



PREPARING INNOVATIVE LEADERS FOR GLOBAL IMPACT

MGx 271
Strategic Cost Management
Winter 2021

Instructor Professor Shannon Anderson
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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 indication 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: heavy manufacturing, textiles, office furniture, 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 not-for-profit organization that provides advanced science education for high school students during the summer. In my free time I normally enjoy travel; however, with the challenges of 2020 I've spent more time with my hobbies: quilting, knitting, gardening and cooking.

Office Hours TBD, but always available by appointment – message me in Canvas to schedule

Class Meeting Time and Final Exam Schedule

MGB 271: Even weekend, Sat 1-4 pm & Sun 1-4 pm: 1/16-17; 1/30-31; 2/13-14; 2/27-28; 3/13-14;
3/20 exam

MGT 271: Wednesday 3-5:50 pm; 1/6, 1/13, 1/20, 1/27, 2/3, 2/10, 2/17, 2/24, 3/3, 3/10, 3/17 exam

MGP 271: Thursday 6-9 pm; 1/7, 1/14, 1/21, 1/28, 2/4, 2/11, 2/18, 2/25, 3/4, 3/11, 3/18 exam

Course Introduction

This class examines how firms use product, process, and organizational design to establish a sustainable cost structure that is a strong foundation for superior profit performance. We will see that “structural” cost management is a critical differentiator for successful firms. It is most effective when used in combination with the more traditional “executional” cost management practices that you may have encountered in prior courses on management accounting or production and service operations.

Competitive cost structures are increasingly obtained, not through technical efficiencies of a single firm, but through innovative collaboration among firms ---- the “extended value chain.” 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 the course inside the firm, with an overview of how modern product costing systems

work and their limitations as a basis for strategic cost management. Then we will turn to how firms manage costs during product design and development, and production and/or service delivery. Finally, we consider the firm within the extended value chain and examine how the firm structures relations with suppliers, customers and society to create a competitive cost structure and strategic advantage.

Intended 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.

Course Materials

Required Materials The Reading Schedule, found in the Canvas Module, General Course Materials, indicates what you are required to read for each class session and where you will find each reading. The required reading materials are found in Canvas, in the Harvard Business School packets of cases and readings, and as readings that are available to you from Shields Library and loaded into the Perusall app (accessible through Canvas). There is no textbook that is well-aligned to this course; however, I have identified an open access textbook (Principals of Accounting: Volume 2 Managerial Accounting) that has several chapters that are useful for the first three class sessions. The relevant chapters are on Canvas in a Module labeled Textbook Chapter #.

Course Assessment

Learning and subject mastery will be assessed as follows:

<i>Class participation</i>	15%
<i>Homework Assignments</i>	25%
<i>Team project</i>	15%
<i>Final exam</i>	45%

Class Participation

The class is taught using the case method and class participation is graded in every class. This year, as we operate in an online environment, several modes of participation will be eligible for credit, including:

- Answering a question when asked
- Asking a question that is pertinent to the conversation at hand
- Participating productively in small group breakout discussions
- Presenting results of your group breakout session to the class
- Asking or answering questions, contributing interesting comments, and giving or receiving “upvotes” on comments in the collaborative reading tool, *Perusall* (see below)

Importantly, class participation grades are *not based on class attendance*. Attendance is a necessary but not a sufficient condition for earning in-class participation marks.

Zoom: By now you are all familiar with Zoom and its strengths and weaknesses as a learning platform.

The GSM norms of use ([https://gsm.ucdavis.edu/sites/default/files/2020-](https://gsm.ucdavis.edu/sites/default/files/2020-10/gsm_student_online_learning_resources_0.pdf)

[10/gsm_student_online_learning_resources_0.pdf](https://gsm.ucdavis.edu/sites/default/files/2020-10/gsm_student_online_learning_resources_0.pdf)) are useful; however, I have made some adjustments to

better fit a course that employs the case method of instruction and active discussion. Please read the document “How we will use Zoom” in the Canvas Module on General Course Materials. Also, while you are old hands at this, this is my first experience teaching on Zoom. I have spent the fall term redesigning the course and have taken advice from colleagues and attended seminars on best-practices using Zoom. However, I fully expect to learn a lot this term and may need to make adjustments along the way to optimize the learning experience.

Perusall Annotations: Perusall is a collaborative reading tool that is integrated into Canvas. Because of copyright rules, we can only use this tool with the readings that we are all individually licensed to use through Shields Library (termed “eligible readings”). My aim in using this tool is to make your time spent reading more productive and engaging. It also affords an opportunity to reward a different mode of class participation that occurs outside of our synchronous class. This is my first use of the tool and I expect that I will learn about its strengths and weaknesses along the way and may modify my use of it accordingly.

My current plan is to upload each eligible reading into the course Perusall site. I may highlight key passages for your consideration and/or add annotations that pose a question for your consideration. Regardless of whether I add annotations, you and your classmates may add remarks, questions and responses as you read. If you do your reading within Perusall (rather than directly from the library), you may earn class participation points by contributing annotations to one or more of the readings. Your annotation may ask a question, answer a question (mine or that of another student), or simply make a thoughtful observation that is relevant (e.g. “In my workplace I’ve experienced this as follows...”).

