



PREPARING INNOVATIVE LEADERS FOR GLOBAL IMPACT

**MGT/P 271**  
**Strategic Cost Management**  
**Winter 2013**

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**Office Hours:** by appointment – email to schedule

**Class Meeting Time and Final Exam Schedule:**

**MGT 271:** Class: Weds. 12:10 – 3 pm; Room 1302 Gallagher, Exam: Mar 20, 12:10 - 3pm 1302 Gallagher

**MGP 271:** Class Weds. 6 – 9 pm; 2205 Sac Ed Cntr; Exam: Mar 20, 6 - 9 pm 2205 Sac Ed Cntr

Class Dates: Jan 9, 16, 23, 30, Feb 6, 13, 20, 27, Mar 6, 13

*Following information provided in the event that you must miss class and wish to attend class at the San Ramon location:*

**MGB 271:** Class (Even) Sat 9 am-12 pm; 1 - 4 pm; 1501 Bishop Ranch; Exam Mar 23, 9 am – 12 pm

Class Dates: Jan 19, Feb 2, 16, Mar 3, 16

**Course Introduction**

This class examines how firms use organizational design and cost management to establish a sustainable cost structure that is a strong foundation for superior profit performance. Competitive cost structures are increasingly obtained, not through technical efficiencies of a single firm, but through innovative collaboration among firms ---- what has been termed the “extended enterprise.” Thus more than half of the course examines cost management at the boundaries of the firm --- where the firm interacts with suppliers, strategic alliance partners, customers and society. A value chain framework is used to explore how firms design and structure business processes for strategic advantage. We start with an overview of how modern product costing systems work and their limitations as a basis for strategic cost management. We then study how firms manage costs during product design and development, production and/or service delivery, and after the sale.

**Audience:**

Students pursuing careers in consulting or business strategy and others who need to evaluate and improve existing business processes will find this course useful. Entrepreneurs will find the focus on designing organizations and value chains for sustainable profit relevant. Although cost accounting systems and production economics are the point of departure for the course, we will focus less on quantitative methods (e.g., budgeting, product costing, and variance analysis) and costs that are reported in accounting systems, and more on qualitative analysis and economic concepts of cost than a typical cost accounting course. We will use frameworks from operations, business strategy, economics and marketing to understand how to use cost analysis to support business strategy.

**Required Materials:** The course packet of cases, readings and assignments

**SmartSite:** Course materials may be found on Smartsite.

**Grades:** Final grades will be assessed as follows:

Class participation	10%
2 individual case write-ups	10%
2 team papers	20%
1 team current events report	10%
Final exam	50%

### **Class Participation**

The class is taught using the case method and class participation is graded in every class. Classroom discussions will focus on a case study, recent news articles and team presentations. Class participation grades are based on the quality of *active participation* in class discussion, *not attendance*. I record class attendance with a sign-in sheet to jog my memory and facilitate participation grading. In the interest of promoting a productive learning environment for all, please:

- Arrive on time and stay for the duration of class.
- Turn off or mute audible cell phones, pagers and watch alarms for the duration of class.
- **Turn off laptops unless instructed otherwise and refrain from accessing the internet on any other device during class.**

Behaviors that detract from class learning will be penalized in the class participation mark.

### **Individual Case Write-ups**

There are two cases that require individual student write-ups. A paper copy of the write-up is due at the start of class. Case write-ups are required for the **two cases that are indicated in bold font** on the class schedule. In the event that you will miss class, assignments may be submitted early as a fax or email attachment. *It is your responsibility to ensure that your assignment is received.* If you send an email attachment, please convert your file to PDF format so that there will be no difficulty printing. Please do not submit your assignment as an email attachment unless you expect to miss class. Late assignments will receive a grade penalty of 15% per day or part thereof.

The case write-up will focus on answering specific assigned questions. **Questions for which written responses are due are designated by an asterisk (\*)** in the document, 'Class Preparation Questions'. Your answers should be no more than four (4) pages (all inclusive) in length, using standard formatting of 11 or 12 point font for text answers and 1 inch margins. If you insert an excel spreadsheet it should be in a readable font size and should conform to the spirit of the page limits of the assignment.

