



PREPARING INNOVATIVE LEADERS FOR GLOBAL IMPACT

MGT/P 271
Strategic Cost Management
Winter 2016

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Office Hours: by appointment – email to schedule

Class Meeting Time and Final Exam Schedule:

MGT 271: Class: Thurs. 12:10 – 3 pm; Room 1302 GH, **Exam: Mar 17**, 12:10 - 3pm 1302 GH

MGP 271: Class Thurs. 6 – 9 pm; 2205 Sac Ed Cntr; **Exam: Mar 17**, 6 - 9 pm 2205 Sac Ed Cntr

Class Dates for MGT and MGP: Jan 10(*), 14, 21, 28, Feb 4, 11, 18, 25, Mar 3, 10

(*) There will be no class on Jan 7. A makeup session is scheduled for Jan 10th 12:10-3pm in 1213 GH

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; 1502 Bishop Ranch; Exam Mar 19, 9 am – 12 pm

Class Dates for MGB: Jan 16, 30, Feb 13, 27, Mar 12

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. We have developed two versions of the course packet. The high cost option will give you all materials printed and collated for your ease of use. It will be big. The low cost option will give you only those materials that are not available to you for free access through our library content licenses --- primarily Harvard cases and non-standard articles. This option saves you money, but requires you to be diligent to use the hotlinked reading list with library access to obtain the readings. And if you want to print, you do that at the expense of your own time and resources. I would probably choose the latter; I am after all teaching “cost management.” However, let me caution you that the temptation will be to “be lazy” and not do the legwork to obtain and read these articles. That’s your choice, but you will miss out on a big part of the class if you systematically ignore all of the popular press readings. The cases are good for building deep understanding, but the readings are the vehicle for translating this understanding into contemporary settings and exploring variants of the case phenomena.

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%
Final exam	60%

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. You may discuss the case with classmates as part of your class preparation; however, the write-up is an individual assignment. Each student is expected to write their own responses to the questions without help. The two cases for write-ups **are indicated in bold font** on the class schedule.

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.

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 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.

The case assignments will be graded on a 1-50 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.

Late assignments will receive a penalty grade that is 10% (5 points) less than the lowest mark earned by any paper submitted on time. The purpose of the penalty mark is to motivate completion of the work while recognizing that late submission means that the student has had the benefit of class discussion of the case. While I want everyone to submit on time, submitting a late assignment is a better choice than receiving a zero for the assignment!

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 the 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 on Smartsite) 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 in-class exam will be based on a comprehensive case study and related articles. The case and articles will be distributed on the evening of the last day of class for the last section that meets (typically the MGB271 section). The exam will include several essay questions. A makeup exam will be offered **ONLY** for substantiated personal emergencies and will be given after all course grades are filed, most likely during the spring term.

