by itself, to determine the market price. You will learn how to construct a market supply curve from actual data on costs and capacity. You will learn how to estimate a market demand curve from actual data on quantities, prices, and other demand drivers. You will learn how the supply curve and the demand curve can be used together to develop educated conjectures about the path of market prices in an industry. You will also develop intuition about the factors that permit a firm to attain above-average returns in what are often harsh and volatile industry environments.

2. The Determination of Prices in Perfectly Competitive Markets (B): Government Intervention.

    In this part of the course, you will learn how government policy can affect prices and the creation and distribution of value in perfectly competitive markets. To illustrate a government program that can have a negative impact on value creation in a competitive market and a substantial impact on the distribution of value in the market, we will study the controversy surrounding U.S. cotton subsidies in the global market for cotton. To see an example of a government policy that has probably had a beneficial impact on value creation in a market, we will study London's congestion charge, which has been in operation since 2003.

3. The Determination of Prices and Outputs in Markets Dominated by a Single Firm.

    In this part of the course, we study how price and output are determined by firms that have dominant market share in their industries (e.g., Microsoft in the market for personal computer market operating systems or Intuitive Surgical in the market for the robotic surgical arms that are used for prostate surgeries and hysterectomies). In this part of the course, you will learn how cost and demand fundamentals interact to determine profit-maximizing output and price levels. You will also learn how businesses can exploit differences in consumer willingness to pay or price elasticities of demand to capture additional value through judicious pricing strategies.

4. The Determination of Prices in Oligopoly Markets.

    In the fourth part of the course, you will learn how to use microeconomics to study competition between business firms in oligopoly markets. In particular we will study short-run price competition in an oligopoly (with a special focus on markets in which firms produce differentiated products, such as automobiles, beer, or consumer packaged goods) and long-run capacity competition (with a special focus on markets in which firms produce commodity products, such as optical fiber).

5. The Determination of Wages in Labor Markets in a Global Economy.

   In the final part of the course, we turn our attention to labor markets. We focus particular attention on an important determinant of wages in both the market for unskilled and skilled workers: public policy toward immigration. We will spend two classes on this topic, with the first class being shaped around team presentations of recommendations of what U.S. policy toward immigration ought to be.

Pedagogy

The course relies on a combination of lectures, case discussions, and problems to develop the key learning points that will emerge from the course. Each class will typically be focused on a case or an extended exercise. The class will typically begin with a discussion of the case or exercise, and key concepts that arise in the case or exercise will be developed through short lectures that are interspersed with the discussion.

Weekly Class Preparation

The material to be prepared each week is detailed in the course outline below. In addition to required readings, you will have four types of assignments throughout the quarter: cases, exercises, homework assignments, and drill problems. Each category requires a different type of preparation, as follows:

Cases

You are required to prepare all cases covered in this course, and you should come to class prepared to discuss each case. Each case will be accompanied by a set of discussion questions that should guide you in your preparation. Throughout the quarter, I will typically start a case discussion by cold calling.

Exercises

Exercises set the stage for many of our class discussions, and course lectures will sometimes draw heavily on them. Exercises typically will cover material that we have not yet talked about, and they are designed to “stretch” your thinking. You should familiarize yourself with the content of these exercises *before* coming to class, and you should prepare either a written sketch of a solution or a written account of the difficulties the prevented you from reaching such solution. *Answers to exercises will not be collected or graded.* However, I will usually cold call a student to discuss the content of his or her analysis of an exercise.

Team Homework Problem Sets

During the quarter, you will be assigned to a team and your team will be asked to turn in weekly homework problem sets. Homework problems will generally focus on material that was covered in the previous two classes, and as such, they are designed to help you consolidate your learning. I generally will not explicitly work through homework solutions during class time, though I may refer to them as part of a lecture or class discussion. Graded homework problems are usually returned within a week of the day they are collected. Consistent with Kellogg School practice in Fall quarter core courses, you will be assigned to a team. Team assignments will be made before our second class, Tuesday, September 26.

Drill Problems and the “ Microeconomics Workbook”

At the end of your readings packet, there is a section titled “Microeconomics Workbook.” The microeconomics workbook consists of sets of **drill problems**, with each set containing about 10 problems. Drill problems, like homework problems, are designed to help you review and consolidate your learning. They will range from relatively straightforward to fairly difficult. Many drill problems come from old exams. They are not to be turned in and I generally will not refer to them in lectures and class discussions.

“So,” you might ask, “why should I work on the drill problems, or for that matter the exercises, which also are not graded?” David Kreps in his book *Microeconomics for Managers* provides the answer. He likens the learning of microeconomics to the learning of tennis: " ... watching economics," he writes, "is like watching tennis. It is nowhere near a substitute for doing it" (p. 20). Kreps is correct: you cannot learn microeconomics simply by attending class, or even by attending class and participating in case discussions. These are important *necessary* conditions for success in this class, but they are <u>not</u> *sufficient*. **TO LEARN MICROECONOMICS, YOU NEED TO DO LOTS AND LOTS AND LOTS OF DRILL!** By regularly working on the drill problems and the exercises week in and week out, your mind actively engages with the material: you see the material from different angles, and you are prompted to ask questions that you wouldn't have asked before. You learn how to efficiently frame and analyze microeconomics problems. And most importantly, you are able to clearly distinguish what you have mastered from what you are still struggling with. I can't emphasize enough the importance of working through the drill problems and the exercises on a regular basis. **The turned-in homework assignments** are "forced study time": they **define the *minimum* amount of time you need to spend working on microeconomics during the week.** To really learn this material, however, you need to do more than just turn in the homework. You must commit to a regular weekly schedule of working on the exercises and the drill problems.

How Will You Be Graded?

