

***Agribusiness Management 308W, Spring 2012***  
***Strategic Decision Making in Agribusiness***  
MWF 10:10 – 11:00, 215 Armsby Building

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**Office Hours:** 3:00-4:00 Tues. or Thurs.,  
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**Course Overview:** This course is designed to analyze a wide array of strategic decisions by agribusiness firms in a business environment characterized by imperfect information and market power. To analyze these decisions, we draw upon game theory, decision theory, and other strategic decision tools. We will use actual business cases to illustrate business decisions, which we divide into three broad types corresponding to the three main parts of the course:

1. Company-wide decisions and firm boundaries. Part One is a general introduction to firm-level analysis and includes the following topics: the competitive landscape using Porter's Five Forces framework, horizontal and vertical integration, economies of scale and scope, and make or buy decisions.
2. Strategic Procurement. Part Two looks at how firms buy inputs via commodity markets, auctions, or contracts. Analysis tools will include probabilities, expected monetary value and expected utility, decision trees, simulation, and auction theory.
3. Strategic Marketing. Part Three investigates firm decisions associated with the four P's of marketing: product, pricing, placement, and promotion. Game theory is one of the main analytic tools used in this part of the course.

Class content will be presented through lectures and a substantial amount of class discussion. Course materials include a course packet of decision cases published by several prominent business schools. The class is designed with three broad goals in mind: (i) improving students' critical-thinking skills, (ii) improving their writing skills, and (iii) providing a realistic picture of the wide array of different decisions facing agribusiness professionals.

**Learning Objectives.** Students will have the opportunity to:

- ❑ Classify practical agribusiness problems by the type of decision involved.
- ❑ Construct and analyze business decisions using a wide set of analytic tools, including, game trees, decision trees, simulation, basic statistics or probabilities, and other representative models of strategic decisions facing businesses and employees.
- ❑ Write business-style memos, essays, and reports that communicate or summarize a business decision, plan, or solution that is supported by economic analysis.

## **Writing:**

This writing intensive course will use written assignments to help students learn the course content. The emphasis on writing is designed to demonstrate that the clear communication of innovative and thoughtful ideas is as important as the ideas themselves.

Students will be reminded that the writing process develops through several iterations and that the first iteration can be characterized as a brainstorming process where ideas start with notes and are eventually refined into a thesis statement, recommendation, or piece of supporting evidence. The writing process continues with written and re-written drafts, followed by feedback from peers and/or the instructor, and yet more revisions. Each writing assignment will be accompanied by a written assignment sheet. Assignment grades will be based on both writing style and content. Writing style, which refers to issues of composition, grammar, punctuation, and sentence structure, will be the occasional subject of both class lectures and discussion throughout the class.

## **Required Materials:**

1. *Style for Students*, Joe Schall, Outernet Publishing, 2002. Available online at <https://www.e-education.psu.edu/styleforstudents/>.
2. A *Course Packet* containing a collection of 13 business school case studies and notes.
3. Handouts and readings (on ANGEL) as needed.

## **Business Case Assignments:**

| Assign. #              | Assignment Title/Topic                        | Points     |
|------------------------|---|------------|
| 1                      | Taylor Fresh Foods                            | 30         |
| <i>discussion only</i> | Friona Industries: Delivering Better Beef     |            |
| 2                      | Scott's Miracle-Gro: Spreader Decision        | 30         |
| 3                      | Mid-Missouri Energy                           | 30         |
| 4                      | Appshop                                       | 30         |
| <i>discussion only</i> | OSI Group                                     |            |
| 5                      | TrueEarth Healthy Foods                       | 30         |
| 6                      | A.1/Lawry's                                   | 30         |
| 7                      | Natureview Farm                               | 30         |
| 8                      | Giant Consumer Products                       | 30         |
|                        | <b>Total Assigned Points - Business Cases</b> | <b>240</b> |

## Grading:

|   |                  |            |
|---|------------------|------------|
| (8) Business Case Assignments <sup>1</sup>                  | 240 points       | 68.6 %     |
| (1) Resume Assignment                                       | 10 points        | 2.9        |
| (11) Reading Quizzes <sup>2</sup> ("Readiness Assessments") | 44 points        | 12.6       |
| Attendance <sup>3</sup>                                     | 44 points        | 12.6       |
| Extra Participation <sup>4</sup> (especially Fridays)       | <u>12 points</u> | <u>3.4</u> |
|   | 350 points       | 100.0 %    |