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 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, 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"> • 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 • <i>The Economist</i> “The rise of the sharing economy” Mar 9, 2013 <p><i>Applications: fixed costs in other industries and the response to declining demand</i></p> <ul style="list-style-type: none"> • 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 • WSJ “US Postal Service tries hand as Fishmonger, Grocer” Aug 17, 2015 <ul style="list-style-type: none"> • WSJ “Fixed Costs Chafe at Steel Mills” June 10, 2009 • WSJ “Steelmakers Struggle” Oct 19, 2011 • WSJ “US Steel to Close Alabama Blast Furnace, cut 1,100 Jobs” Aug 17, 2015 <ul style="list-style-type: none"> • <i>Washington Post</i> “US airlines make money again by flying less” Jan 25, 2011 • WSJ “Southwest’s upgraded growth plans stir airline stocks and prices tumble” May 20, 2015 <ul style="list-style-type: none"> • WSJ “Auto Makers’ New Math Drives Net” Jan 27, 2012 • WSJ “Open all night: America’s car factories. Aug 17, 2013. <ul style="list-style-type: none"> • WSJ “Companies unplug from the Electric Grid, delivering jolt to utilities” Sept 17, 2013 • WSJ “Utilities’ profit recipe: spend more” Apr 20, 2015 • WSJ “As conservation cuts Electricity use, Utilities turn to fees” Oct 20, 2015 <ul style="list-style-type: none"> • WSJ “As oil slips below \$50, Canada digs in for a long haul” Jan 12, 2015 • WSJ “Good times run out for sand producers” Jan 1, 2015 <ul style="list-style-type: none"> • WSJ “David Skeel: Facing up to American’s Pension Woes July 24, 2013 • <i>BBusinessweek</i> “White-shoe blues” Apr 23-29, 2012 	<p>Bridgeton Industries (9-190-085)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
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. 41-45. <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 • <i>WSJ</i> “More students subsidize classmates tuition” Jan 13, 2014 • <i>WSJ</i> “Putting a Price on Professors” Oct 23-4, 2010 • <i>WSJ</i> “Job market embraces massive online courses” Sept 26, 2013 • <i>WSJ</i> “Community Colleges try to revamp image to keep students” Setp 19, 2013 • <i>Audio content: June 25, 2014</i> http://www.npr.org/blogs/money/2014/06/25/325497878/the-real-price-of-college • <i>WSJ</i> “Apple gets sweet deals from mall operators” Mar 10, 2015 • <i>WSJ</i> “U.S. Utilities push the electric car” Aug 29, 2014 <p><i>Applications: the cost management challenges of growth</i></p> <ul style="list-style-type: none"> • <i>WSJ</i> “Factories grapple with how fast to ramp up” June 20, 2010 • <i>WSJ</i> “Man vs. Machine, a 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
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: 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 23, 2011 <p><i>Applications: Managing Profitability through Productivity</i></p> <ul style="list-style-type: none"> • <i>Chronical of Higher Education</i>, "Accounting for Success" Feb 3, 2014 • <i>NYT</i> "What are a Hospital's Costs? Utah system is trying to learn" Sept 7, 2015 • <i>HBR</i> "The strategy that will fix health care" Oct 2013 (HBR reprint R1310B) • <i>WSJ</i> "J.P. Morgan intensifies cost-cutting effort" July 9, 2014 <p><i>Applications: Labor Wages and Productivity</i></p> <ul style="list-style-type: none"> • <i>NYT</i> "A Big Star May not a Profitable Movie Make" Aug 28, 2006 • <i>WSJ</i> "New Recipe for Cost Savings: Replace Expensive Workers" June 11, 2003 • <i>WSJ</i> "Costco's dilemma: Be kind to its workers, or Wall Street?" Mar 26, 2004 • <i>Natl Journal</i> "Why the Trader Joe's model benefits workers -- and the bottom line. Mar 21, 2013 • <i>Audio content:</i> 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 • <i>BBusinessweek</i> "Unintended consequence of Wal-mart's raise: Unhappy workers" Aug 5, 2015 and related audio: http://www.bloomberg.com/news/articles/2015-08-06/an-unintended-consequence-of-wal-mart-pay-raise-unhappy-workers <p><i>Applications: Labor Productivity, tools and implementation issues</i></p> <ul style="list-style-type: none"> • <i>McKinsey & Co</i> "Smarter schedules, better budgets: How to improve store operations" Aug 2015 • <i>NYT</i> "Inside Amazon: Wrestling big ideas in a bruising workplace" Aug 15, 2015 • <i>WSJ</i> "UPS didn't have a happy holiday" Jan 23, 2015 and unrelated but topical 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 • <i>WSJ</i> "How everyone gets the "sharing" economy wrong" May 24, 2015 	<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 assignment)</i></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"> • <i>SMJ article:</i> “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, particularly those marked(*) that summarize industry conditions. This will increase the efficiency of your team during class.</i></p> <p>Not for Profit: Healthcare Example</p> <ul style="list-style-type: none"> • <i>NYT</i> “What are a Hospital’s Costs? Utah system is trying to learn” Sept 7, 2015 (class 3) • <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>WSJ</i> “Hospitals focus on the supply chain” Feb 23, 2014 • <i>WSJ</i> “Startups vie to build an Uber for healthcare” Aug 11, 2015 • <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 8, 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 Satings 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 <p>[“Note on the Value Proposition and Business Models” <i>WDI at the U.Michigan, GlobaLens 1-429-009</i>]</p>	<p>---none---</p> <p><i>in class handout</i></p>