Grades in the course will be based on four components: (1) an in-class final examination, which counts **45 percent** in the determination of the final grade; (2) an in-class midterm progress test, which counts **35 percent**; (3) team homework assignments that collectively count **12 percent** in the determination of the final grade; (4) class participation, engagement, and attendance, which counts **8 percent**.

The date of the midterm test is **Tuesday, October 24** (regular class time). The date of the final examination is **Tuesday, December 5** from 9 a.m. to 11 a.m.

❒ **COURSE GRADE**

Your final course average is determined according to the following formula:

[0.35 × midterm] + [0.45 × final] + [0.12 × homework] + [0.08 × participation]

- As/Bs are determined based on break points in the realized distribution of final course averages.
- Cs/Ds determined based on absolute criteria. In particular, to qualify for a B or higher, the simple average on your midterm and final must be at least 70 percent.

❒ **FINAL EXAM (45 percent)**

The final exam will be a two-hour, "closed-book" exam consisting of problems and objective short answer questions. It will cover all assigned readings, cases, and lecture material during the quarter.

❒ **MIDTERM PROGRESS TEST (35 percent)**

This will be an objective test consisting of problems, short answer questions, as well as multiple choice and true-false questions. It is intended to be a progress check on the material taught in the first eight sessions of the course, and it will cover all assigned material from those sessions.

❒ **TEAM HOMEWORK ASSIGNMENTS (12 percent)**

Each of your 7 team homework exercises will receive a grade on a scale from 0 to 10. A team that does not turn in an assignment will receive a grade of 0. Each of the first six assignments will count 1.5 percent. The final assignment will count 3 percent, resulting in a total of (6×1.5) + 3 = 12 percent.

❒ **CLASS PARTICIPATION AND ATTENDANCE (8 percent)**

Attendance, preparation, and participation are essential for this class to be value adding. Attendance is expected, and a student who misses class for any reason other than a serious illness or a death in the family can impair his or her participation grade. Much of the learning in this course comes from class discussion of cases or exercises. Learning opportunities are maximized when a student is actively engaged in the class discussion. Active engagement means that you are listening carefully to the comments of other students and seeking opportunities to make comments that move the class discussion forward. Some of the key characteristics of valuable class participation are as follows:

- Relevance: Are your comments clearly related to the case and to the comments of others? Does your comment stick to a subject or does it wander?
- Advancement: Does your comment move the class discussion forward? Does it take the discussion farther or deeper than previous comments?
- Fact-based: Have you used specific data from the case, from readings, or from personal experience to support the assertions that you are making?
- Logical: Is your reasoning consistent and logical? Do you use concepts from the readings or lectures correctly?
- Originality: Do your comments go beyond the mundane and commonplace and bring fresh analytic perspectives to bear on the problems under consideration?

Because the course consists of twenty 90-minute sessions, there is ample opportunity for you to participate. Do not be discouraged if, after the first few classes, you have yet to participate. To increase opportunities for effective participation, I will often cold call a student to open the class discussion. I will also occasionally cold call students during the course of a discussion. If you feel that you are preparing well but that I am not calling on you often enough, please let me know so that I can address the problem. Chances are that if you have invested quality time to prepare for class, you will have something valuable to say during the course of the class discussion.

I am sometimes asked whether student questions (e.g., during a lecture) “count” toward effective class participation. ***Sometimes they do and sometimes they do not***. An incisive question that moves the class forward will enhance your participation grade. Questions that are beside the point or that reveal a lack of preparation can detract from your participation grade.

Review Sessions

A MECN 430 review session will be held Wednesday afternoons from 3:15 p.m. to 5:15 p.m., starting Wednesday, September 27. The sessions will be held in room 160.

Kellogg Honor Code

The student experience at the Kellogg School is unique because, among other reasons, students trust that their classmates will behave with honesty, integrity, and respect in all academic, professional, and social matters. Kellogg's Honor Code plays a critical role in engendering this trust. The Honor Code requires that a student not to seek an unfair advantage over other students, including but not limited to giving or receiving unauthorized aid during completion of academic requirements; to truthfully represent fact and self at all times; and to respect the property and personal rights of all members of the Kellogg community. Students' willingness to abide by this Code serves as the lubricant that allows faculty and students at the Kellogg School to interact with a minimum of rules, regulations, and bureaucracy, which in turn allows all of us to focus on creating an engaging and challenging academic environment. For each formal course requirement, I will attempt to be clear about my expectations and standards. If you have questions about whether behavior is within the bounds of honorable behavior, please ask. Your mantra should be: ***when it doubt, ask!***

Kellogg Code of Classroom Etiquette and Laptop Use in Class

Kellogg's Code of Classroom Etiquette governs appropriate classroom behavior in this class (See http://www.kellogg.northwestern.edu/stu_aff/images/KelloggPolicyProc_2Y06.pdf). In particular, students are not permitted to surf the web, check e-mail, or engage in IM'ing during class time. If you choose to violate this rule, your participation and engagement grade will suffer and you may be asked to withdraw from the class.

Course Materials

1. **Textbook:** Besanko, David and Ronald R. Braeutigam, *Microeconomics*, New York, John Wiley & Sons, 2005, second edition.
2. **Readings packet:** The readings packet for the course contains all of the cases and required readings other than those in Besanko and Braeutigam.

Acknowledgements

This course has been developed as a result of collaboration among a number of Kellogg faculty members. I want to especially thank Professors Nabil Al-Najjar, Sandeep Baliga, Johannes Horner, and Alp Atakan for their insights and willingness to share their course materials with me.

Course Outline

SESSION 1: Friday, September 22: (a) Course introduction; (b) Supply and demand

Readings:

1. Besanko, D., and R. Braeutigam, *Microeconomics: 2nd edition* (Hereafter B&B), Chapter 2, Section 2.1.
2. "Oil that Glisters," *The Economist* (July 20, 2006).
3. B&B, Mathematical Appendix, Sections A1-A5 only.

