



PREPARING INNOVATIVE LEADERS FOR GLOBAL IMPACT

MGB 271
Strategic Cost Management
Winter 2015

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Office Hours By appointment – email to schedule

Class Meeting Time and Final Exam Schedule

MGB 271: Class: Sat 9 am-12 pm and 1 - 4 pm; Room 1502 Bishop Ranch; Exam Mar 21, 9 am - 12 pm
Class Dates: Jan 17, 31, Feb 14, 28, Mar 14

The information below is provided in the event that you miss class and wish to attend in Sacramento or Davis:

MGT 271: Class: Thurs. 12:10 - 3 pm; Room 1302 GH, **Exam: Mar 19**, 12:10 - 3pm 1302 GH

MGP 271: Class: Thurs. 6 – 9 pm; Room 2205 Sac Ed Cntr; **Exam: Mar 19**, 6 - 9 pm 2205 Sac Ed Cntr

Class Dates for MGT and MGP: Jan 11(*), 15, 22, 29, Feb 5, 12, 19, 26, Mar 5, 12

(*) There will be no class on Jan 8. A makeup session is scheduled for Jan 11th 12:10 – 3 pm in 1213 GH

Course Introduction

This class examines how firms use organizational design and cost management to establish a sustainable cost structure as a strong foundation for superior profit performance. Increasingly, competitive cost structures are obtained through innovative collaboration among firms --- termed the “extended enterprise” --- and not through technical efficiencies of a single firm. 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 not focus on quantitative methods (e.g., budgeting, product costing, and variance analysis) or the costs that are reported in accounting systems. Instead, we will rely more on qualitative analysis and economic concepts of cost. 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	15%
2 individual case write-ups	10%
2 team papers	25%
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; and
- **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. These two cases **are indicated in bold font** on the class schedule. A paper copy of the write-up is **due at the start of class**. In the event that you will miss class, assignments may be submitted early by email. *It is your responsibility to ensure that your assignment is received.* Please convert email attachments to PDFs. Do not submit your assignment by email 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" document. 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, then 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. Case questions are designed to prepare you to participate in class rather than to test your knowledge of the 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 a near-final draft of their papers to a Smartsite folder. All teams should be prepared to present, but no all teams will present. I will select the teams that will present at the start of class. The presentation is not

graded, *per se*. Rather presentations are selected with the intent to stimulate discussion of important issues. 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 must 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 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, the penalty for shirking team responsibilities may range from no credit to a significant reduction in the team project grade as compared to the grade awarded to other team members.

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 a significant amount of reading. However, not all readings should be approached with the same intensity or attention to detail.

- The *required case* will form the backbone of our discussion. Read it carefully and with consideration of the associated class assignment questions.
- Significant articles that present *theory and frameworks* will lend structure to the discussion. Read these carefully as well.
- A number of “light” *applications articles* from the popular press will be used to update and extend the case. These articles often extend the case concepts to different industries. Skim these to capture the main points and to address the associated class assignment questions.
- *Other readings* are designated in the syllabus for use in *in-class exercises*. These are not required to be read before class; however, skimming them will accelerate your class work.
- *Audio content* is not required but provides an engaging medium for considering the issues.

For each class, the cases and advance readings are accompanied by a set of questions found in the “Class Preparation Questions” document. These questions do not fully represent 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 the course grade to case write-ups.

Absences

Please send me a short email if you must miss class. This is not required, but it 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 the essential elements to learning this material: content and process. 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, then the class in which the reading first occurred is noted in parentheses.