The case assignments will be graded on a 1-20 scale. Because the case questions are designed to prepare you to participate in class rather than to test your knowledge of material, the grade will be based primarily on completeness and evidence of careful consideration of the issues and the case data.

### **Team Projects**

There are two team projects and several in-class team exercises. The projects require a team paper and the ability to do a short presentation (i.e., with 5-7 prepared slides) on demand. I will collect a final paper copy of the team paper and slidepack at the start of class. At least 48 hours before class, teams will submit to a Smartsite folder a near-final draft of their papers. On the basis of this draft I will select several teams

to present. All teams will not present. My aim is to select presentations that will stimulate discussion of important issues, not to grade a presentation. The team paper and slidepack is the basis for the team project grade. The presentation and ensuing class discussion of the contents of the papers will be graded as normal class participation.

Each team is to work without assistance from anyone who is not a member of the team. Actions to the contrary constitute a violation of the honor code by the team. Although responsibility for typing the papers may be delegated to one or two team members, the team should take care to involve all team members in the assignments and to balance the total workload among team members. Unless evidence is provided (using the Peer Evaluation provided in coursepack) to the contrary, I will assume that all team members contributed appropriately to the assignment and team members will receive a common grade. **The Peer Evaluation is due on the last day of class;** however, please complete the appropriate sections after each team assignment to ensure timely recall of events. If I determine that it is warranted, penalties for shirking team responsibilities may range from no credit to a significant reduction in the individual's grade from that awarded to other team members.

### **Team Current Events Report**

With the exception of classes in which team projects will be presented and the first class, we will take one or more breaks during class to explore contemporary issues related to the lessons of the case. Teams will address the questions included in the 'Class Preparation Questions' document, referencing the materials that are labeled 'Applications' in the Syllabus. The questions are not meant to be constraints on the team report --- rather, they are intended to stimulate your thinking and suggest a direction for how you might contribute to and extend the learning from the case discussion. A team may augment the questions with other questions or aspects of the articles that they find interesting.

The number of teams that are formed will depend on class enrollment and may differ between class sections. Larger enrollment will be associated with up to two current event reports in some class sessions, while smaller enrollments may lead to no current event report in some class sessions. **If no team is assigned to a set of 'applications' readings, we will discuss these readings together in class.**

No written report is required for the current events report; however, the team will prepare Powerpoint slides for a **20-25 minute presentation** and must submit a copy to me for grading. If your slides are not self-explanatory, please include brief 'notes' in the .ppt document and print the slides with speakers notes for submission. **Although one team of students will 'dig deeper' and present the materials in class, all students in the course are expected to read the articles and be prepared to discuss the key ideas.**

### **Final Examination**

The final exam will be based on a comprehensive case study and related articles. The case and articles will be distributed approximately one week before the scheduled in-class exam. The exam will include several essay questions. A makeup exam will be offered ONLY for substantiated personal emergencies.

### **Class Preparation**

Preparation for class requires significant reading; however, all readings should not be approached with the same intensity or attention to detail. In general, **the required case will form the backbone of our discussion.** Significant articles that present theory and frameworks will lend structure to the discussion. Finally, a number of "light" articles from the popular press will be used to 1) update and extend the case, and 2) present complementary issues and perspectives that may not be explored fully in the case or that

differ by industry. The latter readings should be skimmed, but clearly do not warrant the same level of attention as the other readings. Some readings will be used for in-class exercises. While these may be skimmed in advance, this is not required and this is noted in the syllabus.

For each class, the cases and advance readings are accompanied by a set of questions found in the document, 'Class Preparation Questions'. These questions do not represent fully the material that we will cover in class. They are intended to guide your preparation. I recommend that you read the materials first and then draft a brief response to the questions. If possible, discuss your ideas in a study group before class. **If insufficient class preparation becomes a barrier to effective class discussion, I reserve the right to require additional case write-ups beyond those currently scheduled.** This will not affect the overall allocation of 10% of the course grade to case write-ups.