Case:

Capacity Expansion in the Global Aluminum Industry, 2006 (Kellogg).

SESSION 2: Tuesday, September 26: Relevant costs and short-run supply decisions in a perfectly competitive market

Readings:

1. Al-Najjar, N. and D. Besanko, "Note on the Microeconomics of Cost."
2. Seligman, D., "Of Mice and Economics," *Forbes* (August 24, 1998), p. 24.

Case:

Capacity Expansion in the Global Aluminum Industry, 2006 (Kellogg) (continued).

Exercise:

Besanko, D. "Constructing the Short-Run Supply Curve for Primary Aluminum in 2004."

SESSION 3: Friday, September 29: (a) Long-run supply decisions in a perfectly competitive market (b) Demand drivers and the price elasticity of demand

Readings:

1. B&B, Chapter 2, Sections 2.2 – 2.3.
2. Besanko, D., "Note on Opportunity Cost and Economic Profit."

Case:

Capacity Expansion in the Global Aluminum Industry, 2006 (Kellogg) (continued).

Exercise:

Besanko, D. "The Demand Curve for Aluminum in the U.S."

Homework # 1 Due:

Besanko, D., "Cost Curves, Supply Curves, and Equilibrium in the Global Copper Market."

SESSION 4: Tuesday, October 3: Long-run capacity dynamics in a perfectly competitive market

Reading:

Besanko, D. "Note on the Theory of Perfect Competition."

Exercise:

Besanko, D. "Perfect Competition in the Market for Offshore Oil Drilling."

SESSION 5: Friday, October 6: Long-run capacity dynamics in a perfectly competitive market (continued)

Reading:

(**optional**): B&B, Chapter 9, Sections 9.1 – 9.4.

Case:

The Offshore Drilling Industry (HBS 9-799-111).

Homework #2 Due:

Besanko, D. "Perfect Competition in the Short Run and Long Run."

SESSION 6: Tuesday, October 10: Value creation in competitive markets

Readings:

1. "Preparing for the Aplia Exercise" (*passed out Friday, October 6*).
2. B&B, Chapter 10, Sections 10.1 -10.4.
3. Al-Najjar, N. and D. Besanko, "Note on Consumer Surplus."
4. Besanko, D., "Note on Producer Surplus."
5. "The Great Manhattan Rip-off," *The Economist* (June 5, 2003).

In-Class Exercise:

Aplia Market Exercise.

SESSION 7: Friday, October 13: Analyzing government interventions: subsidies

Readings:

1. "Hanging by a Thread: In U.S. Cotton Farmers Thrive; In Africa they Fight to Survive --- America's Subsidies Depress World Prices, Undermining its Foreign Policy Goals," *Wall Street Journal*, (June 26, 2002).
2. "Stitched Up: African Irritation at Rich Countries Cotton Subsidies" *The Economist*, (July 24, 2003).
3. "A Tangle of Troubles," *The Economist*, (July 20, 2006).
4. Watkins, K., "Cultivating Poverty: The Impact of U.S. Cotton Subsidies on Africa," Oxfam Briefing Paper 30, (September 27, 2002).

Exercise:

Besanko, D. and J. Horner, "The Economic Impact of U.S. Cotton Subsidies."

Homework #3 Due:

Besanko, D., "Deadweight Loss Due to Price Controls and Subsidies."

SESSION 8: Tuesday, October 17: Analyzing government interventions: London's congestion charge

Reading:

B&B, Chapter 17, pp. 635-649.

Case:

London's Congestion Charge (Kellogg 5-206-257).

Exercise:

Besanko, D., *The Impact of London's Congestion Charge on Social Welfare.*

SESSION 9: Friday, October 20: Demand and cost concepts for pricing

Reading:

B & B, Chapter 11, Sections 11.1 – 11.3.

Exercise:

Besanko, D., “Pricing a Newspaper.”

Homework #4 Due:

Besanko, D., “The Impact of Subsidies on the Global Steel Market.”

SESSION 10: Tuesday, October 24: ☞☞ MIDTERM PROGRESS TEST ☜☜

SESSION 11: Friday, October 27: Monopoly quantity and price setting

Exercise:

Al-Najjar, N. and D. Besanko, “Pricing a Service Contract.”

Case:

Electronic Data Systems and Large Outsourcing Deals (Kellogg 5-204-253).

No Homework Assignment Due This Week

SESSION 12: Tuesday, October 31: Price customization: theory and examples

Readings:

1. B&B, Chapter 12, Sections 12.1, 12.2, 12.4.
2. "What Supermarkets Don't Want You to Know," Chapter Two from Hartford, T., *The Undercover Economist,* (Oxford: Oxford University Press), 2006.
3. "If Airlines Sold Paint."
4. "New Baldness Drug is an Older Product at a Premium Price," *New York Times,* (January 20, 1998).
5. "How Much Did *Your* Seat Cost?" *New York Times*, (July 20, 2003), p. 1, 4.

SESSION 13: Friday, November 3: Short-run price competition in an oligopoly

Reading:

B & B, Chapter 13, Sections 13.1, 13.2, 13.4.

Exercise:

Besanko, D., "Heinz versus Hunts in the Market for Catsup."

Homework # 5 Due:

Besanko, D., "Revenue Management by a Rental Car Company."

SESSION 14: Tuesday, November 7: Short-run price competition in an oligopoly (continued)

Exercise:

Besanko, D., "Pricing the Tunnel."

Case:

Eurotunnel versus the Ferries (Kellogg 5-206-256).

SESSION 15: Friday, November 10: Long-run capacity competition in an oligopoly: the Cournot model

Reading:

Re-read: B & B, Chapter 13, Section 13.2.