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"> • Matching process costs to business strategy • New business models <p>Executorial Cost Management: Assessing and managing costs of ongoing operations:</p> <ul style="list-style-type: none"> • Process improvement <p>Team Project #1 assigned</p>	<p><i>Applications: Consequences of poor business model or process design:</i></p> <ul style="list-style-type: none"> • <i>LATimes</i> “For novice restaurateurs, risk of failure is high” July 25, 2015 • <i>WSJ</i> “Starbucks earnings rise 16%; wait time curbs sales growth. Aug 3, 2006. • <i>WSJ</i> “Wendy’s stumbles with Baja Fresh” Jan 4, 2005 • <i>NYT</i> “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"> • <i>The New Yorker</i> “Big Med” Aug 8, 2012. (see class 4 --- focus on description of Cheesecake Factory’s processes and training regimen) • <i>WSJ</i> “Latest Starbucks Buzzword: ‘Lean’ Japanese techniques.” Aug 4, 2009 • <i>BBusinessweek</i> “Fast and Furious” May 9-15, 2011, 64-69 • <i>WSJ</i> “IKEA’s path to selling 150 million meatballs” Oct 17, 2013 • <i>BBusinessweek</i> “McDonald’s All-day Breakfast Might Make America’s egg Shortage Worse” Sept 2, 2015 and associated video content: http://www.bloomberg.com/news/articles/2015-09-02/mcdonald-s-all-day-breakfast-risks-further-crimping-egg-supplies • <i>Video, Japanese Sushi:</i> https://www.facebook.com/video.php?v=10153334412237652&fref=nf <p><i>Customer Service Processes</i></p> <ul style="list-style-type: none"> • <i>WSJ</i> “The Prix Fixe Is In” Oct 7, 2006 • <i>NYT</i> “The long-distance journey of a fast-food order” Apr 11, 2006 • <i>NYTimes</i> “In lieu of money, Toyota donates efficiency to New York Charities” July 26, 2013 • <i>WSJ</i> “A Future with Fewer Reservations” May 23, 2009 • <i>BBusinessweek</i> “Hold the check, please” Apr 10, 2011. 98-99. • <i>Audio content: July 23, 2014</i> 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"> • <i>WSJ</i> “Restaurant franchises try truckin’ as a way to grow” Oct 28, 2010 • <i>WSJ</i> “This week, it’s Italian, Next week, Californian” Feb 2, 2012 • <i>WSJ</i> “Restaurants crave smaller venues” Jan 23, 2013 	Benihana of Tokyo (9-673-057)

Class	Agenda/Overview of Topics	Required article readings	Required case readings
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 we will reserve classtime for break outs that teams can use for project planning and consultation with the instructor</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 • WSJ “Meet the Multix, India’s Newest Pickup truck with extra charge” Jun 22, 2015 • 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 • WSJ “Paris Air Show Refrain: buy our older jets” Jun 11, 2015 <p><i>Applications: Product Design tools for low cost in other industries</i></p> <ul style="list-style-type: none"> • The Economist “First break all the rules” Apr 17, 2010. Pp6-8. • 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 • WSJ “How fast-food chains cook up new menu items” Aug 24, 2015 <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. Consider how they influence target costing in the traditional automotive industry if consumers treat them as a substitute for auto ownership.</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. 39-40. • BBusinessweek “The Megabus Effect” Apr 11-17, 2011. 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
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>Executorial Cost Management: measuring and managing customer profitability</p> <p>Team Project #2 assigned</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"> • Using ABC to Manage Customer Mix and Relationships (9-197-094) • HBR “Lean Consumption” Reprint R0503C • WSJ “Do you know what your time is really worth?” July 21, 2015 or related Video content: http://www.wsj.com/articles/do-you-know-what-your-time-is-really-worth-1437500727?alg=y <p><i>Applications: Industry update</i></p> <ul style="list-style-type: none"> • Take a look at the Progressive Insurance company web site --- look for recent innovations • July 9, 2014: http://qz.com/230055/car-insurance-companies-want-to-track-your-every-move-and-youre-going-to-let-them/ • NYT “Insurance via internet is squeezing agents” Jan 18, 2015 • WSJ “The self-driving car and the coming revolution in auto insurance” Jun 7, 2015 <p><i>Applications: new business models emphasizing lean consumption</i></p> <ul style="list-style-type: none"> • WSJ “Retailers wage war against long lines” May 1, 2013 • WSJ “Startups vie to build an Uber for healthcare” Aug 11, 2015 (class 4) • WSJ “The doctor will see you eventually” Oct 19, 2010 • BBusinessweek “Size 0? Your webcam knows the truth” Dec 12-18, 2012 p50-52 • BBusinessweek “No, Padma Laksmi 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 • Businessweek “Sysco Hustles to Keep Restaurants Cooking” May 18, 2009.pp52-53. • WSJ “Apps: The new Corporate cost-cutting tool” Mar 5, 2013 • WSJ “Nestle taps into bottled water on-demand” May 24, 2015 • HBR “What Stitch Fix figured out about mass customization” May 26, 2015 • WSJ “In defense of good-enough gadgets” Apr 12, 2015 • WSJ “Sprint to test home delivery of new phones” Apr 13, 2015 • NYT “ClassPass and the joy and guild of the digital middleman economy” Mar 9, 2015 <ul style="list-style-type: none"> • <i>Articles from class 6 on services that compete with and complement personal automobile ownership</i> 	<p>Innovation at Progressive (A) (9-602-175)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
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 we will reserve classtime for break outs that teams can use for project planning and consultation with the instructor</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 • <i>NYT</i> “Selling Soap” Sept 24, 2006 • WSJ “Hospitals have new tool to save money” Feb 23, 2014 • <i>NYT</i> “Giving Doctors Grades” July 22, 2015 • <i>NYT</i> “Utilities turn their customers green with envy” Jan 30, 2009 • WSJ “Utilities’ profit recipe: spend more” Apr 20, 2015 (see class 1) • WSJ “The efficiency of Social Pressure” Sept 5, 2013 • <i>USAToday</i> “Employee incentives drive lower-cost health care. Sept 22, 2011 <p><i>Applications: Pricing vs. costing</i></p> <ul style="list-style-type: none"> • WSJ “Trucker Rewards Customers for Good Behavior” Sept 9, 2003 • <i>Bloomberg Businessweek</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
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>Executorial 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. <p><i>Applications: Alternative Risk Management Strategies in Supply Chain Management</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>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>NYT</i> “A Dream Interrupted at Boeing” Sept 6, 2009 • <i>BBusinessweek</i> “Downsides of Just-in-time Inventory” Mar 28-Apr 3, 2011 17-18. • <i>WSJ</i> “Pitting costs against Control” Feb 28, 2012 <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> “US ports see costly delays as cargo ships, volumes grow” Apr 29, 2015 and related video content at: http://www.wsj.com/articles/u-s-ports-see-costly-delays-as-cargo-ships-volumes-grow-1430340113?alg=y • <i>WSJ</i> “A radical supply chain idea: Own your trucking operation” Apr 29, 2015 • <i>WSJ</i> “Parcel-delivery firms and retailers experiment with package pickup points” May 18, 2015 	<p>Supplier Management at Sun Microsystems (OIT-16A)</p>