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 1- Class 1	<p>Introduction to cost systems and their use and misuse</p> <p>Standard costing systems</p> <ul style="list-style-type: none"> Characteristics Side effects <p>Cost structure, product costing and cost analysis</p> <p>Managing capacity costs in recessionary periods</p>	<ul style="list-style-type: none"> Read course syllabus before class <p><i>Theory/ Frameworks: Skim as basic review of mechanics of cost accounting systems</i></p> <ul style="list-style-type: none"> Accounting for Manufacturing Companies (9-198-019) Comments on Standard Times and the Division of Labor (9-600-013) A Glossary for Manufacturing Cost Accounting Systems (9-188-088) <i>The Economist</i> “Free exchange: Land of the corporate giants” Nov 3, 2012 p.76 <p><i>Applications: Fixed costs in other industries and the response to declining demand</i></p> <ul style="list-style-type: none"> WSJ “Fixed Costs Chafe at Steel Mills” June 10, 2009 WSJ “Steelmakers Struggle” Oct 19, 2011 WSJ “High fixed costs are makings of Steel Trap.” Oct 25, 2011 WSJ “As Economy Zooms, India’s Postmen Struggle to Adapt” Oct 3, 2006 WSJ “Amid red ink, the post office chief explains his optimism” Dec 11, 2013 NYTimes “Postal Service to make Sunday Deliveries for Amazon” Nov 11, 2013 USA Today “US airlines make money again by flying less” Jan 24, 2011 WSJ “Auto Makers’ New Math Drives Net” Jan 27, 2012 WSJ “Open all night: America’s car factories” Aug 17, 2013 WSJ “Companies unplug from the Electric Grid, delivering a jolt to utilities” Sept 17, 2013 WSJ “U.S. Utilities push the electric car” Aug 29, 2014 WSJ “David Skeel: Facing up to America’s Pension Woes” July 24, 2013 <i>The Economist</i> “The rise of the sharing economy” Mar 9, 2013 	Bridgeton Industries (9-190-085)

