Course Description

People respond to incentives and they do so in predictable ways. Starting with this simple premise, this course asks how managers can design incentives to get employees to do what they want them to do. The goal of the course is to offer a micro-economic approach to both the internal organization of firms and its relationship with the firms’ overall strategies. The first part of the course takes a firm’s activities as given and studies the problem of organizational design; topics include incentive pay, decentralization, transfer pricing, and complementarities. The second part examines the determinants of a firm’s boundaries and covers such topics as horizontal and vertical mergers, outsourcing, and foreclosure. The course consists of both lectures and case discussions.

Zoom

To help foster a class community, you are required to turn on your video (it will be turned off when you first join a class session) and to have the window with our class session open and visible on your display. Please make sure to mute your microphone when you are not talking and to remember to lower your (electronic) hands when you no longer want to speak. Note that Zoom sessions will be recorded and made available to other course participants.

Attendance

I take attendance in Zoom. If you cannot attend a class please send me an email to let me know.

Office Hours

While our class sessions are online, I will hold office hour group chats on Zoom at 7pm on Thursdays.

I’ve organized these office hours as group chats to encourage participation and help build and sustain a class community. If you want to talk one-on-one, or cannot make the time, you can contact me directly (bryony.reich@kellogg.northwestern.edu) and we’ll set up a time to talk.
If we are back on campus, my office hours are on **Tuesdays from 5-6pm at Wieboldt**. You can also reach me by email (bryony.reich@kellogg.northwestern.edu) or phone (847-467-3790). And if you are at the Global Hub, feel free to stop by my office (4213).

Class-Preparation Surveys

For some classes, you are required to fill out class-prep surveys. The surveys will be posted online, and they are **due prior to class**. The purpose of these surveys is to prepare you for the material that we will cover in class and for me to get a sense of student views before class starts. The surveys are not intended to test you, and your answers will not be graded (except on whether they were handed in and the questions have been answered). There is no need for elaborate answers, and brevity is very much encouraged. I have indicated classes for which you have to fill out class-prep surveys in the course outline below.

Assignments

There are two individual assignments and two team assignments. See Canvas for due dates. You will be assigned a team. Please arrange with your team to meet online or, if we are back on campus, team meetings can also take place in person.

Final Exam

There will be a final exam during finals week that you will take remotely. The exam will cover material from the entire course. The exam is open book. You may not use any online sources during the exam, other than the Canvas website, or any human sources. I will distribute more information about the final towards the end of the quarter.

Grading

Your final grade will be based on the following three components:

- Class performance, including class-prep surveys (22.5% of final grade)
- Assignments, including peer review for team assignments (30% of final grade)
- Final exam (47.5% of final grade)
Reading Material

All required and optional reading is either included in the course packet or posted online.

Recording

Unauthorized student recording of classroom or other academic activities (including advising sessions or office hours) is prohibited. Unauthorized recording is unethical and may also be a violation of University policy and state law. Students requesting the use of assistive technology as an accommodation should contact AccessibleNU. Unauthorized use of classroom recordings — including distributing or posting them — is also prohibited. Under the University’s Copyright Policy, faculty own the copyright to instructional materials — including those resources created specifically for the purposes of instruction, such as syllabi, lectures and lecture notes, and presentations. Students cannot copy, reproduce, display or distribute these materials. Students who engage in unauthorized recording, unauthorized use of a recording or unauthorized distribution of instructional materials will be referred to the appropriate University office for follow-up.

Resources

Students can find useful resources for safety and security, academic support, and mental and physical health and well-being on the NU help website and app.
Week 1, April 7

Introduction & Basic Concepts

- Part 1: Introduction and Case Discussion

  Things to do before our meeting:
  - Read the “Putnam Investments: Work@Home” case, which is included in the course packet.
  - Fill out the class-prep survey that is posted on Canvas. **Deadline: start of class.**

- Part 2: Lecture

  Things to do before our meeting:
  - None.