### **Absences**

In the event that you must miss class, I would be grateful for a short email to that effect. This is not required, but helps me to be aware of student needs with respect to remediation. The class preparation questions rarely cover more than 50 percent of the key learnings of a class. Thus missing class, even after preparing the case questions, means that you miss content and process --- essential elements to learning this material. Please obtain notes from a class member and check Smartsite for any handouts.

**MGT/P/B 271**  
**READING SCHEDULE and OVERVIEW OF CLASS AGENDA:**

Note that some readings are repeated to emphasize different themes in different class sessions. Articles are placed in the coursepack according to the **first occurrence** in the course. If a reading is used a second time, in subsequent occurrences in the reading schedule below, the class in which the reading first occurred is noted in parentheses.

Class	Agenda/Overview of Topics	Required article readings	Required case readings
1	<p>Introduction to cost systems and their use and misuse</p> <p>Standard costing systems</p> <ul style="list-style-type: none"> <li>• Characteristics</li> <li>• Side effects</li> </ul> <p>Cost structure, product costing and cost analysis</p> <p>Managing capacity costs in recessionary periods</p>	<ul style="list-style-type: none"> <li>• Read course syllabus before class</li> </ul> <p><i>Theory/ Frameworks: skim as basic review of mechanics of cost accounting systems</i></p> <ul style="list-style-type: none"> <li>• Accounting for Manufacturing Companies (9-198-019)</li> <li>• Comments on Standard Times and the Division of Labor (9-600-013)</li> <li>• A Glossary for Manufacturing Cost Accounting Systems (9-188-088)</li> </ul> <p><i>Applications:</i></p> <ul style="list-style-type: none"> <li>• WSJ “Fixed Costs Chafe at Steel Mills” June 10, 2009</li> <li>• WSJ “Steelmakers Struggle” Oct 19, 2011</li> <li>• WSJ “High fixed costs are makings of Steel Trap.” Oct 25, 2011</li> <li>• WSJ “Steelmakers confront oversupply worries” May 1, 2012</li> <li>• WSJ “As Economy Zooms, India’s Postmen Struggle to Adapt” Oct 3, 2006</li> <li>• WSJ “Mail Carriers Try Own Rescue” Apr 17, 2012</li> <li>• <i>BBusinessweek</i> “The End of Mail” May 30-Jun 5, 2011, p 60-65.</li> <li>• WSJ “The Post Office wants more than mail” Oct 19, 2011</li> <li>• <i>Washington Post</i> “US airlines make money again by flying less” Jan 25, 2011.</li> <li>• WSJ “Auto Makers’ New Math Drives Net” Jan 27, 2012</li> </ul>	Bridgeton Industries (9-190-085)
2	<p>Using cost system design to remedy some common problems</p> <ul style="list-style-type: none"> <li>• Two Stage Cost Systems</li> <li>• Marginal costing</li> </ul> <p>Managing capacity costs in growth and investment periods</p>	<p><i>Theory/ Frameworks:</i></p> <ul style="list-style-type: none"> <li>• Cost System Analysis (9-195-181)</li> <li>• <i>Strategic Finance</i> “Reading between the numbers” Dec 2004. 41-45.</li> <li>• <i>McKinsey Qtrly</i> “The importance of life cycle pricing” Chart focus newsletter May 2011</li> </ul> <p><i>Applications:</i></p> <ul style="list-style-type: none"> <li>• <i>The Chronicle of Higher Ed.</i> “College for \$99 a Month?” September 2, 2009</li> <li>• WSJ “Putting a Price on Professors” Oct 23-4, 2010</li> <li>• <i>The Chronicle of Higher Ed.</i> “Texas could offer a stripped-down degree for just \$10,000, Commissioner Says” Apr 27, 2011.</li> <li>• WSJ “Factories grapple with how fast to ramp up” June 20, 2010.</li> <li>• <i>BBusinessweek</i> “White-shoe blues” Apr 23-29, 2012.</li> </ul>	<b>Seligram</b> (9-189-084) (case write-up due)