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 1- Class 2	<p>Using cost system design to remedy some common problems</p> <ul style="list-style-type: none"> Two Stage Cost Systems Marginal costing <p>Managing capacity costs in growth and investment periods</p>	<p><i>Theory/ Frameworks:</i></p> <ul style="list-style-type: none"> Cost System Analysis (9-195-181) <i>Strategic Finance</i> "Reading between the numbers" Dec 2004 pp 41-45 <i>Airline Business</i> "Changing life-spans hit depreciation" Mar 2013 p48 <p><i>Applications: Cost management in an environment of product/service cross-subsidies</i></p> <ul style="list-style-type: none"> <i>The Chronicle of Higher Ed.</i> "College for \$99 a Month?" September 2, 2009 WSJ "More students subsidize classmates' tuition" Jan 13, 2014 WSJ "Putting a Price on Professors" Oct 23-4, 2010 WSJ "Job market embraces massive online courses" Sept 26, 2013 WSJ "Community Colleges try to revamp image to keep students" Sept 19, 2013 Audio content: June 25, 2014 http://www.npr.org/blogs/money/2014/06/25/325497878/the-real-price-of-college BBusinessweek "Law Firms' White-shoe blues" Apr 18, 2012 <p><i>Applications: The cost management challenges of growth</i></p> <ul style="list-style-type: none"> WSJ "Factories grapple with how fast to ramp up" June 20, 2010 WSJ "Man vs. Machine: Behind the jobless recovery" Jan 17, 2012 	<p>Seligram (9-189-084) <i>(case write-up due)</i></p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 2- Class 3	<p>Use of cost system design to remedy some common problems</p> <ul style="list-style-type: none"> Mechanics of activity-based costing Capacity considerations in cyclic industries <p>Activity-based management</p> <ul style="list-style-type: none"> Productivity: meaning, measurement and management Restructuring for efficiency Reducing costly activities 	<p><i>Theory/ Frameworks:</i></p> <ul style="list-style-type: none"> Introduction to Activity-based costing (9-197-076) Profit Priorities from Activity-based costing (HBR OnPoint product #3588) No-nonsense Guide to Measuring Productivity HBR OnPoint product #3596) <p><i>Applications: Cost Management and Product Profitability</i></p> <ul style="list-style-type: none"> <i>Chronicle of Higher Education</i>, “Accounting for Success” Feb 3, 2014 WSJ “J.P. Morgan Ramping up Efforts to cut wasteful expenses” July 8, 2014 WSJ “Searching for the true cost of health care” Feb 23, 2014 HBR “The strategy that will fix health care” Oct 2013 (HBR reprint R1310B) <p><i>Applications: Productivity’s meaning, measurement and use</i></p> <ul style="list-style-type: none"> WSJ “Here come the technocrats” Sept 16-17, 2006 WSJ “Baseball after Moneyball” Sept 30, 2011 <p><i>Applications: Labor Productivity, tools and implementation issues</i></p> <ul style="list-style-type: none"> NYT “A Big Star May not a Profitable Movie Make” Aug 28, 2006 WSJ “New Recipe for Cost Savings: Replace Highly Paid Workers” June 11, 2003 WSJ “Costco’s dilemma: Be kind to its workers, or Wall Street?” Mar 26, 2004 Natl Journal “Why the Trader Joe’s model benefits workers -- and the bottom line” Mar 21, 2013. Audio content: July 11, 2014 http://www.npr.org/blogs/money/2014/07/11/329586422/when-ikea-raises-its-minimum-wage-where-does-the-money-come-from WSJ “Retailers Reprogram workers in efficiency push” Sept 10, 2008 Audio content: May 2, 2014 http://www.npr.org/blogs/money/2014/05/02/308640135/episode-536-the-future-of-work-looks-like-a-ups-truck 	<p>Wilkerson Co. (9-101-092) <i>(case write-up due)</i></p> <p>Co-operative Bank (9-195-196) <i>(not required to be read before class – see class assignments)</i></p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 2- Class 4	<p>Strategic Cost Management and the Value Chain</p> <p>Introduction to Structural and Executorial Cost Management Strategies</p> <p>In-class team exercise on structural and executorial cost management</p>	<p><i>Theory/ Frameworks:</i></p> <ul style="list-style-type: none"> • <i>SMJ</i> article: “Accounting Data for Value Chain Analysis” Mar/Apr 1989, 10(2): 175-188. • <i>HBR</i> “Saving Economics from the Economists” Dec 2012 p36 (reprint F1212F) • <i>Slate.com moneybox blog</i> “Why Innovators hate MBAs” Sept 19, 2014 <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 group and particularly articles marked(*) that are longer and summarize industry conditions --- before class to increase the efficiency of your team during class.</i></p> <p>Not for Profit: Healthcare Example</p> <ul style="list-style-type: none"> • <i>WSJ</i> “The doctor will see you eventually” Oct 19, 2010 • <i>NYT</i> “Factory efficiency comes to the hospital” Jul 10, 2010 • <i>NYT</i> “Medicare plans for Payments Irks Hospitals” May 30, 2011 • <i>WSJ</i> “ERs move to speed care; not everyone needs a bed” Aug 2, 2011 • <i>NYT</i> “Attention Shoppers: Low prices on shots in clinic” May 14, 2006 • <i>WSJ</i> “Hospitals focus on the supply chain” Feb 23, 2014 • <i>WSJ</i> “New Way to pay Doctors” Feb 9, 2012 • <i>WSJ</i> “How to bring the price of health care into the open” Feb 24, 2014 • <i>WSJ</i> “A cure for hospital design” Feb 3, 2014 • (*) <i>The New Yorker</i> “Big Med” Aug 13, 2012 <p>Services: Airlines Industry Example</p> <ul style="list-style-type: none"> • <i>WSJ</i> “For US Airlines, a Shakeout runs into heavy turbulence” Sept 19, 2005 • <i>WSJ</i> “Nuts-and-bolts savings” May 3, 2005 • <i>WSJ</i> “An Airline that makes money. Really.” Feb 4-5, 2012 • <i>NYT</i> “To save fuel, airlines find no speck too small” June 11, 2008 • <i>WSJ</i> “Airlines lose the winter blahs” Feb 29, 2012 • <i>WSJ</i> “Delta to buy refinery in effort to lower jet-fuel costs” Apr 30, 2012 • (*) <i>Airline Business</i> “Spirit in the Sky” May, 2012 • <i>BBusinessweek</i> “Ryanair’s O’Leary: The Duke of Discomfort” Sept 2, 2010 <p>Manufacturing: Automotive Industry Example</p> <ul style="list-style-type: none"> • (*) <i>WSJ</i> “Auto Makers’ New Math Drives Net” Jan 27, 2012 (see class 1) • <i>WSJ</i> “Hidden Costs” Oct 17, 2005 • <i>WSJ</i> “GM Acts to Pare Pension Liability” June 1, 2012 • <i>WSJ</i> “Ford Caps Turnaround Efforts” Oct 29, 2012 • <i>WSJ</i> “Renault and Nissan to Double Cost Savings by 2016” Oct 15, 2012 • <i>WSJ</i> “Honda’s Flexible Plants Provide Edge” Sept. 23, 2008 • <i>NYT</i> “Four wheels for the masses: the \$2500 car” Jan 8, 2008 • <i>WSJ</i> “Coaxing miles from a Chevy redesign” Aug 30, 2011 • <i>WSJ</i> “What’s customer loyalty worth? GM has a number” Sept 19, 2012 • <i>WSJ</i> “Maruti Suzuki to Launch New Alto Model in October” Sep 23, 2012 	---none---