Case:

Corning, Incorporated: 1999 (Kellogg 5-403-753).

Exercise:

Besanko, D., "Cournot Competition in the Optical Fiber Market in 1999."

Homework # 6 Due:

Besanko, D., "Price Competition in a Differentiated Product Industry."

SESSION 16: Tuesday, November 14: Long-run capacity competition in an oligopoly: the Stackelberg model

Readings:

1. B & B, Chapter 14, Section 14.3.
2. Courtney, H., "Games Managers Should Play," *McKinsey Quarterly*.

Case:

Zoltek (Kellogg 5-204-254).

Exercise:

Besanko, D., "Capacity Expansion in the Carbon Fiber Market."

SESSION 17: Friday, November 17: Collusion, and repeated play

Readings:

1. B & B, Chapter 14, Sections 14.1, 14.2.
2. (**optional**) Chapters 8 and 9 in Eichenwald, K., *The Informant* (New York: Broadway Books), 2000.

Case:

Price-Fixing Vignettes (HBS 9-902-068).

SESSIONS 18 and 19: Tuesday, November 21 and Tuesday, November 28: Economics of immigration

Required Readings:

1. "An Uneasy Deal with Illegal Workforce" *CQ Weekly* (March 14, 2005).
2. "House Votes to Toughen Laws on Immigration," *Washington Post* (December 17, 2005), p. A01.
3. "Senate Approves Immigration Bill," *Washington Post* (May 26, 2006), p. A01.
4. "House Hearings Threaten Senate Immigration Bill," CNN.com (Jun 21, 2006).
5. "U.S. Puts Onus on Employers of Immigration," *New York Times* (July 31, 2006), p. A1, A15.

Background Readings (optional but very helpful)

6. Furchtgott-Roth, Diane, "Walls to No Avail," Hudson Institute (July 19, 2006).
7. Carafano, James Jay, "The Spanish Trap: More Evidence of the Pitfalls of the Senate Immigration Amnesty Proposal," Web Memo, The Heritage Foundation (June 5, 2006).
8. "Playing Politics with Immigration: Congress Favors Image Over Substance in Passing H.R. 4437," (February 27, 2006).
9. "Immigration Scare Tactics: Exaggerated Estimates of New Immigration Under S. 2611," American Immigration Law Foundation," (May 26, 2006).
10. Hersch, Eitan, "Immigration Reform: Why Smart ID Cards Matter," Progressive Policy Institute (May 25, 2006).
11. Massey, Douglas, "Backfire at the Border: Why Enforcement without Legalization Cannot Stop Illegal Immigration," Center for Trade Policy Studies, Cato Institute (July 13, 2005).

12. Frum, David, If Mexicans in America Fail to Assimilate, We Could See the Return of Something Ugly," American Enterprise Institute for Public Policy Research (June 21, 2006).
13. Jaeger, David, "Replacing the Undocumented Work Force," Center for American Progress (March 2006).
14. Frey, William, "The Silence Behind the U.S.'s Immigration Impasse, The Brookings Institution (May 2006).

Homework # 7 Due:

Besanko, D., "Reforming Immigration."

SESSION 20: Friday, December 1: Wrap-up and review

MGMT-450 Strategic Management in Non-market Environments

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Course Overview

All economies are defined by formal and informal norms and regulations that structure market competition. These "rules of the game" vary significantly across countries. Many barriers to imitation and entry, for example, originate from specific legal rules or government policies that favor some capabilities over others. These rules, and in many cases their enforcement, are not fixed, well-defined constraints, but are determined, implemented, and interpreted by legislatures, government administrative agencies, judicial institutions, public sentiment, and ethical consensus. The resolution of ambiguity and direction of change is neither exogenous nor divorced from strategic considerations. Rather, the process involves interest groups interacting within a system of institutions that includes but is not limited to the various branches of government, the media, and nongovernmental organizations. Both competitive advantage and industry profitability are affected by this interaction. Therefore, business strategies often must include actions to influence the outcome of the process. The analysis and development of successful strategies to shape the rules of the game to an organization's advantage constitute the domain of non-market strategy.

Successful non-market strategies can establish, sustain, or erode a company's competitive advantage. For example, the rules governing protection of intellectual property impact the advantages to "innovating" firms versus firms that are "fast followers," whereas trade restrictions, antitrust regulations or rules governing mergers and acquisitions may prevent the execution of a well thought-out growth strategy. Non-market issues are also important in determining the profitability of an entire industry. Regulatory costs or public subsidies, for example, may also hurt or help all players, creating common non-market interests among market rivals. Navigating between competing and common interests frequently creates challenging strategic problems for managers and consultants that cannot be successfully analyzed with the traditional concepts of competitive strategy. This is particularly relevant when a firm implements an innovative strategy, operates in a rapidly evolving industry, or targets new markets in the global economy. Such is the case in deregulating industries (telecommunications or energy) where one set of rules is effectively being substituted for another, in e-commerce where important rules (e.g., on the protection of intellectual property and on domestic and international rules with respect to privacy or sales practices) appear open to change, or within the biotech and pharmaceutical industry where rapid innovation may clash with ethical concerns, questions about patients' well-being, or about a certain technology or its distribution.

This class focuses on non-market strategy from the point of view of managers and consultants. Its primary objectives are to examine typical non-market issues, to develop a set of conceptual frameworks for analyzing non-market threats and opportunities, and to practice forming effective strategies for managing in non-market environments. The concepts, skills, and analytical tools that students will learn in the course rest upon a foundation of economic principles, political analysis, and, to a lesser extent, social psychology and law. They identify patterns of behavior and outcomes, ways of thinking about those patterns and outcomes, methods of analysis that facilitate understanding and prediction, and, ultimately, the shaping of strategies to improve business performance.