Class	Agenda/Overview of Topics	Required article readings	Required case readings
3	<p>Use of cost system design to remedy some common problems</p> <ul style="list-style-type: none"> <li>• Mechanics of activity-based costing</li> <li>• Capacity considerations in cyclic industries</li> </ul> <p>Activity-based management</p> <ul style="list-style-type: none"> <li>• Restructuring for efficiency</li> <li>• Productivity: meaning, measurement and management</li> <li>• Reducing costly activities</li> </ul>	<p><i>Theory/ Frameworks:</i></p> <ul style="list-style-type: none"> <li>• Introduction to Activity-based costing (9-197-076)</li> <li>• Profit Priorities from Activity-based costing (HBR OnPoint product #3588)</li> </ul> <p><i>Applications: Productivity's meaning, measurement and use</i></p> <ul style="list-style-type: none"> <li>• WSJ "Here come the technocrats" Sept 16-17, 2006</li> <li>• WSJ "Baseball after Moneyball" Sept 23, 2011</li> <li>• BBusinessweek "The Moneyball Myth" Oct 24-30, 2011 109-11.</li> </ul> <p><i>Applications: Labor Productivity tools and implementation issues</i></p> <ul style="list-style-type: none"> <li>• NYT "A Big Star May not a Profitable Movie Make" Aug 28, 2006</li> <li>• WSJ "New Recipe for Cost Savings: Replace Expensive Workers" June 11, 2003</li> <li>• WSJ "Best Buy gets squeezed" Sept 14, 2011</li> <li>• WSJ "Costco's dilemma: Be kind to its workers, or Wall Street?" Mar 26, 2004</li> <li>• WSJ "Retailers Reprogram workers in efficiency push" Sept 10, 2008</li> <li>• WSJ "Meet the New Boss: Big Data. Sept 20, 2012.</li> </ul>	<p><b>Wilkerson Co.</b> (9-101-092) (case write-up due)</p> <p>Co-operative Bank (9-195-196)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
4	<p>Strategic Cost Management and the Value Chain</p> <p>Introduction to Structural and Executional Cost Management Strategies</p> <p>In-class team exercise on structural and executional cost management</p>	<p><i>Theory/ Frameworks:</i></p> <ul style="list-style-type: none"> <li>• <i>SMJ article: “Accounting Data for Value Chain Analysis” Mar/Apr 1989, 10(2): 175-188.</i></li> </ul> <p><i>Applications: We will use the following articles in an in-class team exercise. Skim as many of them as possible—ideally some from each of the 3 groups, particularly articles noted with a (*) that are longer and summarize industry conditions --- before class to increase the efficiency of your team during class.</i></p> <p><b>Not for Profit: Healthcare Example</b></p> <ul style="list-style-type: none"> <li>• <i>WSJ “The doctor will see you eventually” Oct 19, 2010</i></li> <li>• <i>NYT “Factory efficiency comes to the hospital” Jul 10, 2010</i></li> <li>• <i>NYT “Medicare plans for Payments Irks Hospitals. May 30, 2011</i></li> <li>• <i>WSJ “ERs move to speed care; not everyone needs a bed. Aug 2, 2011</i></li> <li>• <i>NYT “Attention Shoppers: Low prices on shots in clinic” May 14, 2006</i></li> <li>• <i>WSJ “New Way to pay Doctors” Feb 9, 2012</i></li> <li>• <i>The Economist “First break all the rules” Apr 17, 2010. Pp6-8.</i></li> <li>• <i>(*) The New Yorker “Big Med” Aug 8, 2012.</i></li> </ul> <p><b>Services: Airlines Industry Example</b></p> <ul style="list-style-type: none"> <li>• <i>WSJ “For US Airlines, a Shakeout runs into heavy turbulence” Sept 19, 2005</i></li> <li>• <i>WSJ “Nuts-and-bolts savings” May 3, 2005</i></li> <li>• <i>WSJ “An Airline that makes money. Really.” Feb 4-5, 2012</i></li> <li>• <i>NYT “To save fuel, airlines find no speck too small” June 11, 2008</i></li> <li>• <i>WSJ “Airlines lose the winter blahs” Feb 29, 2012</i></li> <li>• <i>WSJ “Delta to buy refinery in effort to lower jet-fuel costs” Apr 30, 2012</i></li> <li>• <i>(*) Airline Business “Spirit in the Sky” May, 2012</i></li> <li>• <i>BBusinessweek “Ryanair’s O’Leary: The Duke of Discomfort” Sept 2, 2010 and related media picture: <a href="http://www.businessweek.com/magazine/content/10_37/b4194058004420.htm">http://www.businessweek.com/magazine/content/10_37/b4194058004420.htm</a></i></li> </ul> <p><b>Manufacturing: Automotive Industry Example</b></p> <ul style="list-style-type: none"> <li>• <i>(*) WSJ “Auto Makers’ New Math Drives Net” Jan 27, 2012 (see class 1)</i></li> <li>• <i>WSJ “Hidden Costs” Oct 17, 2005</i></li> <li>• <i>WSJ “GM Acts to Pare Pension Liability” June 1, 2012.</i></li> <li>• <i>WSJ “Ford Caps Turnaround Efforts” Oct 29, 2012</i></li> <li>• <i>WSJ “Renault and Nissan to Double Cost Savings by 2016.” Oct 15, 2012</i></li> <li>• <i>WSJ “Honda’s Flexible Plants Provide Edge” Sept. 23, 2008</i></li> <li>• <i>NYT “At Toyota, a global giant reaches for agility” Feb 22, 2008</i></li> <li>• <i>NYT “Four wheels for the masses: the \$2500 car” Jan 8, 2008</i></li> <li>• <i>WSJ “Coaxing miles from a Chevy redesign” Aug 30, 2011</i></li> <li>• <i>WSJ “What’s customer loyalty worth? GM has a number” Sept 19, 2012</i></li> <li>• <i>WSJ “Maruti Suzuki to Launch New Alto Model in October” Sep 23, 2012</i></li> </ul>	---none---

