ASSESSING THE EXTERNAL ENVIRONMENT
EMBA 110S

Dr. Terry Young
Pepperdine University
Graziadio School of Business and Management
6100 Center Dr.
Los Angeles, CA  90043-1590

Phone: (310) 568-5553
Email: tyoung@pepperdine.edu

THE IDEAS OF ECONOMISTS AND POLITICAL PHILOSOPHERS, BOTH WHEN THEY
ARE RIGHT AND WHEN THEY ARE WRONG, ARE MORE POWERFUL THAN IS COMMONLY
UNDERSTOOD. INDEED, THE WORLD IS RULED BY LITTLE ELSE. PRACTICAL MEN (AND
WOMEN) WHO BELIEVE THEMSELVES TO BE QUITE EXEMPT FROM ANY INTELLECTUAL
INFLUENCES, ARE USUALLY THE SLAVES OF SOME DEFUNCT ECONOMIST.

JOHN MAYNARD KEYNES

OBJECTIVES:

The course provides an overview of the external environment and the study of the overall workings of
an economic system. Understanding the operation of the economic system puts the business executive
in a better position to formulate corporate policies and to use the economic way of thinking in business
planning and strategy.

The objectives of this course are:
1. To enhance the knowledge of the external environment and the awareness of major issues
   confronting business and the economy.

2. To provide a useful means of integrating economic theory into the executive's corporate tool kit.

3. To understand the influence of government institutions on both the development and implementation
   of economic policy and its impact on the managerial decision-making process.

4. To explore the links between fiscal and monetary policies, goods and financial markets, and
domestic investment and foreign trade.

REQUIRED READING MATERIALS:

1. Economics 20th edition, McConnell, Brue and Flynn
   1979, 2-10. (see attachment)

RECOMMENDED READINGS:

GRADING:

Grades will be assigned as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>94-100%</td>
<td>Superior</td>
</tr>
<tr>
<td>A-</td>
<td>90-93%</td>
<td></td>
</tr>
<tr>
<td>B+</td>
<td>87-89%</td>
<td>Solid graduate work</td>
</tr>
<tr>
<td>B</td>
<td>83-86%</td>
<td></td>
</tr>
<tr>
<td>B-</td>
<td>80-82%</td>
<td></td>
</tr>
<tr>
<td>C+</td>
<td>77-79%</td>
<td>Below graduate level expectation</td>
</tr>
<tr>
<td>C</td>
<td>73-76%</td>
<td></td>
</tr>
<tr>
<td>C-</td>
<td>70-72%</td>
<td></td>
</tr>
<tr>
<td>D+</td>
<td>67-69%</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>63-66%</td>
<td></td>
</tr>
<tr>
<td>D-</td>
<td>60-62%</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>below 60%</td>
<td></td>
</tr>
</tbody>
</table>

Credit for 4 units will be awarded upon successful completion of course work and credit for remaining 2 units will be awarded upon the submission and approval of the Economics section of your Applied Strategic Project.

Factors for determining class credits are outlined below:
COURSE ELEMENTS

I. Class Participation and Attendance (25%)

Everyone should look at education as an opportunity to expand one's range and depth of knowledge. You are expected to come to the class prepared, form study groups, and assist your peers. Your class participation is evaluated by your class attendance (see attendance policy) and your positive contribution to the class. Each student must help to create a conducive environment in which all can learn. Class participation includes the submission of the faculty evaluation at the end of the module. The evaluation of Class Participation will be based on the following scales:

1. Quality
   
   5 = IDEAL, contributions add significantly to the group’s understanding of the content and process.
   
   4. = OUTSTANDING, contributions are helpful in both understanding the content and observing the process.
   
   3. = ABOVE AVERAGE, contributions can be counted upon to be cogent and learning-oriented, with some attention to process.
   
   2. = STANDARD, comments are usually helpful rather than distracting; process is explored once topic is raised.
   
   1. = FAIR, comments indicate some diversion from the topic and seem not to understand the process.
   
   0. = POOR, often off the topic and seem irrelevant, with low tolerance for the process.

2. Quantity
   
   5. = IDEAL, energizes initiates and contributes regularly without dominating the “air time.”
   
   4. = OUTSTANDING, usually a contributor and often an initiator while leaving space for others.
   
   3. = ABOVE AVERAGE, frequent productive contributions but rarely, if ever, monopolizing.
   