The class is structured around three broad topics:

- Business and Society
- Business and Politics
- Integrated Strategy

Business and Society. As businesses become the dominant source of social and cultural change, they are in turn increasingly being held accountable by social and political constituencies. Many of these "stakeholders" are not part of a contractual relationship with the company and base their decisions on values other than the maximization of shareholder value. The presence of these constituencies presents both challenges and opportunities for business leaders. This segment of the course will take a strategic approach to help students anticipate and analyze these challenges and incorporate their insights into successful business strategies.

Business and Politics. Legal constraints and government regulations significantly shape the rules of market competition. Much of non-market interaction thus consists of interests competing in public institutions such as legislatures, regulatory bodies, or courts. This segment of the course will introduce students to the politics of business. You will learn to appreciate the importance of formulating political strategies, analyze non-market competition in public arenas, and develop successful political strategies of your own.

Integrated Strategy. In this segment you will learn how market and non-market strategies interact and to develop strategies that integrate both components. We will anticipate some key concepts of competitive analysis, such as industry analysis, competitive advantage, market entry, price and non-price competition, and the identification of their non-market dimension. Our main goal will be to practice designing integrated strategies in both domestic and international business environments.

Readings

The course materials include a course reader and the book *Business and its Environment*, Fourth Edition, Prentice-Hall, 2003, by David P. Baron. The book was written specifically for a similar course and has been used at a variety of business schools. It is broad in its outlook and in the range of topics covered, and it is structured around a flexible but consistent framework. The emphasis is on conceptual frameworks, analysis, and strategy formation. The book also contains cases and a number of detailed examples of non-market issues and managerial approaches for addressing them. To supplement the course materials, the course reader contains some additional reading materials. In addition, we will use hyperlinked cases. They will be accessible through my www-site.

The cases in the course are of two types. One type is a relatively short case intended to focus the discussion on a specific set of issues related to the subject of a reading in the text. These cases include market (e.g., sales and financial) data on the firm only if they are important to the issues in the case. They are integrated with the text and serve as vehicles for applying the chapter materials and opportunities to go beyond the specifics of the materials. The second type of case is broader and more open-ended; it is intended to bring together a number of the topics and approaches in each module of the course. The cases are generally written from the perspective of a firm or consultant that must determine how to address a particular issue or problem. Good cases are necessarily complex and ambiguous. In preparing for case discussions, you may find the complexity and ambiguity frustrating. But it is out of the discussion that is generated by this complexity and ambiguity that the concepts and principles introduced in the lectures will come alive and demonstrate their usefulness.

Non-market issues are frequently encountered in the context of a crisis where time is short and information is limited. To prepare you for this environment, the class will have three crisis simulations of varying length and intensity that will test your understanding of the basic concepts developed in class.

Teaching Approach

Classes will be conducted on a lecture/case-discussion basis. A typical session will be based on the discussion of a case that exemplifies a particular aspect of non-market management. A typical class session may also include a lecture that addresses a conceptual approach or develops an issue, provides a setting for the topic being addressed, or integrates the class discussion and the subject matter. Part of the class discussion will be based on group work. During our first class session I will ask you to form study groups. Study groups may have 5-6 members. These groups are an integral component of class preparation and discussion. You are encouraged, but not required, to prepare the cases and the readings in groups. However, in regular intervals I will ask each group to prepare a presentation that will form the basis for class discussion.

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. During our case discussions, I ask that you deal with the cases as you find them; do not seek outside or post-case data on the firm or industry. If you have post-case or inside information, I will give you the opportunity to share it with the class at the end of our discussion. Let me know about such information in advance, and I will make a point to call on you at the appropriate time.

Course Requirements and Grading

Students are expected to master the content of the readings, to make constructive contributions to class discussions, to make occasional presentations, and to perform adequately or better on examinations and class projects. Grades in the course will be based on three components: (1) a midterm take-home examination which will count for 40 percent in the determination of your grade; (2) a final group case analysis which will count for 30 percent; (3) group presentations and simulations which will count for 20 percent; and (4) class attendance and participation, which will count for 10 percent. All group-related grades will be based on group performance and **peer evaluation** at the end of class.

Before class I will allocate each student **randomly to a study group.** You will receive a list of the study group membership during the first class session. Each study group will be composed of 5-7 members. Working with fellow students from different educational and cultural backgrounds is an important part of the Kellogg experience. I will therefore not be able to accommodate specific group requests

MIDTERM EXAM: The midterm will be an **individual, take-home, "open book"** exam consisting of short questions that will cover the assigned readings, cases, and lecture material for all classes prior to the midterm. In addition, you will have to answer some short essay questions.

FINAL GROUP PROJECT: For the final project your study group is to assume the role of a consultant who is hired to develop an integrated strategy for a client. The final case project has three components.

The first component is a **case**. You are free to write your case on any topic you like. However, I encourage you to discuss potential case topics with me well in advance. Cases may be based on your current or past work environment, or you may simply use newspapers and other public sources. However, good cases usually involve some primary research such as interviews and other original sources. Any case topic you choose must have a significant non-market component and needs to be analyzed from the point of view of a particular firm (just as we did in class). If, for example, you want to analyze antitrust concerns in the software industry, your paper should develop a strategy for, say, Microsoft in its confrontation with the Department of Justice. Some recent examples of topics include *Harrah's and Internet Gambling, Disney's Animal Kingdom and Animal Rights Activists, Power Bar's Entry into the European Market,* and *Shell and Human Rights in Nigeria.* A successful case should be usable for possible future class discussion. Cases should be **between 5 and eight pages in length (1.5 spaced; font size 12; standard margins).**

Every group must submit an electronic copy to Kristen Neumann (cbgs@kellogg.northwestern.edu) by session 15 (beginning of class).

