

Center for Human Resources and Labor Studies, Carlson School of Management
University of Minnesota

HRIR 6001: Business Principles for the HRIR Professional Fall 2017

Monday, Wednesday 3:45-5:25 PM, Room CSOM 2-215

TA Session: Thursday 8:00-9:40 AM, Room CSOM 2-215

<i>Instructor:</i> Prof. Avner Ben-Ner, benne001@umn.edu (612) 624-0867, CSOM 3-300U Office Hours: Monday and Wednesday 3:00-3:30 and by appointment

<i>Teaching Assistant:</i> KiBum Noh, knoh@umn.edu (612) 219-5546 Office Hours: After TA Session and by appointment
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Introduction

Managers face the challenge of managing effectively in a rapidly changing environment that has almost no boundaries. To make a positive difference and create a competitive advantage, human resource managers need to analyze complicated facts and prescribe solutions that suit their organizations' specific circumstances and strategy. They must understand the organization as the complex economic entity that it is, relate to individuals and the organization beyond functional boundaries and comprehend the fundamental business of the organization.

Course objectives

1. Understand the economic principles that underlie the operation of business.
2. Understand how business decisions in organizations are made with respect to the level of production, employment, investment, pricing, company size and response to market changes.
3. Understand the basic tools and objectives of various functional areas within an organization and how their activities are combined in the pursuit of organizational goals.
4. Understand the role of HR in the context of the broader organization.
5. Learn about the current business environment and important economic and technological trends.

Course approach and expectations

As HR managers, you should be able to understand the business and its underlying logic, and to weigh in business discussions. The course will be divided in roughly two parts. The first will focus on *business functions* and will rely on various *readings and case studies*. The second will deal with *managerial economics* and will rely primarily on the *textbook*. Throughout the course, we will use many actual examples and refer to current economic and business events. We will discuss frequently several companies during both parts of the course; we will learn about additional companies from your team case studies.

Students should read assigned materials in advance of each class. In order for you to assess your understanding of readings there will be *quizzes* posted on Moodle that should be answered before class. I will integrate the material in class, supplement it with additional analyses and ideas, and relate it to broader business issues. Lecture slides will be posted on the course Moodle site.

There will be frequent in-class exercises and discussion to illustrate and apply concepts and ideas. Students should prepare their assignments in a careful and timely fashion. *I will call on individuals* to offer their thoughts during class discussion.

The class is divided into teams. Team assignment will be posted on the class Moodle site on the first day of class. The teams will collaborate on assignments, in-class exercises and exams, and will write a paper on their case study. ***Team members should be seated next to each other in every class meeting.*** After in-class exercises, ***I will call on several groups to report on their discussion;*** have a reporter on behalf of the group ***selected in advance.***

Turn off and do not answer your cell phone: Laptop computers are welcome for ***only class-related purposes*** such as note taking. Other activities are inappropriate and exhibit disrespect towards the instructors and other students.

Textbook (Required): James A. Brickley, Clifford Smith and Jerold Zimmerman, *Managerial Economics and Organizational Architecture*, 6th edition, McGraw-Hill Irwin (5th edition is also acceptable). The textbook will be used also in HRIR 6401, in spring semester.

Additional readings (Required): Available online at Harvard Business Publishing, pay online; [click here](#) to purchase

Case study

1. Apple Inc. in 2015, David B. Yoffie; Eric Baldwin
2. Apple Inc.: Managing a Global Supply Chain, Fraser P. Johnson; Ken Mark

Class supplementary readings

3. Note on Marketing Strategy, Robert J. Dolan
4. Note on understanding financial statements, David W. Young
5. Introduction to Financial Ratios and Financial Statement Analysis, William J. Bruns Jr.

Homework assignments: There will be three homework assignments on managerial economics: consumer and demand theory, production and cost theory, and game theory.

Business function team case studies: Material studied in the course will be applied to the analysis of actual companies. Each team has been assigned a company as listed below. ***You will continue to study the same company with the same student team next semester, in HRIR 6401.***

1. Microsoft
2. Exxon Mobil
3. Honeywell
4. 3M
5. Target

Each team will ***present its case study in class and turn in a paper.*** All team members will receive the ***same grade*** for the paper and presentation. ***Each team member should participate in the presentation.*** The presentation will be 14 minutes long – points will be deducted for exceeding the limit – and 4 minutes Q&A. At the end of the semester you will have an opportunity to evaluate the other members of your team for their ***contributions to the team's work*** that make up the final grade.

The paper will be double spaced, 12-point font, with normal margins. Please make sure that your paper is concise, and your tables, figures and other supplemental materials are pertinent to the points that you are making. Please attribute all information to relevant sources.