- Sunday, April 12: Assignment Due Date

  - Individual Assignment 1 is due by 11.59pm.
  - Submit the assignment on Canvas.
Week 2, April 14

The Economics of Motivation

• Part 1: Case Discussion & Design-A-Contract Game

Things to do before our meeting:

− Read the “Performance Pay at Safelite Auto Glass A” case, which is included in the course packet. You may also want to read a case update that will be in your course packet after class.

− Fill out the class-prep survey that is posted on Canvas. Deadline: start of class.

• Part 2: Lecture

Things to do before our meeting:

− None.
Week 3, April 21

Paying for Performance

- Part 1: Lecture
  
  Things to do before our meeting:
  
  - None.

- Part 2: Case Discussion
  
  Things to do before our meeting:
  
  - Read the “The Lincoln Electric Company” case, which is included in the course packet.
  
  - Fill out the class-prep survey that is posted on Canvas. **Deadline: start of class.**

- Sunday, April 26: Assignment Due Date
  
  - Individual Assignment 2 is due by 11.59pm.
  
  - Submit the assignment on Canvas.
Week 4, April 26

Motivating Teams:
Initiative versus Cooperation

- **Part 1: Case Discussion**

  Things to do before our meeting:
  
  - Read the “Family Feud (A): Andersen versus Andersen” case, which is included in the course packet.
  
  - Fill out the class-prep survey that is posted on Canvas. **Deadline: start of class.**

- **Part 2: Lecture**

  Things to do before our meeting:
  
  - None.
Week 5, April 28

Decentralization I:
Externalities

- Part 1: Case Discussion

  Things to do before our meeting:
  - Read the “Transfer Pricing at Timken” case, which is included in the course packet.
  - Fill out the class-prep survey that is posted on Canvas. **Deadline: start of class.**
  - Download the Timken spreadsheet from Canvas, and bring your laptop to class.

- Part 2: Lecture

  Things to do before our meeting:
  - None.
Week 6, May 5
Decentralization II: Coordination

- Part 1: The Corporate Turnaround Game
  
  Things to do before our meeting:
  
  - Bring your laptop to class (it needs to be a laptop, since the game software does not run on tablets).

- Part 2: Lecture
  
  Things to do before our meeting:
  
  - None.

- Wednesday, May 6: Assignment Due Date
  
  - Team Assignment 1 is due by 11.59pm.
  
  - Submit the assignment on Canvas.
Week 7, May 12

Review and Strategic Effects

- Part 1: Review

  Things to do before our meeting:
  - None.

- Part 2: Lecture

  Things to do before our meeting:
  - None.
Week 8, May 19

Horizontal Mergers

- Part 1: Lecture
  Things to do before our meeting:
  - None.

- Part 2: Case Discussion
  Things to do before our meeting:
  - Read the “Whole Foods Market and Wild Oats Merger” case included in the course packet.
  - Fill out the class-prep survey that is posted on Canvas. **Deadline: start of class.**

- Sunday, May 24: Assignment Due Date
  - Team Assignment 2 is due by 11.59pm.
  - Submit the assignment on Canvas.
Week 9, May 26

Vertical Integration I:
Specific Investments & Foreclosure

• Part 1: Case Discussion

  Things to do before our meeting:
  
  – Read the “The Walt Disney Company and Pixar Inc.: To Acquire or Not to Acquire?” case, which is included in the course packet.

  – Fill out the class-prep survey that is posted on Canvas. **Deadline: start of class.**

• Part 2: Lecture

  Things to do before our meeting:

  – None.
Week 10, June 2

Vertical Integration II:
Market Power

- Part 1: Market Power Game
  
  Things to do before our meeting:
  - None.

- Part 2: Lecture
  
  Things to do before our meeting:
  - None.
Finals Week

Exam is to be taken remotely by Tuesday, June 9 at 11.59pm.