[When submitting any document to Kristen please make sure that you follow the following naming convention: [section number]-[assignment name]-[group name]. For example, if you are in section 61 and your group name is "King", and you are submitting your final case, your submission should be named: 61-finalcase-king.doc]

For the second component of the project, I will select up to 7 cases for analysis in class (session 18 and 19). In class 16, I will announce which groups will serve as consultants and which as their respective clients. The selected groups will assume the role of consultants to the company described in their respective case. Each consultant group needs to prepare a **seven-minute Power Point presentation** that summarizes your analysis of the case and contains a recommendation to your client's CEO**. Every group must submit electronic copies of their slides to Kristen Neumann (cbgs@kellogg.northwestern.edu) by session 18 (beginning of class).**

The remaining groups will take the role of one of the clients. It is the client group's responsibility to ask well-prepared questions (for this exercise outside research is not only permitted, but strongly encouraged!) and leave the meeting with useful, actionable information for their company.

The third component of the project consists of each group (clients and respective consultants) summarizing their findings in a 2-page memo **(1.5 spaced; font size 12; standard margins).** For the consultant group the memo should contain a recommendation to the company's CEO; for the client group, it should contain an evaluation of the consultants' presentation report and a recommendation to the CEO whether (and to what extent) to act on the consultants' recommendation. **Every group must submit an electronic copy to Kristen Neuman (cbgs@kellogg.northwestern.edu) by session 20 (beginning of class).**

Most cases will focus on developing a strategy for an ongoing issue. Alternatively, you can discuss and critique an existing strategy chosen by some business. In the latter case you should assume the role of consultants that are hired as part of a post-decision audit to evaluate your client's strategy. Whatever structure you choose, your presentation must include a sound analysis of a non-market environment and a clear recommendation for your client. Your project grade will equally depend on the case, presentation/evaluation and the final memos. Your individual grade will depend on the group grade and evaluation by your peers.

GROUP WORK: Group assignments are an integral part of class discussion. I encourage you to meet with your study group on a regular basis, but you are not required to do so. However, I will ask you to prepare group presentations for some of our sessions. This requires **each** group to analyze the case and develop an integrated strategy for the respective business, usually from the point of view of a manager or consultant. The chosen group is responsible for all aspects of the presentation such as keeping time, handling questions, etc. All other students are expected to take the role of clients, directors, or partners (depending on the governance structure of the firm and the detail of the assignment). Group assignments are in-class simulations of real world tasks. It is thus important that you take the role-playing aspect seriously. I will randomly choose a group to present and defend their analysis. You may use transparencies or other media. Before each class, each group is to hand in a **one-page** executive summary of its analysis and strategy **(1.5 spaced; standard margins; no title page).** The summaries must be submitted as a **word document by email** to **cbgs@kellogg.northwestern.edu**. I will strictly enforce the one-page limit. Grading will be based on the executive summary. Do not hand in copies of transparencies or power point presentations.

In addition, we will have **three in-class simulations** that count as an additional component of your group work. The specific group tasks will be announced in class.

PARTICIPATION and ATTENDANCE: Attendance, preparation, and participation are essential for this class to be value-adding. If you have to miss class, please let me know in advance. Much of the learning in this course comes from class discussion of cases or homework assignments. Learning opportunities are maximized when a student is actively engaged in the class discussion. Active engagement means that you are listening carefully to the comments of other students and seeking opportunities to make relevant comments that move the class discussion forward.

Since case discussion constitutes most of class time, there is ample opportunity for you to participate. Do not be discouraged if, after the first few classes, you have yet to participate. To increase opportunities for effective participation, I may cold call a student or a study group to open the class discussion. I may also occasionally cold call students during the course of a discussion. If you feel that you are preparing well but that I am not calling on you sufficiently often, please let me know so that I can address the problem.

Bidding, Registration and First Class Attendance
In recent years the class has been heavily over-subscribed. The following information may be useful in your decision to bid or register for this class:

- **There is mandatory first class attendance**
- **Study groups will be assigned randomly**
- **Due to logistical problems I will be unable to permit permanent auditing**.
- **To preserve the integrity of the bidding system I will not expand the class size *ex post*.**

Technology
In the Class Outline you will find references to **web-based cases and materials**. You will receive access to the webpage during the first week of class. To access these go to my home page at

http://www.kellogg.nwu.edu/faculty/diermeier/

click on Course Page, and follow the links to your section. I will also post the class handouts on that page as well as additional links. Note that all materials on the course page are **copyright protected**. They are only for your personal use and may not be distributed without my prior permission.

COURSE OUTLINE

I. Business and Society

Session 1: Reputation Management (Thursday, Sept. 23)
This session will give a general introduction to the class and review some key concepts from BASE-910-A such as issue anticipation, media management and interacting with activists and NGOs. We will then apply these concepts to the case. I will also give a brief overview of the class and will discuss organizational and logistic issues.

Reading: BIE 1-18, 29-33, 42-51, 61-83 [review from BASE 910A]
Case: Huntingdon Life Sciences (A) [in course reader]

Assignment

Assume the role of consultants to Huntingdon Life Sciences. Your role is to provide a post-crisis audit Huntingdon's new management. Be prepared to give a short presentation of your findings. You do not need to prepare any written materials or Power Point presentations.

Session 2: When your Company is the Target – Non-Market Crisis Simulation (Monday, Sep. 27)

Non-market issues frequently arise in crisis situations. This class will simulate a crisis scenario involving activists and the media. Readings and assignments will be distributed in advance and during the simulation

Reading: Spar [in course reader – Review from BASE 910A]
Case: [To be distributed in class]

Assignment Due Thursday, September 30 (beginning of class)

Session 3: Doing Well by Doing Good? (Thursday, Sep. 30)

Stakeholders and constituencies increasingly hold companies accountable for their business decisions. This creates both threats and opportunities for businesses. This takes a strategic management approach to "corporate social responsibility." What is the business case for responsible management? Do socially responsible companies create higher shareholder value?