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 3- Class 5	<p>Structural Cost Management: developing processes for cost effective production and delivery</p> <ul style="list-style-type: none"> Matching process costs to business strategy New business models <p>Executional Cost Management: Assessing and managing costs of ongoing operations:</p> <ul style="list-style-type: none"> Process improvement 	<p><i>Applications: Consequences of poor process design</i></p> <ul style="list-style-type: none"> WSJ “Starbucks earnings rise 16%; wait time curbs sales growth” Aug 3, 2006 WSJ “Wendy’s stumbles with Baja Fresh” Jan 4, 2005 NYT “Alcohol isn’t worth the trouble for some chain restaurants” Sept 26, 2011 <p><i>Applications: Process design in food service industries</i></p> <p><i>Food Preparation Processes</i></p> <ul style="list-style-type: none"> The New Yorker “Big Med” Aug 13, 2012 (see class 4 --- focus on description of Cheesecake Factory’s processes and training regimen) WSJ “Latest Starbucks Buzzword: ‘Lean’ Japanese techniques” Aug 4, 2009 BBusinessweek “Fast and Furious” May 9-15, 2011, pp 64-69 NYTimes “In lieu of money, Toyota donates efficiency to New York Charity” July 26, 2013 WSJ “IKEA’s path to selling 150 million meatballs” Oct 17, 2013 <p><i>Customer Service Processes</i></p> <ul style="list-style-type: none"> WSJ “The Prix Fixe Is In” Oct 7, 2006 NYT “The long-distance journey of a fast-food order” Apr 11, 2006 WSJ “A Future with Fewer Reservations” May 23, 2009 BBusinessweek “Hold the check, please” Apr 10, 2011, pp 98-99 Audio content: July 23, 2014 http://www.npr.org/blogs/money/2014/07/23/334076398/episode-555-why-is-the-milk-in-the-back-of-the-store <p><i>Restaurant format:</i></p> <ul style="list-style-type: none"> WSJ “Restaurant franchises try truckin’ as a way to grow” Oct 28, 2010 WSJ “This week, it’s Italian, Next week, Californian” Feb 2, 2012 WSJ “Restaurant chains crave smaller venues” Jan 23, 2013 <p><i>Applications: Other ‘Lean’ Process re-design</i></p> <ul style="list-style-type: none"> WSJ “Louis Vuitton tries modern methods on factory lines” Oct 9, 2006 NYT “Factory efficiency comes to the hospital” Jul 10, 2010 (see class 4) WSJ “A cure for hospital design” Feb 3, 2014 (see class 4) WSJ “A Cheaper Alternative to Outsourcing” Apr 10, 2006 WSJ “Harley goes lean to build Hogs” Sept 21, 2012 	Benihana of Tokyo (9-673-057)