### Grading Notes:

1. Case assignments will be accompanied by a grading rubric that describes the basis for my grade. Along with a grade, I will provide a short summary that evaluates students' work. I will generally NOT provide detailed comments on graded work; however, anyone that wants detailed comments can see me during office hours and we will go over your assignment together. Case assignments will be given a letter grade that reflects the following point scale:

| Letter Grade | Points      |
|--------------|-------------|
| A++          | 30          |
| A+           | 29          |
| A            | 28          |
| A-           | 27          |
| B+           | 26          |
| B            | 25          |
| B-           | 24          |
| C+           | 23          |
| <i>Etc.</i>  | <i>Etc.</i> |

2. Reading Quizzes (Readiness) consists of brief quizzes/assessments based on required reading for the case discussions. There is one for each of the 10 business case assignments plus one extra. Each of these 11 readiness assessments will be worth 4 points. Here's how the 4 points works:  
*Students will be asked to answer three out of four very brief and simple questions designed to determine if the assignment has been read. Students can receive one point for each correct answer plus one bonus point, but there is a maximum of 4 points.*
3. Attendance: I will take daily attendance starting on the first Friday of the semester. Missing more than a certain number of classes (~ 12) is grounds for a failing grade.
4. Participation: There are 12 additional points available at my discretion based on participation in class discussion (especially Fridays) and lectures. It is my expectation that everyone could and should get all 12 points.

### ***Grade Cutoffs:***

|    |       |    |       |
|----|-------|----|-------|
| A  | ≥ 92% | C+ | ≥ 78% |
| A- | ≥ 90% | C  | ≥ 72% |
| B+ | ≥ 88% | D  | ≥ 60% |
| B  | ≥ 82% | F  | < 60% |
| B- | ≥ 80% |    |       |

### ***Academic Integrity:***

Academic dishonesty includes, but is not limited to: cheating, plagiarizing, fabricating of information or citations, facilitating academic dishonesty by others, having unauthorized possession of examinations, submitting work of another person or work previously used without informing the instructor, or tampering with the academic work of others. Sanctions imposed for acts of academic dishonesty can include receiving an “F” for the assignment, course, or even expulsion from the University. All course participants are expected to adhere to the University’s Academic Integrity Policy <http://www.psu.edu/ufs/policies/47-00.html#49-20>. In addition, the instructor will complete a College of Agricultural Sciences Academic Integrity Form and file it with the Associate Dean for Undergraduate Education.

You are encouraged to discuss concepts, ideas, and assignments with other students. The work you turn in will represent your integration of information from books and journals, other people, and your own ideas. You must accurately reference any material copied verbatim *or* summarized directly from other sources. Please see me if you have any questions about this policy.

### ***A Note on Plagiarism:***

Because this course emphasizes writing, there is a potential for plagiarism to be a big problem. Plagiarism can range from submitting someone's work as your own to copying pieces of text or phrasings without acknowledging the original source. The following Web Sites (active “hotlinks” are in the electronic version of this syllabus) not only define plagiarism, but provide examples of the different types of plagiarism:

- ❑ [Statement of Plagiarism and Academic Dishonesty](#) (Penn State University)
- ❑ [Avoiding Plagiarism](#) (The OWL at Purdue University)
- ❑ [Unacceptable Paraphrases](#) (Indiana University Writing Tutorial Services)

***Course Material on the Web:*** <http://cms.psu.edu>

The material for this course is available as part of PSU’s ANGEL system. After each class, I’ll add my class notes, in the form of PowerPoint slides, to the Web site. I’ll also place all other class materials on the Web site.