Readings: Friedman [in course reader]
Porter et al. [in course reader]
Reinhardt [in course reader]
Case: British Petroleum (C): Social Responsibility, BIE 785-791

II. Business and Politics

Session 4: Incentives, Costs, and the Organization of Interests (Monday, Oct. 4)

This session introduces conceptual frameworks for political analysis based on economic analysis. The frameworks provide the foundations for the analysis of non-market issues and the formulation of non-market strategies in situations in which interests are affected by nonmarket alternatives considered in the context of government institutions. The Luxury Tax case will be used to illustrate the conceptual frameworks. (Reference material on the U.S. government is provided in BIE, 138-149.)

Reading: BIE 125-131

	Baron "The Non-market Strategy System" [in course reader]
Case:	Repeal of the Luxury Tax, BIE 157-158

Session 5: Political Analysis for Business (Thursday, Oct. 7)

This session focuses on the analysis of strategic situations in which interests are affected by legislative alternatives. The reading introduces the distributive politics spreadsheet and other frameworks for the analysis and prediction of the amount and effectiveness of political action in a given political situation.

Reading:	BIE 161-181
Case:	Disney and the Copyright on Mickey Mouse [accessible through the course web page]

Session 6: Legislative Strategy (Monday, Oct. 11)

This session introduces conceptual foundations for analysis and strategy formulation in institutional contexts with an emphasis on legislatures. The focus is on concepts and methods of analysis pertaining to agenda setting, pivotal voters, building majorities, and predicting outcomes in majority rule institutions. These concepts will be applied in the context of the Federal Express case. When preparing the case, skip the section "An Analytical Framework." It will be discussed in class.

Reading:	BIE 190-213
Case:	Recyclers versus Superfund (A) [in course reader]

Assignment Due Thursday, October 14 (at beginning of class)

Session 7: Legislative Strategy Simulation (Thursday, Oct. 14)

Case: Recyclers versus Superfund [to be distributed in class]

Session 8: Lobbying (Monday, Oct. 18)

This session focuses on forming non-market strategies for issues intermediated by government institutions. The case describes a complex set of threats to Drexel, Burnham Lambert's principal competitive advantage and line of business. To help set the context, it is useful to note the following. The AFL-CIO opposed hostile takeovers (because they often resulted in streamlining and the loss of jobs). In 1985 Drexel had no Washington office or presence. Finally, the case is set at a time before the illegal activities of Michael Milken were understood and recognized.

Reading: BIE 220-244
Case: Drexel Burnham Lambert and Junk Bond Politics, BIE 245-246

Group Assignment (Due Monday, October 18 at beginning of class)

Each group is to prepare a detailed and specific non-market strategy summarized to address the legislative issues Drexel Burnham Lambert faces (imagine yourself as consultants hired by DBL). By "specific" I mean that if you plan to implement a lobbying strategy you are to identify 1) whom you will lobby (not necessarily by name but rather by characteristics) and 2) what information you will provide; i.e., which messages you will use. Although your strategy will be based on considerable analysis, your presentation is to focus on the specific actions you plan to take. You should be prepared to defend your strategy with your analysis. I will randomly select one group to present their strategy. Following the presentations, the class will critique the strategy. Each group needs to prepare a **one page executive summary** and send it before the beginning of class. The summaries must be submitted as a **word document by email** to **Kristen Neumann (cbgs@kellogg.northwestern.edu).**

[Reminder: when submitting your documents make sure that you follow the naming convention: [section number]-[assignment name]-[group name]. For example, if you are in section 61 and your group name is “King” your submissions should be named: 61-drexel-king.doc]

*********PICK UP MIDTERM EXAM*********

Session 9: Strategies in Regulatory Arenas
(Thursday, Oct. 21)

This session focuses on the formulation and implementation of nonmarket strategies in the context of regulatory institutions. In class we will discuss telecom regulation and the FCC as our leading example. We will then apply the developed frameworks in the context of a marketing and drug approval case in the healthcare industry.

Reading: BIE 313-321, 328-336
Case: Reintroducing Thalidomide? (A) [in course reader]
Reintroducing Thalidomide? (B) [to be distributed in class]
California Space Heaters, Inc. (A), BIE 419-421

*****MIDTERM EXAM DUE ON THURSDAY, OCT. 21 AT BEGINNING OF CLASS*****

Session 10: The Politics of Regulation (Monday, Oct. 25)
Regulation is not only determined by agencies but involves other actors such as legislators and courts. In class we will discuss the epic battle between the tobacco industry and anti-smoking advocates on the regulation of the future structure of the industry.

Reading: BIE 269-296, 388-418
Kessler chapters 22, 27, 33 [in course reader]
Case: Tobacco Politics (A) [in course reader]
Tobacco Politics (B) [to be distributed in class]

Group Assignment (Assignment Due Monday, November 1 at beginning of class):
In preparation for next class's Non-Market Simulation your group will be assigned either the role of Nissan or the role of Ford. Moreover, each group will be paired with a group occupying the other role. For example, if you are assigned the role of Nissan there will be a matching group playing the role of Ford in your pairing. Each group needs to prepare a **one page executive summary** of their analysis and strategy and send it before the beginning of the next session. The memos should be addressed to each company's CEO and are assumed to be confidential information and for internal use only. The summaries must be submitted as a **word document by email** to **Kristen Neumann (cbgs@kellogg.northwestern.edu)**

In addition, each group is expected to prepare a short statement and answer questions in a Congressional hearing on the CAFE standards issues where both you and your paired group will be present. You may meet as a group in private or with your paired group.