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 3- Class 6	<p>Structural Cost Management: developing products with competitive cost structure</p> <ul style="list-style-type: none"> Target costing Relevant Costs Lifecycle Costs <p>Team Project #1 assigned, with some classtime for project planning</p>	<p><i>Theory/Frameworks</i></p> <ul style="list-style-type: none"> HBR “The Ultimate Creativity Machine: How BMW Turns Art into Profit” Reprint R0101B HBR “Control Tomorrow’s Costs Through Today’s Designs” Reprint 96104 WSJ “Finding your innovation fulcrum” Dec 12, 2005 <p><i>Cost Analysis in product development: Funding models meet cost management</i></p> <ul style="list-style-type: none"> http://3dprototypesandmodels.com.au/blog-2/ <p><i>Applications: Product design for low cost in the modern auto industry</i></p> <ul style="list-style-type: none"> WSJ “Coaxing miles from a Chevy redesign” Aug 30, 2011 (See class 4) NYT “Four wheels for the masses: The \$2500 Car” Jan 8, 2008 (See class 4) Washington Post “India’s Tata Nano, ‘the world’s cheapest car,’ struggles to move ahead” Jan 3, 2011 BBusinessweek. “Japan tries cars that make the mini look maxi” Oct 8-14, 2012, p 27 <p><i>Applications: Product and Process Design Interface – learning curve management</i></p> <ul style="list-style-type: none"> WSJ “Boeing hits a milestone” June 8, 2012 WSJ “Airbus wants A380 Cost Cuts.” July 13, 2012 <p><i>Applications: Product Design for low cost in other industries</i></p> <ul style="list-style-type: none"> The Economist “First break all the rules” Apr 17, 2010, pp 6-8 WSJ “The long slow process of IKEA Design” Oct 14, 2013 BBusinessweek “Despicably Profitable” Sept 23-29, 2013 p 21 The Economist “The lowdown on teardowns” Jan 23, 2010 WSJ “iPhone 5 costs stay in check” Sept 24, 2012 <p>NOTE: the following articles will be used primarily in class 7; however, skim them to get a sense of changing markets for personal transportation and consider how they influence target costing in the traditional automotive industry</p> <p><i>Applications: Product and service design in competition to the automobile</i></p> <ul style="list-style-type: none"> NYT “Share my Ride” March 8, 2009 BBusinessweek “Technology: Stranger you can drive my car” Dec 13-19, 2010, pp 39-40 BBusinessweek “The Megabus Effect” Apr 11-17, 2011, Pp 62-7 WSJ “Buses take off, but not everybody is on board” May 23, 2011 BBusinessweek “In the race for the car-less, can Hertz outrun Zipcar?” Apr 2-9, 2012 The New Yorker “Uber Alles” Sept 16, 2013 	<p>Nissan Motor Company Ltd (9-194-040)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 4- Class 7	<p>Team Project #1: Paper & Presentations: 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"> costs of customers and channels cost of ownership to customers <p>Executional 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"> HBR “Lean Consumption” Reprint R0503C Using ABC to Manage Customer Mix and Relationships (9-197-094) <p><i>Applications: New business models emphasizing lean consumption</i></p> <ul style="list-style-type: none"> Industry update July 9, 2014: http://qz.com/230055/car-insurance-companies-want-to-track-your-every-move-and-youre-going-to-let-them/ WSJ “Retailers wage war against long lines” May 1, 2013 NYT “Attention Shoppers: Low prices on shots in clinic” May 14, 2006. (see class 4) BBusinessweek “Size 0? Your webcam knows the truth” Dec 12-18, 2012 p50-52 BBusinessweek “No, Padma Lakshmi will not come to your home.” Dec 12-18,2012 p49-50 WSJ “The wait time misery index” Mar 1, 2012 WSJ “New efforts to shorten the car-buying process” Feb 27, 2013 NYT “Google’s buses help its workers beat the rush” Mar 10, 2007 BBusinessweek “Sysco Hustles to Keep Restaurants Cooking” May 18, 2009, pp 52-53. WSJ “Apps: The new Corporate cost-cutting tool” Mar 5, 2013 Articles from class 6 on services that compete with and complement personal automobile ownership 	<p>Innovation at Progressive (A) and (C) (9-602-175) (9-601-139)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 4- Class 8	<p>Structural Cost Management: designing distribution channels for low cost</p> <ul style="list-style-type: none"> • Incentives • Pricing and its many forms <p>Team Project #2 assigned, with classtime for project planning</p>	<p><i>Theory/Frameworks</i></p> <ul style="list-style-type: none"> • HBR “Aligning incentives in Supply Chains” Reprint 8363 • HBR “A Smarter Way to Buy” June 2001 Reprint F0106B • HBR “Inventory-driven costs” 83 (3): 135. Mar 2005 <p><i>Case Extension:</i></p> <ul style="list-style-type: none"> • WSJ “UPS, other big shippers carve health-care niches” June 27, 2012 • WSJ “Hospitals focus on the supply chain” Feb 23, 2014 (see class 4) • WSJ “Soap Opera: Amazon moves in with P&G” Oct 14, 2013 <p><i>Applications: Incentives and Measurement in Cost Management</i></p> <ul style="list-style-type: none"> • WSJ “How to bring the price of health care into the open” Feb 24, 2014 (see class 4) • <i>The Chronicle of Higher Ed</i> “With new lists, Federal Government moves to help consumers and prod colleges to limit price increases” June 30, 2011 • NYT “Selling Soap” Sept 24, 2006 • WSJ “Hospitals have new tool to save money” Feb 23, 2014 • NYT “Utilities turn their customers green with envy” Jan 30, 2009 • WSJ “The efficiency of Social Pressure” Sept 5, 2013 • <i>USAToday</i> “Employee incentives drive lower-cost health care” Sept 22, 2011 • NYT “Medicare plans for Payments Irks Hospitals” May 30, 2011 (See class 4) <p><i>Applications: Pricing vs. costing</i></p> <ul style="list-style-type: none"> • WSJ “Trucking Firm Rewards Clients for Good Behavior” Sept 9, 2003 • <i>BBusinessweek</i> “Every Passenger an Arbitrageur” Oct 8-14, 2012, pp 24-25 • WSJ “TXU Energy uses credit information to assess its rates” Sept 9, 2004 • WSJ “Public Schools Charge Kids for Basics, Frills” May 25, 2011 	<p>Owens and Minor (A) (9-100-055)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 5- Class 9	<p>Team Project#2: Paper & Presentations: Analysis of Cost of Ownership</p> <p>Structural Cost Management: designing supply chains for low cost</p> <ul style="list-style-type: none"> • Sourcing decisions • Logistics cost minimization • Costs of ownership • Risk management <p>Executional Cost Management:</p> <ul style="list-style-type: none"> • Supplier performance • Scheduling for low cost production and inventory management 	<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"> • <i>CalMgtRev</i> “Williamson’s contribution and its relevance to 21st century capitalism” <i>Winter 2010</i> • <i>McKinsey Qtrly</i> “When offshore manufacturing doesn’t make sense” 2004 (4):53 • <i>CFO Journal of WSJ</i> “Command and Control: Managing Supply Chain Risk” Nov 2, 2012 <p><i>Applications: Risks and Risk Management in Supply Chain</i></p> <ul style="list-style-type: none"> • <i>WSJ</i> “As rivals outsource, Lenovo