Class	Agenda/Overview of Topics	Required article readings	Required case readings
5	<p>Structural Cost Management: developing processes for cost effective production and delivery</p> <ul style="list-style-type: none"> <li>Matching process costs to business strategy</li> <li>New business models</li> </ul> <p>Executional Cost Management: Assessing and managing costs of ongoing operations:</p> <ul style="list-style-type: none"> <li>Process improvement</li> </ul>	<p><i>Applications: Consequences of poor process design:</i></p> <ul style="list-style-type: none"> <li>WSJ “Starbucks earnings rise 16%; wait time curbs sales growth. Aug 3, 2006.</li> <li>WSJ “Wendy’s stumbles with Baja Fresh” Jan 4, 2005</li> <li>NYT “Alcohol isn’t worth the trouble for some chain restaurants” Sept 26, 2011</li> </ul> <p><i>Applications: Process design in restaurant industry</i></p> <ul style="list-style-type: none"> <li>WSJ “The Prix Fixe Is In” Oct 7, 2006</li> <li>NYT “The long-distance journey of a fast-food order” Apr 11, 2006</li> <li>WSJ “A Future with Fewer Reservations” May 23, 2009</li> <li>BBusinessweek “Hold the check, please” Apr 10, 2011. 98-99.</li> <li>WSJ “Restaurant franchises try truckin’ as a way to grow” Oct 28, 2010</li> <li>WSJ “This week, it’s Italian, Next week, Californian” Feb 2, 2012</li> <li>The New Yorker “Big Med” Aug 8, 2012. (see class 4 --- focus on description of Cheesecake Factory’s processes and training regimen)</li> <li>WSJ “Latest Starbucks Buzzword: ‘Lean’ Japanese techniques.” Aug 4, 2009</li> <li>BBusinessweek “Fast and Furious” May 9-15, 2011, 64-69</li> </ul> <p><i>Applications: Other ‘Lean’ Process re-design</i></p> <ul style="list-style-type: none"> <li>WSJ “Louis Vuitton tries modern methods of factory lines” Oct 9, 2006</li> <li>NYT “Factory efficiency comes to the hospital” Jul 10, 2010 (see class 4)</li> <li>USAToday “Post office turns to small-town mini-mart for savings” Sept 15, 2011</li> <li>WSJ “A Cheaper Alternative to Outsourcing” Apr 10, 2006</li> <li>WSJ “Harley goes lean to build Hogs” Sept 21, 2012</li> </ul>	Benihana of Tokyo (9-673-057)



