



PREPARING INNOVATIVE LEADERS FOR GLOBAL IMPACT

**MGx 271**  
**Strategic Cost Management**  
**Winter 2020**

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**Brief Bio:** I've been a Professor of Management at the GSM since 2010 and before that was on faculty at Rice University and the University of Michigan. My doctorate and masters degrees are in business economics (not accounting? That's right. And is a first indicator of what this course is ... and is not) and my undergraduate degree is in engineering. I worked in the auto industry before returning for my doctorate and since then, I've done research and consulting in a wide range of industries including: manufacturing textiles, office furniture, glass, electronics, and pharmaceuticals; retailing; transportation/distribution; and a variety of service (or product-as-service) industries such as: passenger airlines, healthcare, software, and financial services. I'm currently the Treasurer of a national science education not-for-profit, an opportunity that provided an interesting perspective on performance management in organizations.

**Office Hours**   By appointment – email to schedule

**Class Meeting Time and Final Exam Schedule**

**MGB 271:** Even Weekends, Sat 9- 12 and 1 - 4 pm; 1501 Bishop Ranch; Exam Mar 14, 1 – 4 pm  
Class Dates: Jan 11, 25, Feb 8, 22, Mar 7

**MGT 271:** Class: Thursdays 9 – 11:50 am; Room 1302 GH, Exam: Mar 19, 9 – 11:50 am; 1302 GH

**MGP 271:** Odd Weekends, Sat 9 - 12 & 1 - 4 pm; 2206 MC Ed. Bldg; Exam Mar 14, 9 – 12 pm  
Class Dates: Jan 4, 18, Feb 1, 15, 29

**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 ---- 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 only required materials are the course packet of cases, readings and assignments. It is big. Let me caution you of the temptation to skip the articles --- see class preparation instructions for guidance on reading strategy. You will miss out on a big part of the class if you systematically ignore all of the popular press readings (See student remarks at end of syllabus!). 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.

**Online Material:** Course materials may be found on Canvas and Study.net

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

Class participation	10%
2 individual case write-ups	10%
1 team project	15%
Final exam	65%

### **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.** Use the break to check messages.

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 response 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 an 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 Project**

There are several in-class team exercises and one team project. The project requires 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 Canvas folder a near-final draft of the paper (not the slides). 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 final submitted team paper and slidepack is the basis for the team project grade. The presentation and ensuing class discussion 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 paper may be delegated to one or two team members, the team should take care to involve all team members in the assignment and to balance the total workload among team members. Unless evidence is provided (using the Peer Evaluation found on Canvas) 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 the 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 Canvas the evening of the last day of class for the last section of the course that meets. 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, as 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 your 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 Canvas for any handouts.

### Code of Academic Conduct

Please be sure to read the Code of Academic Conduct and follow its guidelines: [Code's webpage](#).

### Student Remarks and Evaluations

The course has enjoyed strong student satisfaction over the years. In 2019, on average students from three sections of the course rated the Overall Educational Value: 5.0, 4.9, 4.8 [MGT, MGP, MGB respectively]. Below are remarks from two 2019 students that you may find helpful. As their remarks make clear, there is a lot on offer, but what you take from the course depends a great deal on your preparation and engagement.

*Strategic Cost Management is one of the most valuable classes in the MBA program. It weaves together concepts from all core classes to tackle case studies in a variety of industries. You're encouraged to think critically about how a company's cost structure aligns with its value proposition and core competencies. The group project pulls together strategy, operations, and accounting concepts in a unique way and emphasizes real world applicability. The final was one of the most fun and thought-provoking I took at the GSM. 10/10; would recommend.*

Sara H. '19

*One of the main learnings is how much the business (e.g. the strategies, trade-offs, and competencies) can be derived from their cost structure. We can compare a company against their competitors and see what their differentiators and core value propositions are. The second key learning is a valuable cautionary tale for management decision makers: how does cost structure influence decisions? As companies shift their business strategy, I now know that doing a review of the cost structure and identifying any changes that will align to the new strategy is critical. Describing the risks that happen when this is overlooked was totally eye-opening. The class required a good amount from me, and sometimes it was hard to come as prepared as I needed to be. This class goes to the next level when classmate engagement is high. There were one or two classes where many of us didn't engage, and so the learning outcomes were lower. The professor acts as a facilitator and the students must come prepared and ready to offer up analysis they did own their own.*

Evan M. '19