- **Sections of the final paper and presentation**

- A. **Company background.** This consists of basic facts about why and how the company was founded, its customers, leadership changes, mergers and acquisitions, and principal products. The length should be at most three pages plus two diagram or tables. Focus on the past 10 years or so.
- B. **Strategic analysis.** First, conduct a five-factor analysis of the industry in which the company operates using Porter's Five Forces. Second, determine the core competencies of the company through SWOT and value-chain analysis. Third, try to determine the company's strategy. The length should about three pages and up to two tables or diagrams.
- C. **Firm governance.** Document the governance structure of your company. Describe the board of directors in terms of insiders and outsiders, experience, board committees, and member compensation, shareholdings and tenure with the company. Describe the chair's background. Discuss the effectiveness of the board as representative of shareholders. The length should about three pages and up to two tables or diagrams.
- D. **Financial analysis.** For the last three years, calculate key financial ratios (profit margin, asset turnover, current ratio, debt-equity ratio, PE multiple and ROE) for your company and its two principal competitors. Present these in a table. Discuss the company's performance. The length should about two pages and up to two tables or diagrams.
- E. **Conclusions.** Discuss **implications** of your findings and suggestions for improvements. The length should up to two pages.

- **Sources of information about companies**

You will find pertinent information in company annual report, SEC filings and websites, on Yahoo Finance and similar tools, and in articles and books. There are many search options, including Bloomberg News, Business Source Premier, LexisNexis academic, Wall Street Journal, and more. CHRLS reference librarian and Business Reference librarian (located in the Wilson library) will be happy to assist you.

- **Reference list** should appear at the end of the paper using the APA (American Psychological Association) style. For citation rules see <https://owl.english.purdue.edu/owl/resource/560/05/>
- **Note:** As you collect information for your paper, keep in mind that next semester you will write about the organization design/architecture of the same company (allocation of decision-making across the company, various forms of compensation, reward and incentives, performance evaluation, and promotion and more, as well as the relationships between different departments and units of the company, outsourcing, vertical integrations and more). It will help to keep the relevant information for future use.

Exams: There will be two midterm exams; one covers the business functions, and another covers the textbook. The final exam will be a take-home and comprehensive and will test understanding of business and managerial economics in a broad sense by asking you to assess a new business project. In the first two

exams, there will be a combination of True/False and multiple choice questions, and brief essays. The two mid-term exams will have two versions: one that will be taken *individually* and one that will be taken as a *team* (the two parts have equal weight). The final take-home exam is an individual one. ***There will be no make-up exams.***

Grading

Total 100 points

- Each of three exams 15 points (45 in total),
- Each of the three managerial economics homework assignments 5 points (15 in total)
- Team case study: Presentation 10 points, Paper 10 points, Team members' evaluation 5 points
- Pre-class Quizzes 5 points
- Class attendance, class participation, and professionalism 10 points

Getting an A requires outstanding work, well beyond fulfilling the basic requirements.

University of Minnesota Policy on Scholastic Misconduct: Scholastic misconduct is broadly defined as "any act that violates the rights of another student in academic work or that involves misrepresentation of your own work." Scholastic dishonesty includes, (but is not necessarily limited to): cheating on assignments or examinations; plagiarizing, which means misrepresenting as you own work any part of work done by another; submitting the same paper, or substantially similar papers, to meet the requirements of more than one course without the approval and consent of all instructors concerned; depriving another student of necessary course materials; or interfering with another student's work. For more on Office of Student Conduct and Academic Integrity's policy on scholastic dishonesty, click [here](#).

Incompletes: Click [here](#) for University of Minnesota's policy on awarding incomplete (I) grade.

Students with Disabilities: Click [here](#) for University of Minnesota's policy on students with disabilities.

Course outline and tentative schedule (updated versions will be posted on Moodle)

Week	Class Topic	Readings	Notes
W1 9/6	Introduction		
W2 9/11, 13	Business functions & Strategy	Ch. 1 & Apple Inc. in 2015	
	Value Chain & Apple case study	Apple Inc.: Managing a Global Supply Chain	
W3 9/18, 20	Technology		
	Marketing	Note on Marketing Strategy	
W4 9/25, 27	Accounting	Note on understanding financial statements	
	Finance	Introduction to Financial Ratios and Financial Statement Analysis	
W5 10/2, 4	Governance	Ch. 18 (first reading)	
	First mid-term exam		
W6 10/9, 11	Economists' view of behavior: Basic tools	Ch. 2	
	Exchange and Markets	Ch. 3	
W7 10/16, 18	Demand	Ch. 4	Homework 1 Sun 11:59 PM
W8 10/23, 25	Production and Cost	Ch. 5	
W9 10/30, 11/1	Market Structure	Ch. 6	Homework 2 Sun 11:59 PM
W10 11/6, 11/8	Pricing with Market Power	Ch. 7	
	Economics of Strategy: Creating and Capturing Value	Ch.8	
W11 11/13, 15	Economics of Strategy: Game Theory	Ch. 9	
W12 11/20	Second mid-term exam		
W13 11/27, 29	Incentive Conflicts and Contracts, Agency Theory	Ch. 10	Homework 3 Sun 11:59 PM
	Agency Issues in Corporate Governance	Ch. 18 (second reading)	
W14 12/4, 6	Presentations		Paper & PPT Sun 11:59 PM
W15 12/11, 13	Are agency problems ubiquitous? (In class exercise)		
	Review of Business Principles		Take home exam Sun 11:59 PM