I definitely do not expect everyone to add annotations to every reading every week. (Indeed, I do not intend to give participation credit for annotations that lack substance because I do not want to promote “busy work” for you or clutter in our readings.) However, even if you do not contribute an annotation, I believe that you will find this reading platform useful because you will see how your classmates are responding and it is likely to cause you to think more deeply about the materials.

Homework Assignments

In the Canvas Module on General Course Materials you will find the Class Preparation Questions document. This provides questions to guide your pre-class reading. Before class, you will submit answers to a subset of these questions, marked with (*), as homework. Each homework assignment corresponds to a “Quiz” in Canvas that is labelled “Class # Quiz” for each corresponding class number. Although I use the quiz feature on Canvas to collect your work, these are homework assignments that are intended to prepare you for class discussion and to help me to assess understanding. Because the questions are intended to prepare you to participate in class, the grade will be based primarily on completeness and evidence of careful consideration of the issues and use of case/reading information to support your answers.

IMPORTANT: Although I encourage you to work together on class preparation, *you must complete the weekly Canvas “Quiz” independently*. That is, it is an honor code violation to for students who study together to collaborate on the quiz itself or to copy and paste the same response for a question into the quiz. Work together to understand the issues, but then step back from the group discussion to write a response in your own words. This is a low stakes assessment, but it is an important tool for you to self-diagnose areas of confusion and for helping me to identify areas that need clarification.

The Canvas Quiz will close before class begins; however, please submit your responses as early as is possible to allow me time to review student responses before class. Late submissions will not be accepted.

Team Project

The team project requires a team paper and the ability to do a short presentation on demand. Depending on class size, all teams may 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 are the basis for the team project grade. The presentations and ensuing class discussion will be treated 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 are a violation of the honor code by the team. Although responsibility for specific tasks may be delegated to one or two team members, the team should involve all team members in the assignment and balance the workload among team members. A Peer Evaluation will be administered as a Canvas Quiz after the project is completed. Unless evidence is provided to the contrary, I will assume that all team members contributed appropriately to the assignment and team members will receive a common grade. If I determine that it is warranted, the penalty for individuals who shirk their team responsibilities may range from no credit to a significant reduction in the individual's grade as compared to the project grade.

Final Examination

The final online exam will be based on a comprehensive case study and related articles and, like the homeworks, will be administered as a Canvas quiz at the assigned exam time. The case and articles will be made available after the last section of the course meets, to give you time to read and consider the materials before the exam itself. The exam will include several short answer questions and a couple of longer 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.

Advice on Class Preparation

Class preparation requires significant reading; however, all readings should not be approached with the same intensity or attention to detail. The Reading Schedule indicates which readings should be completed before class. 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.

For each class, the case and advance readings are accompanied by a set of questions found in the document, Class Preparation Questions, some of which are to be answered and submitted as homework. 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.

Absences

In the event that you must miss class, I would be grateful for a short Canvas message to that effect. This is not required, but helps me to be aware of your needs. Missing class, even after preparing the case questions, means that you miss content and process --- essential elements to learning this material. The Zoom sessions will be recorded and available on Canvas; however, they will not include the breakout sessions, so there will be a loss of content. Please obtain notes from a class member and check Canvas for class materials that are "distributed" during and after class (see the Module for the specific class session after class concludes).

University Policies:

Statement on Accommodation

UC Davis is committed to educational equity in the academic setting, and in serving a diverse student body. All students who are interested in learning about how disabilities are accommodated can visit the [Student Disability Center](#) (SDC). If you are a student who requires academic accommodations, please contact the SDC directly at sdcc@ucdavis.edu or 530-752-3184. If you receive an SDC Letter of Accommodation, submit it to your instructor for each course as soon as possible, at least within the first two weeks of a course.

Rights and Responsibilities

All participants in the course, instructor and students, are expected to follow the UC Davis [Principles of Community](#), which includes affirmation of the right of [freedom of expression](#), and rejection of discrimination. The right to express points-of-view without fear of retaliation or censorship is a cornerstone of academic freedom. A diversity of opinions with respectful disagreement and informed debate enriches learning. However, in this course, any expression or disagreement should adhere to the obligations we have toward each other to build and maintain a climate of mutual respect and caring.

You are expected to take UC Davis's [Code of Academic Conduct](#) as seriously as we do. You were given this code of conduct with explicit explanations of violations (e.g. plagiarism, cheating, unauthorized collaboration, etc.) and your responsibilities in regard to them during orientation, and you signed a statement affirming that you understand it. Academic conduct violations will not be tolerated, and your instructor will not hesitate to turn violators over to Student Judicial Affairs. If you are uncertain about what constitutes an academic conduct violation, please refer to the code linked above, contact your instructor, or refer to the [Office of Student Judicial Affairs](#).

All material in the course that is not otherwise subject to copyright is the copyright of the course instructor and should be considered the instructor's intellectual property.

Safety and Emergency Preparedness

UC Davis has many resources to help in case of emergency or crisis. While reviewing campus [Emergency Information](#), you may want to register for UC Davis Warn Me and Aggie Alert, which will give you timely information and instructions about emergencies and situations on campus that affect your safety. If there is an emergency in the classroom or in non-Davis locations, follow the instructions of your instructor.

Disclaimer

Unexpected events might require elements of this syllabus to change. Your instructor will keep you informed of any changes.

Past 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