   2. = STANDARD, usually contributes once things are going, rarely initiates.
   
   1. = FAIR, sporadic contributions, or tends to monopolize once started.
   
   0. = POOR, not a contributor unless specifically solicited and/or usually dominates and monopolized once begun.

ATTENDANCE POLICY

- Students are expected to arrive on time for all sessions and to participate fully during the entire class.
- Absence and lateness can adversely impact your grades.
- In emergency cases where a student misses a class, I will work with you for a make-up session. The make-up will be with another Executive Program class. You will receive an incomplete until you make-up the class satisfactory. This may depend on the requirement of the other professor whom you are taking the class with.
II. Class Assignments

The class will be divided into study teams. Homework will be assigned on a study team and individual basis. All assignments must be handed in on time for full credit. Otherwise, there is a 1 point deduction for each day late on the assignment.

Late work will only be considered if
1) An extension is discussed and agreed upon prior to the due date of the assignment
2) In the instance of medical emergency in which documentation can be provided

All written work must be prepared using a computer text-processing package. Please keep a copy of your work. Always submit two copies of your work – one for the class advisor.

a. Individual assignment  (45%) Please check due dates.

- Meeting 2  Point/Counterpoint (2 issues)  (10 pts)
- Meeting 3  Business/Industry Analysis  (30 pts)
- Meeting 4  Letter to the Editor  (5 pts)

b. Team assignment  (30%)

Each class member will participate in team projects and presentation. Each team will consist of 4-5 students. The oral presentation should take about 25-30 minutes. Audio-visual aids (such as PowerPoint, handouts, etc.) are expected. The members of the class (other than the team members) will evaluate the performance of each team member’s oral presentation.

A 15-20 page written report is due on the day of the presentation. All papers are to be submitted in MLA or APA style with proper formatting (i.e., bibliography, footnotes, etc.). All members of the team will generally receive the same grade (evaluated by the faculty) for the written work. However, failure by any team member to carry his/her fair share of the work will result in that individual receiving a lower/or no grade. This will be determined by input from team members and class advisor, consultation with the individual involved, and the instructor’s evaluation.

- Meeting 3  Forecast of the US economy  (15%)
- Meeting 4  Country/Industry Analysis  (15%)

All work will be evaluated based on the following criteria:
- Critical examination of the concepts
- Mix of research sources
- Use of an existing body of knowledge
- Practical guidance to a manager
- Logical flow of the paper
- Professional business-look with no need for editorial repair
- Quality preparation
Note: The attached schedule is subject to change depending on unexpected developments, level of interests in various topics, and amount of time spent reviewing specific issues.

MEETING #1          October 14, 2016

READING: McConnell, Brue & Flynn: Chapters 1–13

FUNDAMENTALS OF MANAGERIAL ECONOMICS

Model Building
Understanding markets: Supply and Demand Analysis
Elasticity

PRODUCTION PROCESS AND COSTS

Production and Cost
Pricing
Maximizing Profits
Minimizing Losses

INDIVIDUAL ASSIGNMENT:
DUE DATE: October 21, 2016

Point/Counterpoint (2 sides of the same issue, 5 points each)
Choose one controversial economic issue of interest to you (preferably related to your industry). Substantiate the positions - one with which you agree and one with which you disagree- in an essay of no more than two pages in length (one page for each position). Be thorough, but concise. Whenever appropriate, include the effects of globalization, ethical issues and/or social issues. Be sure to have 1-3 citations.
READINGS: McConnell, Brue & Flynn: Chapters 18-31
Porter, Michael. “How competitive forces shape strategy”

PORTER’S FIVE FORCES MODEL

- Substitutes
- Customers
- Rivalry
- Suppliers
- New Entrants

MARKET STRUCTURE AND PERFORMANCE

- Perfect Competition
- Monopoly
- Monopolistic Competition
- Oligopoly

IDEOLOGY OF CAPITALISM

- Maintenance of the Competitive Environment
- Limitation of the Market System
- Antitrust Policy and Regulation of markets
- Role of the Government

FOUNDATIONS OF MACROECONOMIC CONCEPTS

- Circular Flow of Money and Markets
- Measuring Economic Performance
INDIVIDUAL ASSIGNMENT: Business/Industry Analysis (12-15 pages)
DUE DATE: November 11, 2016

Prepare an analysis of the industry in which your company competes. To do so, analyze the external environment faced by your firm: local, regional, national, international or global. The focus of this analysis is the INDUSTRY, not your specific organization. Therefore, your objective is to understand the economic forces that ALL competitors within your industry must face, not just your company.