***Course Packet (Required) Table of Contents:***

1. Taylor Fresh Foods, Harvard Business School, 2008, Product number 9-509-008. (Business Case)
2. Friona Industries: Delivering Better Beef, Harvard Business School, 2005, Revised 2007, Product number 9-906-405. (Business Case)
3. Scotts Miracle-Gro: The Spreader Sourcing Decision, Richard Ivey School of Business, 2008, Product number: 908M78 (Available via Harvard Business School).
4. Decision Analysis, Harvard Business School, 1993, revised 1997, Product Number: 9-894-004. (Case note)
5. Mid-Missouri Energy. Harvard Business School, 2007, Revised 2008, Product number 9-708-021. (Business Case)
6. Appshop, Inc., University of Virginia Darden Business Publishing, 2003, Product number UV0367.(Business Case)
7. OSI Group, Harvard Business School, 2001 (Revised 2002). Product Number: 9-902-408. (Business Case.)
8. Games of Strategy: An Introduction, Harvard Business School, 1987, revised 1992, Product Number: 9-187-159. (Case note)
9. TrueEarth Healthy Foods, Harvard Business School, 2009, Product Number: 4065. (Brief Cases)
10. How to Fight a Price War, by Akshay R Rao, Mark E. Bergen, and Scott Davis. Harvard Business Review OnPont Article, 2000, Product Number 472X. (Enhanced Harvard Business Review article)
11. A.1 Steak Sauce: Lawry's Defense, Kellogg School of Management, 2004. Product Number: KEL010. (Business case)
12. Natureview Farm, Harvard Business School, 2007. (Brief Cases: 2073)
13. Giant Consumer Products: The Sales Promotion Resource Allocation Decision, Harvard Business School, 2009. (Brief cases: 4131)

*Class Schedule: Tentative and Subject to Change*

| <b>Week</b>     | <b>M</b>  | <b>W</b>   | <b>F</b>  |
|-----------------|---|--|---|
| <b>Jan 9</b>    | Intro 1   | Syllabus overview<br>Intro 2   | Resume due<br>Reading Quiz (RQ) on ERS Report<br>Number 42 May 2007   |
| <b>Jan. 16</b>  | Jan. 16 (MLK day - no class)  | Five Forces Intro and example  | Five Forces example   |
| <b>Jan. 23</b>  | RQ & Discussion of Taylor Fresh Foods   | 1. Taylor Fresh Foods HW due -<br>Notes and Quotes/Outline<br>Scope & Vertical Integration | Arauca (A) examples<br>Sanderson Farms example  |
| <b>Jan. 30</b>  | RQ & Discussion of Friona Industries – (No HW)  | Make or Buy; Outsourcing   | Pepsi potatoes in China   |
| <b>Feb. 6</b>   | Introduction to Probabilities   | RQ & Discussion of Scotts Spreader   | 2. Scotts Spreader Due<br>Risk, Uncertainty, and Randomness;<br>EMV; Decision Trees<br>Birds Eye example                            |
| <b>Feb. 13</b>  | Key West Fishing example  | Risk Adjustments; Hedging;<br>Alcoma example   | RQ & Discussion of Mid-Missouri Energy  |
| <b>Feb. 20</b>  | 3. Mid-Missouri Energy Due<br>Auction Theory<br>IPV and Common Value<br>assumptions   | Simulation in Excel  | Mars Inc. and Pan European Fish<br>Auctions<br>(Simulation analysis done in class)  |
| <b>Feb. 27</b>  | Continued Simulation analysis<br>Monte Carlo  | RQ & Discussion of Appshop   | 4. Appshop Due<br>Partnerships<br>Contingent Contracts; Price-based<br>contracts (Most Valued Customer<br>and Meet the Competition) |
| <b>March 5</b>  | <b>SPRING BREAK</b>   | <b>SPRING BREAK</b>  | <b>SPRING BREAK</b>   |
| <b>March 12</b> | 4. Appshop Due<br>Partnerships<br>Contingent Contracts; Price-based<br>contracts (Most Valued Customer<br>and Meet the Competition) | Food Co./Restaurant Procurement<br>Example (?) Kentucky Fried Chicken<br>in China          | RQ & Discussion of OSI (No HW)  |
| <b>March 19</b> | Food Retailing Overview   | Four P's of Marketing  | Games between rivals - entry<br>games,<br>New Products - Slotting Fees  |
| <b>March 26</b> | RQ & Discussion of Lightfull Foods  | 5. Lightfull Foods Due<br>Prisoner's dilemmas/price wars                                   | Activity - Campbell v. Progresso  |
| <b>April 2</b>  | Avoiding Price Wars   | Pricing decisions vs. Temporary Sales  | RQ and Discussion of A1   |
| <b>April 9</b>  | 6. A1 Due<br>Distribution and Placement   | Types of Retailers and Retail Formats  | Food Trends: Organics,<br>Health/Functional, Local  |
| <b>April 16</b> | RQ and Discussion of Natureview Farms   | 7. Natureview Farms Due  | TBA (conferences?)  |
| <b>April 23</b> | Bell and Dreze 2002 MIT Sloan<br>Mgt Rev  | RQ and Discussion of Giant<br>Consumer Products  | 8. Giant Consumer Products Due<br><b>END</b>  |