keeps production in-house” Jul 9, 2012 • <i>BBusinessweek</i> “To boost buying power, Wal-mart woos partners” Oct 11-17, 2010 • <i>WSJ</i> “For Swatch, it’s time to change” Apr 9, 2013 • <i>WSJ</i> “Tight supplies, tight partners” Jan 10, 2011 • <i>NYT</i> “A Dream Interrupted at Boeing” Sept 6, 2009 • <i>WSJ</i> “Putting the squeeze on suppliers” Jul 9, 2012 • <i>BBusinessweek</i> “Coping with Commodity Shock” Oct 4-10, 2010. pp 53-4 • <i>BBusinessweek</i> “The Downside of Just-in-time Inventory” Mar 28-Apr 3, 2011 17-18 <p><i>Applications: Transportation Cost Management and related risk management</i></p> <ul style="list-style-type: none"> • <i>WSJ</i> “Otis shifts work closer to home” Oct 7, 2011 • <i>WSJ</i> “3M begins untangling its ‘hairballs’” May 16, 2012 • <i>WSJ</i> “Soap Opera: Amazon moves in with P&G” Oct 14, 2013 (see class 8) • <i>WSJ</i> “Slow road to recovery” Oct 14, 2013 • <i>WSJ</i> “Pitting costs against Control” Feb 28, 2012 	<p>Supplier Management at Sun Microsystems (OIT-16A)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
Day 5- Class 10	<p>Structural Cost Management:</p> <ul style="list-style-type: none"> Design products and processes for product life-cycle sustainability, responsibility, and shareholder value Pricing/costing externalities <p>Executional Cost Management:</p> <ul style="list-style-type: none"> Measuring and managing environmental performance <p>Cost Management in Organizational Culture</p> <ul style="list-style-type: none"> Establishing A Culture of Thrift Cost cutting in crisis <p>Final Exam Discussion Course overview and exam format.</p>	<p><i>Theory/Frameworks</i></p> <ul style="list-style-type: none"> <i>McKinsey Qtrly</i> “What is environmental strategy?” 1993 (4):53 <i>HBR</i> “The Reverse Supply Chain” Feb 2002 Reprint F0202D <i>McKinsey Qtrly</i> “How US health care reform will affect employee benefits” June 2011 <p><i>Applications: Environmental costs, prices and taxes</i></p> <ul style="list-style-type: none"> <i>Economist</i> “A lean, clean electric machine” Dec 10, 2005 <i>McKinsey Quarterly</i> “Measuring the real cost of water” Mar 14 2013 <i>NYT</i> “A state says makers must pay for recycling PC’s and TV’s” Mar, 25, 2006 <i>WSJ</i> “NYC considers 10-cent charge for plastic bags” Aug 20, 2013 <i>WSJ</i> “Kicking the cans” Jul 29, 2008 <p><i>Applications: Other externality costs to consider</i></p> <ul style="list-style-type: none"> <i>Economist</i> “Business and AIDS in Africa: Follow my lead” Oct 11, 2003 <i>NYT</i> “States are battling against Wal-mart over health care” Nov 1, 2004 <i>NYT</i> “Wal-mart cuts some health care benefits” Oct 20, 2011 <i>WSJ</i> “Walgreen to shift health plan for 160,000 workers” Sept 18, 2013 <i>BBusinessweek</i> “Your boss to your kids: Slim down” Feb 1&8, 2010 p67 <i>WSJ</i> “Big firms overhaul Health Coverage” Sept 26, 2012 <i>WSJ</i> “ObamaCare and the ‘29ers” Feb 26, 2013 <p><i>Cost Management Leadership: Theory and Evidence</i></p> <ul style="list-style-type: none"> <i>McKinsey Quarterly</i> “Managing Overhead Costs” 2005 (1): 106-117 <i>Newsweek</i> “Lay off the Layoffs” Feb 5, 2010 <i>The Economist</i> “Time to put ideas into practice” Apr 25, 2005 <i>HBR</i> “Turn cost cutting into a core competency” reprint U0212B <i>Leadership Excellence</i> “Pride in Thrift” Apr 2005 <i>NYT</i> “In Praise of Dullness” May 19, 2009 <i>WSJ</i> “Is value investing bred in the bone?” Feb 22-23, 2014 	No case