Guidelines for completing the assignment:
- Provide a paragraph introduction to your company
- Consult the most recent S&P Industry Survey and Business Source Premier for your industry search.
- Provide a clear definition of the industry within which your company competes (not to exceed one page). Identify the SIC/NAIC code, and review appropriate Industry and Trade Reports.
- Discuss all issues (see questions below) from the point-of-view of the industry, not of your company.

In your analysis, make sure to provide probing answers to all of the following questions:
1. What are the industry's dominant economic traits?
2. What competitive forces are at work in the industry and how strong are they? This will require the Five forces analysis using the model developed by Michael Porter. Be sure to specify the way in which each of the five forces impacts your industry, and provide a relative weighting of the influence of each force on the overall profitability of the industry.
3. What are the drivers of change in the industry and what impact will they have?
Meeting #3 November 18-19, 2016

ECONOMIC GROWTH AND INSTABILITY
   Business Cycles
   Aggregate Demand and Aggregate Supply

FISCAL POLICY
   The Appropriation Process
   Effects of Fiscal Actions
   Public Debt
   Impact of Fiscal Policy

MONEY AND BANKING
   Federal Reserve System
   Monetary Policy

TEAM ASSIGNMENT: Economic Forecast (15-20 pages)
DUE DATE: November 18, 2016

1. Describe the present state of the U.S. Economy.

2. Forecast or project trends in the GDP, unemployment, inflation, interest rates, budget, foreign trade and investment for the next one to three years.

3. Assume the role of an Economic Advisor to the President of the U.S. What economic policies would you suggest to ensure the country is on a course of “maximum growth and employment with stable prices” as per the Employment Act of 1946? The written set of policy recommendations should include the economic rationale for your recommendations.

4. What are the short-run and long-run impacts of the economic policies on individuals, businesses, and society at large?

INDIVIDUAL ASSIGNMENT: Letter to the Editor: (5 points)
DUE: November 26, 2016

Write a 'Letter to the Editor' responding to an article you have selected from a magazine or newspaper. The only requirement is that it must deal with an economic issue related to your business/industry. The letter should be 1 page in length and should not be a summary of the article. Please provide the link of the article.

The letter should consist of your own evaluation, criticisms, comments, analysis, extensions, etc. Do not provide the ideas of the author of the article unless you are also providing your reactions to or comments on those ideas. The letter to the editor is generally written in first-person form and may support or contradict the article. Your objective is to make your point (whether you agree or disagree with the article) based on rational economic reasoning.
MEETING #4         December 9-10, 2016

READINGS:    McConnell, Brue & Flynn: Chapters 36-39

MONETARY POLICY
   Monetarism
   Impact of Monetary Policy

SUPPLY SIDE ECONOMICS
   Demand Pull Inflation
   Cost-Push Inflation
   Stagflation
   Laffer curve
   Phillips Curve
   Natural Rate of Unemployment

STABILIZATION POLICY

INTERNATIONAL ENVIRONMENT
   Human and Cultural Environment
   Political and Legal Environment
   Economic Environment

ECONOMIC INTEGRATION
   NAFTA
   European Union
   ASEAN and others

INTERNATIONAL TRADE AND INVESTMENT
   Protectionism versus Free Trade
   Trade Policy and liberalization
   Multinational Enterprises
   Foreign Direct Investment

FOREIGN EXCHANGE
   Fixed Versus Floating Exchange Rates
   Managing Currencies and Policy Coordination
TEAM ASSIGNMENT: Country/Industry Analysis (15-20 pages)
DUE DATE: December 9, 2016

Your team will be launching a new business in another country. Analyze the available options; propose and defend your selected option, ie., justify your proposed business venture. Introduce the mode of operation you choose to use and why. Identify and analyze the relevant social, economic, political and/or legal factors.

Be sure to include the following in your analysis:
- Cultural factors and geographic influences.
- Economic forces - key factors/indicators for a better understanding of how the economy is performing. Given your industry, what macroeconomics and demographic variables you would be most interested in tracking and forecasting.
- Enterprise-specific advantages: e.g. technological, marketing, capital, market access, management.
- Risk analysis – Political and legal practices, Foreign Exchange, Market, etc.
- Identify the relevant ethical and corporate social responsibility issues.