6	<p>Structural Cost Management: developing products with competitive cost structure</p> <ul style="list-style-type: none"> <li>• Target costing</li> <li>• Relevant Costs</li> <li>• Lifecycle Costs</li> </ul> <p><b>Team Project #1</b> assigned, with some classtime for project planning</p>	<p><i>Theory/Frameworks</i></p> <ul style="list-style-type: none"> <li>• HBR “<i>The Ultimate Creativity Machine: How BMW Turns Art into Profit</i>” Reprint R0101B</li> <li>• HBR “<i>Control Tomorrow’s Costs Through Today’s Designs</i>” Reprint 96104</li> <li>• WSJ “<i>Finding your innovation fulcrum</i>” Dec 12, 2005</li> </ul> <p><i>Case Follow-up:</i></p> <ul style="list-style-type: none"> <li>• WSJ A slump in car sales forces Nissan to start cutting swollen costs. Mar 3, 1993.</li> </ul> <p><i>Applications: Product and Process Design Interface – learning curves</i></p> <ul style="list-style-type: none"> <li>• WSJ “<i>Boeing hits a milestone</i>” June 8, 2012</li> <li>• WSJ “<i>Airbus wants A380 Cost Cuts.</i>” July 13, 2012</li> <li>• <i>The Economist</i> “<i>First break all the rules</i>” Apr 17, 2010. Pp6-8. (see class 4)</li> </ul> <p><i>Applications: Product design in the auto/transportation industry</i></p> <ul style="list-style-type: none"> <li>• WSJ “<i>Unpopular models slow down GM</i>” Sept 9, 2008</li> <li>• WSJ “<i>Coaxing miles from a Chevy redesign</i>” Aug 30, 2011 (See class 4)</li> <li>• <i>The Economist</i> “<i>The lowdown on teardowns</i>” Jan 23, 2010.</li> <li>• NYT “<i>Four wheels for the masses: The \$2500 Car</i>” Jan 8, 2008 (See class 4)</li> <li>• <i>Washington Post</i> “<i>India’s Tata Nano, ‘the world’s cheapest car,’ struggles to move ahead</i>” Jan 3, 2011</li> <li>• <i>The Economist</i> “<i>Tata’s Nano Stuck in Low Gear</i>” Aug 20, 2011</li> <li>• <i>BBusinessweek</i>. “<i>Japan tries cars that make the mini look maxi</i>” Oct 8-14, 2012. P 27.</li> </ul> <p><i>Applications: Product and service design in competition to the automobile</i></p> <ul style="list-style-type: none"> <li>• NYT “<i>Share my Ride</i>” March 8, 2009</li> <li>• <i>USA Today</i> “<i>An Iphone gets Zipcar drivers on their way</i>” Sept 29, 2009</li> <li>• <i>BBusinessweek</i> “<i>Technology: Stranger you can drive my car</i>” Dec 13-19, 2010. 39-40.</li> <li>• <i>BBusinessweek</i> “<i>The Megabus Effect</i>” Apr 11-17, 2011. 62-7.</li> <li>• WSJ “<i>Buses take off, but not everybody is on board</i>” May 23, 2011</li> <li>• <i>BBusinessweek</i> “<i>In the race for the car-less, can Hertz outrun Zipcar?</i>” Apr 2-9, 2012.</li> </ul>	<p>Nissan Motor Company Ltd (9-194-040)</p>
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Class	Agenda/Overview of Topics	Required article readings	Required case readings
7	<p><b>Team Project #1:</b>  <b>Paper &amp; Presentations:</b>  Analysis of Process Costs</p> <p>Structural Cost Management:  process and product design for low cost-in-use:</p> <ul style="list-style-type: none"> <li>costs of customers and channels</li> <li>cost of ownership to customers</li> </ul> <p>Executorial Cost Management:  measuring and managing customer profitability</p>	<p>Skim the team papers --- available in SmartSite Folder at least 48 hours before the start of class.