Class	Agenda/Overview of Topics	Required article readings	Required case readings
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>Executorial 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"> HBR “The Reverse Supply Chain” Feb 2002 Reprint F0202D. McKinsey Quarterly “Measuring the real cost of water” Mar 14 2013 <p><i>Applications: Environmental costs, prices and taxes</i></p> <ul style="list-style-type: none"> Economist “A lean, clean electric machine” Dec 10, 2005 NPR “To tackle food waste, big grocery chain will sell produce rejects” Jun 17, 2015 and related audio content at: http://www.npr.org/sections/thesalt/2015/06/17/414986650/to-tackle-food-waste-big-grocery-chain-will-sell-produce-rejects?utm_source=npr_newsletter&utm_medium=email&utm_content=20150617&utm_campaign=npr_email_a_friend&utm_term=storyshare WSJ “Coal Miners pressed on cleanup costs” July 17, 2015 WSJ “NYC considers 10-cent charge for plastic bags” Aug 20, 2013 The Atlantic “A test-drive for the ‘Prius Tax’” Jun 8, 2015 <p><i>Applications: Healthcare costs, another important externality cost</i></p> <ul style="list-style-type: none"> Economist “Business and AIDS in Africa: Follow my lead” Oct 11, 2003 WSJ “States are battling against Wal-mart over health care” Nov 1, 2004 NYT “Wal-mart cuts some health care benefits. Oct 20, 2011 WSJ “Walgreen to shift health plan for 160,000 workers” Sept 18, 2013 BBusinessweek “Your boss to your kids: Slim down” Feb 1&8, 2010 p67 WSJ “Big firms overhaul Health Coverage” Sept 26, 2012. WSJ “ObamaCare and the ‘29ers” Feb 26, 2013 McKinsey Qtrly “How US health care reform will affect employee benefits” June 2011 <p><i>Cost Management Leadership: Theory and Evidence</i></p> <ul style="list-style-type: none"> McKinsey Quarterly “Managing Overhead Costs” 2005 (1): 106-117 Newsweek “Lay off the Layoffs” Feb 5, 2010 The Economist “Time to put ideas into practice” Apr 25, 2005 HBR “Turn cost cutting into a core competence” reprint U0212B Leadership Excellence “Pride in Thrift” Apr 2005 NYT “In Praise of Dullness” May 19, 2009 WSJ “Is value investing bred in the bone?” Feb 22-23, 2014 	<p>No “case”, but the following article will serve as a basis for a case discussion of one company in the chemicals industry:</p> <p>McKinsey Qtrly “What is environmental strategy?” 1993 (4):53.</p>