Note: The case is set at a time when SUVs had not yet occupied a major market share in passenger vehicles.

Case: CAFE Standards 1990, BIE 249-254

[Reminder: when submitting your documents make sure that you follow the naming convention: [section number]-[assignment name]-[group name]. For example, if you are in section 61 and your group name is "King" your submissions should be named: 61-CAFE-king.doc]

**********************No Class Thursday, Oct. 28!!!*************************

Session 11: Non-Market Simulation (Monday, Nov. 1)
This session considers a case in the car industry at the intersection of trade and regulation. The session will include a simulated Congressional hearing on the topic of a significant increase in CAFE standards.

Case: CAFE Standards 1990, BIE 249-254

Session 12: Competitive Advantage <u>(Wednesday, Nov. 3) NOTE SPECIAL DAY</u>
Antitrust policy and its implementation are powerful non-market constraints on market strategies and tactics in the United States and other industrialized countries. This session addresses these dimensions in the context of a case involving a potential change in antitrust policy that may erode a market leader's competitive advantage. In preparing for the malt beverage case, be attentive to the political as well as economic foundations of antitrust policy. Focus on key concepts rather than on the legal details. Using non-market strategies to defend or establish competitive advantage is important for both small and large companies. The United Learning cases describe the experiences of two Kellogg alumni in developing an integrated strategy for Evanston-based United Learning.

Reading: BIE 269-296
Case: The Microsoft Antitrust Case BIE 303-312
United Learning (A) [in course reader]
United Learning (B) [to be distributed in class]

Session 13: Non-Market Analysis in Global Markets (Thursday, Nov. 4)
This lecture session addresses the significance of cross-national differences in management in the non-market environment with an emphasis on institutions and the organization of interests. Although countries differ on these dimensions as well as in culture, the approach taken to management in the non-market environment in other countries is not fundamentally different than that for the United States. This session gives an overview of aspects of the parliamentary democracies using Germany and Japan as its main examples.

Reading: BIE 534-541, 475-502
Case: VIAG in 1998 [accessible through the course web page]

Session 14: International Organizations (Monday, Nov. 8)
Issues involving the natural environment are often difficult to address because they have both social efficiency consequences and distributive consequences that generate non-market activity. This session considers these two dimensions in the context of the

European Union's consideration of a carbon tax to address the global warming issue. The readings also provide information on European Union institutions and non-market strategies.

Reading: BIE 511-534
Cases: The European Union Carbon Tax, BIE 383-387

Group Assignment (Assignment Due on November 8 at beginning of class)
Assume the role of consultants hired by BASF (company background at www.basf.com) to develop an integrated strategy to respond to the proposed carbon tax. Each group is to prepare a presentation of no more than 10 minutes. One group will be randomly selected to explain and defend its analysis and strategy during the class session. Each group needs to prepare a **one page executive summary** and send it before the beginning of class. The ummaries must be submitted as a **word document by email** to **Kristen Neumann (cbgs@kellogg.northwestern.edu).**

[Reminder: when submitting your documents make sure that you follow the naming convention: [section number]-[assignment name]-[group name]. For example, if you are in section 61 and your group name is "King" your submissions should be named: 61-BASF-king.doc]

Session 15: Market Entry (Thursday, Nov. 11)

International trade policy structures the market environment in many industries and provides opportunities to some companies and challenges to others. Our first case focuses on a highly successful Mexican company's experience with U.S. trade law and its strategy for dealing with an antidumping petition. In class we will update the case by considering subsequent developments. Three additional pieces of information are relevant. First, Mexico brought the price of oil to world levels in 1990. Second, although the price of cement in Mexico is regulated to encourage construction, the regulated price is high. Finally, cement is costly to transport, but it is even more costly to transport the raw materials, so plants tend to be located near raw material sources.

Reading: BIE 587-613
Case: Cemex and Antidumping, BIE 614-620

*********Cases Due on Nov. 11 at Beginning of Class *************

Session 16: International Trade Policy and Strategy (Monday, Nov. 15)
This session addresses the market and nonmarket competition between two global rivals—the Eastman Kodak Company and Fuji Photo Film Company—and the ongoing trade dispute in which they are embroiled. The focus of the session is on the nature of the

problem Kodak faces and on its market and nonmarket strategies for obtaining greater access to the Japanese consumer photographic film market. The focus on Kodak does not imply that Kodak is right or Fujifilm is wrong in the trade dispute. Instead, it reflects the fact that Kodak initiated this nonmarket issue as part of its integrated strategy. (This case was the first case before the World Trade Organization directly involving global rivals.)

Case: The Kodak-Fujifilm Trade Dispute, BIE 620-629.

Session 17: Globalization and Integrated Strategy (Thursday, Nov. 18)
This session focuses on Toys 'R' Us' strategy for entering new national markets and the dependence of that strategy on cultural and institutional factors. The class will focus on how the company should confront the corresponding non-market challenges in several countries.

Cases: Toys 'R' Us and Globalization, BIE 639-641; Toys 'R' Us in Japan (A), BIE 506-508; Toys 'R' Us in Germany, BIE 542-543

Session 18: Final Project Presentations (Monday, Nov. 22)

******POWER POINT SLIDES (CONSULTANTS ONLY)
DUE ON MONDAY, NOVEMBER 22 AT BEGINNING OF CLASS******

Session 19: Final Project Presentations Continued (Monday, Nov. 29)
At the end of class I will hand out the first part of the Integrative Crisis Simulation.
Case: [To be distributed in class]

Session 20: Integrated Simulation (Thursday, Dec. 2)

******MEMOS DUE ON THURSDAY, DECEMBER 2 AT BEGINNING OF CLASS******