</p> <p><i>Theory/Frameworks</i></p> <ul style="list-style-type: none"> <li>HBR “Lean Consumption” Reprint R0503C</li> <li>Using ABC to Manage Customer Mix and Relationships (9-197-094)</li> </ul> <p><i>Applications: new business models emphasizing lean consumption</i></p> <ul style="list-style-type: none"> <li>NYT “Miles of Aisles for a Gallon of Milk? Not Here.” Sept 10, 2008</li> <li>NYT “Attention Shoppers: Low prices on shots in clinic” May 14, 2006. (see class 4)</li> <li>BBusinessweek “Size 0? Your webcam knows the truth” Dec 12-18, 2012 p50-52</li> <li>BBusinessweek “No, Padma Laksmi will not come to your home.” Dec 12-18,2012 p49-50</li> <li>NYT “Google’s buses help its workers beat the rush. Mar 10, 2007</li> <li>Businessweek “Sysco Hustles to Keep Restaurants Cooking” May 18, 2009.pp52-53.</li> <li>WSJ “The wait time misery index” Mar 1, 2012</li> <li>Articles from class 6 on services to compete with personal automobile ownership</li> </ul>	<p>Innovation at Progressive (A) and (C)  (9-602-175)  (9-601-139)</p>
8	<p>Structural Cost Management:  designing distribution channels for low cost</p> <ul style="list-style-type: none"> <li>Incentives</li> <li>Pricing and its many forms</li> </ul> <p><b>Team Project #2</b> assigned, with classtime for project planning</p>	<p><i>Theory/Frameworks</i></p> <ul style="list-style-type: none"> <li>HBR “Aligning incentives in Supply Chains” Reprint 8363</li> </ul> <p><i>Case Extension:</i></p> <ul style="list-style-type: none"> <li>WSJ “UPS, other big shiippers carve health-care niches” June 27, 2012</li> </ul> <p><i>Applications: Incentives and Measurement in Cost Management</i></p> <ul style="list-style-type: none"> <li>NYT “Selling Soap” Sept 24, 2006</li> <li>NYT “Utilities turn their customers green, with envy” Jan 31, 2009</li> <li>USAToday “Employee incentives drive lower-cost health care. Sept 22, 2011</li> <li>NYT “Medicare plans for Payments Irks Hospitals. May 30, 2011. (See class 4)</li> </ul> <p><i>Applications: Pricing vs. costing</i></p> <ul style="list-style-type: none"> <li>WSJ “Trucker Rewards Customers for Good Behavior” Sept 9, 2003</li> <li>WSJ “Public Schools Charge Kids for Basics, Frills” May 25, 2011</li> <li>WSJ “TXU Energy uses credit information to assess its rates” Sept 9, 2004</li> <li>The Chronicle of Higher Ed “With new lists, Federal Government moves to help consumers and prod colleges to limit price increases.” June 30, 2011</li> <li>Bloomberg Businessweek. “Every Passenger an Arbitrageur” Oct 8-14, 2012. Pp 24-25.</li> </ul>	<p>Owens and Minor (A)  (9-100-055)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
9	<p><b>Team Project#2:</b>  <b>Paper &amp; Presentations:</b>  Analysis of Cost of Ownership</p> <p>Structural Cost Management:  designing supply chains for low cost</p> <ul style="list-style-type: none"> <li>Sourcing decisions</li> <li>Logistics cost minimization</li> <li>Costs of ownership</li> <li>Risk management</li> </ul> <p>Executional Cost Management:</p> <ul style="list-style-type: none"> <li>Supplier performance</li> <li>Scheduling for low cost production and inventory management</li> </ul>	<p>Skim the team papers --- which will be available in SmartSite Folder at least 48 hours before the start of class.</p> <p><i>Theory/Frameworks</i></p> <ul style="list-style-type: none"> <li><i>CalMgtRev</i> "Williamson's contribution and its relevance to 21<sup>st</sup> century capitalism" <i>Winter 2010</i></li> <li>HBR "A Smarter Way to Buy" June 2001 Reprint F0106B</li> <li>HBR "Inventory-driven costs" 83 (3): 135. Mar 2005</li> <li><i>McKinsey Qtrly</i> "When offshore manufacturing doesn't make sense" 2004 (4):53.