APPLIED STRATEGIC PROJECT

STRATEGIC PROJECT: Due: December 19, 2016 (You will receive an Incomplete for the course if not submitted on time.)
The primary goal of this research project is to examine the External Environment affecting your industry and business. These environmental factors are critical to the development of your overall strategic plan.

As part of the external analysis of your capstone project, be sure to include the following:
1) Describe the relevant environment in which your firm operates and analyze the underlying forces of competition (Porter’s 5 forces) in your industry. This will be your revised Industry analysis.
2) Address the impact of the following factors to your business: economics, political-legal, socio-cultural, demographic, technological factors and ethical issues impacting your industry.
3) Be sure to address the impact of these macro forces at domestic, national, and international levels.
4) Identify the opportunities and threats as they apply to your business.
5) Scenario Analysis
I. CONDUCT

This course may require electronic submission of essays, papers, or other written projects through the plagiarism detection service Turnitin (http://www.turnitin.com). Turnitin is an online plagiarism detection service that conducts textual similarity reviews of submitted papers. When papers are submitted to Turnitin, the service will retain a copy of the submitted work in the Turnitin database for the sole purpose of detecting plagiarism in future submitted works. Students retain copyright on their original course work. The use of Turnitin is subject to the Terms of Use agreement posted on the Turnitin.com website. You may request, in writing, to not have your papers submitted through Turnitin. If you choose to opt-out of the Turnitin submission process, you will need to provide additional research documentation and attach additional materials (to be clarified by the instructor) to help the instructor assess the originality of your work.

The University expects from all of its students and employees the highest standard of moral and ethical behavior in harmony with its Christian philosophy and purposes. Engaging in or promoting conduct or lifestyles inconsistent with traditional Christian values is not acceptable.

The following regulations apply to any person, graduate or undergraduate, who is enrolled as a Pepperdine University student. These rules are not to be interpreted as all-inclusive as to situations in which discipline will be invoked. They are illustrative, and the University reserves the right to take disciplinary action in appropriate circumstances not set out in its catalog. It is understood that each student who enrolls at Pepperdine University will assume the responsibilities involved by adhering to the regulations of the University. Students are expected to respect order, morality, personal honor, and the rights and property of others at all times. Examples of improper conduct for which students are subject to discipline are as follows:

- Dishonesty in any form, including plagiarism, illegal copying of software, and knowingly furnishing false information to the University.
- Forgery, alteration, or misuse of University documents, records, or identification.
- Failure to comply with written or verbal directives of duly authorized University officials who are acting in the performance of assigned duties.
- Interference with the academic or administrative process of the University or any of the approved activities.
- Otherwise unprotected behavior that disrupts the classroom environment.
- Theft or damage to property.
- Violation of civil or criminal codes of local, state, or federal governments.
- Unauthorized use of or entry into University facilities.
- Violation of any stated policies or regulations governing student relationships to the University.
Disciplinary action may involve, but is not limited to, one or a combination of the alternatives listed below:

**Dismissal** – separation of the student from the University on a permanent basis.

**Suspension** – separation of the student from the University for a specified length of time.

**Probation** – status of the student indicating that the relationship with the University is tenuous and that the student’s records will be reviewed periodically to determine suitability to remain enrolled. Specific limitations to and restrictions of the student’s privileges may accompany probation."

II. POLICY ON DISABILITIES

**Assistance for Students with Disabilities**

The Disability Services Office (DSO) offers a variety of services and accommodations to students with disabilities based on appropriate documentation, nature of disability, and academic need. In order to initiate services, students should meet with the Director of the DSO at the beginning of the semester to discuss reasonable accommodation. If a student does not request accommodation or provide documentation, the faculty member is under no obligation to provide accommodations. You may contact the Director of Disability Services at (310) 506-6500. For further information, visit the DSO Web site at: http://www.pepperdine.edu/disabilityservices/.

6 units = 90 Credit Hours

<table>
<thead>
<tr>
<th>Directed Instruction Activity</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Class Instruction</td>
<td>54</td>
</tr>
<tr>
<td>Asynchronous Instruction</td>
<td>40</td>
</tr>
<tr>
<td>TOTAL</td>
<td>94</td>
</tr>
</tbody>
</table>