</li> <li><i>CFO Journal of WSJ</i> "Command and Control: Managing Supply Chain Risk" Nov 2, 2012</li> </ul> <p><i>Applications:</i></p> <ul style="list-style-type: none"> <li><i>NYT</i> "A Dream Interrupted at Boeing" Sept 6, 2009</li> <li><i>BBusinessweek</i> "Coping with Commodity Shock" Oct 4-10, 2010. pp 53-4.</li> <li><i>WSJ</i> "Tight supplies, tight partners" Jan 10, 2011.</li> <li><i>BBusinessweek</i> "Downsides of Just-in-time Inventory" Mar 28-Apr 3, 2011 17-18.</li> <li><i>WSJ</i> "Otis shifts work closer to home" Oct 7, 2011</li> <li><i>BBusinessweek</i> "To boost buying power, Wal-mart woos partners" Oct 11-17, 2010</li> <li><i>WSJ</i> "3M begins untangling its 'hairballs' May 16, 2012</li> </ul>	<p>Supplier Management at Sun Microsystems (OIT-16A)</p>
10	<p>Structural Cost Management:</p> <ul style="list-style-type: none"> <li>Design products and processes for product life-cycle</li> <li>sustainability, responsibility, and shareholder value</li> <li>Pricing/costing externalities</li> </ul> <p>Executional Cost Management:</p> <ul style="list-style-type: none"> <li>Measuring and managing environmental performance</li> </ul>	<p><i>Theory/Frameworks</i></p> <ul style="list-style-type: none"> <li><i>McKinsey Qtrly</i> "What is environmental strategy?" 1993 (4):53.</li> <li>HBR "The Reverse Supply Chain" Feb 2002 Reprint F0202D.</li> <li><i>McKinsey Qtrly</i> "How US health care reform will affect employee benefits" June 2011</li> </ul> <p><i>Applications: Environmental costs, prices and taxes</i></p> <ul style="list-style-type: none"> <li><i>Economist</i> "A lean, clean electric machine" Dec 10, 2005</li> <li><i>NYT</i> "A state says makers must pay for recycling PC's and TV's" Mar, 25, 2006</li> <li><i>NYT</i> "Seeking fiscal health without gas tax" Mar 25, 2006</li> <li><i>WSJ</i> "Kicking the cans" Jul 29, 2008</li> </ul> <p><i>Applications: Other externality costs to consider</i></p> <ul style="list-style-type: none"> <li><i>Economist</i> "Business and AIDS in Africa: Follow my lead" Oct 11, 2003</li> <li><i>WSJ</i> "States are battling against Wal-mart over health care" Nov 1, 2004</li> <li><i>NYT</i> "Wal-mart cuts some health care benefits. Oct 20, 2011</li> <li><i>BBusinessweek</i> "Your boss to your kids: Slim down" Feb 1&amp;8, 2010 p67</li> <li><i>WSJ</i> "Big firms overhaul Health Coverage" Sept 26, 2012.</li> </ul> <p>(CONTINUED)</p>	<p>No case</p>

10 (cont.)	<p>Cost Management in Organizational Culture</p> <ul style="list-style-type: none"> <li>• Establishing A Culture of Thrift</li> <li>• Cost cutting in crisis</li> </ul> <p><b>Final Exam Discussion</b> Course overview and exam format.</p>	<p><i>Cost Management Leadership: Theory and Evidence</i></p> <ul style="list-style-type: none"> <li>• <i>McKinsey Quarterly</i> “Managing Overhead Costs” 2005 (1): 106-117</li> <li>• <i>Newsweek</i> “Lay off the Layoffs” Feb 5, 2010</li> <li>• <i>The Economist</i> “Time to put ideas into practice” Apr 25, 2005</li> <li>• <i>HBR</i> “Turn cost cutting into a core competence” reprint U0212B</li> <li>• <i>Leadership Excellence</i> “Pride in Thrift” Apr 2005</li> <li>• <i>NYT</i> “In Praise of Dullness” May 19, 2009</li> </ul>	
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