

Victoria Management School

MMBA 503 ECONOMICS, ORGANISATION AND MARKETS

Trimester 2 2007

COURSE OUTLINE

Contact Details

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Class Times and Room Numbers

Time: Wednesdays 17:40 – 19:30
Location RH LT 3

The course has a final examination, to be held in the period of 19 October to 10 November 2007.

Tutorials

Optional tutorials for those without a background in economics will be provided, beginning in week 2.

There is a choice of tutorial time:

Monday 12.30-2.30, Room RWW125
Monday 5.30-7.30, Room RHG02

Workload

Workload expectations for this course are 10 hours per week for the 12 teaching weeks and 30hrs during the mid-trimester break.

Course Objectives

The Master of Business Administration Programme serves to educate professional managers, thereby enabling the fulfilment of strategic roles within corporate and government enterprises, including the exercise of leadership capability. Integral to this objective is an understanding of Economics, Organisations and Markets.

The course is taught at a level that assumes no prior knowledge of economics, but participants whose first degree is in economics will naturally have some advantage in dealing with the course material. Participants who do not have any economics in their first university degree will benefit from careful study of the reading assigned during the first four weeks of term, since this will provide a range of fundamental microeconomic concepts that will be used later in the course.

By the end of this course, you should have developed a good understanding of the way economists analyse problems and knowledge of principles of microeconomics sufficient to apply economic analysis to common management problems and strategic issues.

Course Content

The course will cover cost and “efficiency” concepts, supply and demand, strategic interaction, contracts, moral hazard and adverse selection, the theory of the firm, non-profit firms, competition and regulation, pricing and welfare under regulation, financial structure, innovation and investment, competition law, governance, internal labour markets and executive compensation.

Readings

Recommended textbook

Paul Milgrom and John Roberts, *Economics, Organization and Management*, (Prentice Hall).

Specific Topics

Dennis Carlton and Jeffrey Perloff, *Modern Industrial Organisation*, 4th ed., (Addison Wesley), 2005.

Avinash Dixit and Barry Nalebuff, *Thinking Strategically: The Competitive Edge in Business Politics and Everyday Life*, Norton, NY, 1991

These books will be supplemented with applications to contemporary regulatory, competition and business decision problems in the New Zealand context.

Tutorials

Throughout the course there will be optional tutorial sessions that will provide review of the lecture material and related economic concepts. Tutorial discussion questions will be issued at each lecture. Tutorials also provide an opportunity for course participants to discuss assignment questions.

Course Assessment

Course Grade Assessment

The best five marks gained in seven assignments	30%
Mid-term test (closed book)	20%
2-hour final examination (closed book)	50%

Communication

Communication will generally be by means of Blackboard. This includes notices, lecture material, references and assignments.

Assignments

Students will prepare two copies of each hand-in and keep the second copy for their own reference. Students must also keep an electronic copy of their work.

Each of the seven assignments is to be presented to a standard appropriate to a management document (typed, with excellent English expression and structure of argument, with tables and graphs prepared to a high standard). Use of bullet points is acceptable where this provides the clearest presentation of the relevant ideas.

All work submitted for assessment is to be substantially your own, although you are encouraged to discuss your ideas as they develop with other students. Submitting another's work as your own would be unethical, whether you are detected or not, and not consistent with the behaviour expected of future management leaders. There are substantial penalties (detailed in the University Calendar) for academic misconduct.

Assignment Particulars

1. Questions for each assignment will be distributed via Blackboard with the lecture notes related to those questions, and will be due at the next lecture.
2. All assignments must have the following information on the front page of the assignment:
 - (a) Course number
 - (b) Course Name
 - (c) Assignment Title
 - (d) Name of Lecturer
 - (e) Name of student
3. Assignments should be handed to the lecturer in class time. If you need to make alternative arrangements for delivery, contact Bronwyn Howell.
NOTE: Assignments must not be handed to the Programme Administrator or emailed to the lecturer.
4. Assignments will be either returned at the tutorials or placed for collection at Rutherford House Level 10 Reception. Assignments will normally be marked and returned within one week.

Penalties

In fairness to other students, work submitted after the deadline will be subject to a penalty of 5% of the total marks available per day of lateness. Assignments more than 5 days late will not be accepted. A “zero” mark will be applied. In the event of unusual, unforeseen circumstances (e.g., serious illness, family bereavement), students should discuss waiver of the penalty with the course controller prior to the deadline date.

Mandatory Course Requirements

Students must complete the mid-term test, the final examination, and at least 3 assignments. In order to pass this course, students are required to obtain at least forty percent of the final examination marks available, and obtain at least fifty percent of the overall course marks available.

Victoria MBA Grading Standards are as follows:

Excellent Category

A- (75 – 79%) to A (80 – 85%) to A+ (above 85%): The learning is demonstrated to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master’s level.

Very Good Category

B+ (70 – 74%): The learning is demonstrated at a high standard. Students have reached a level that clearly exceeds “competency”.

Good Category

B (65 – 69%): The learning is clearly demonstrated without being exceptional in any way. Students can be thought of as fully competent.

Satisfactory Category

B- (60 – 64%): The learning is demonstrated without being exceptional in any way. Students can be thought of as competent.

Marginal Category

C (50 – 54%) to C+ (55 – 59%): The learning is demonstrated to a minimally acceptable level. There may be flaws but these are not serious enough to “fail” the student.

Unsatisfactory / Failure Category

E (0 – 39%) to D (40 – 49%): The learning is absent or performed to a very low level, or the performance is seriously flawed.

Individual Work

While the Victoria MBA programme has a tradition of study group collaboration, there are important elements in the assessment process that are strictly individual. Collaboration on individual assignments is not allowed beyond general discussion as to how one might interpret the nature of the assignment question. Please do not work together to formulate a response and do not loan out your completed assignments.

Referencing

There are many different styles of referencing and the Faculty of Commerce & Administration at VUW has decided to make APA (American Psychological Association) referencing style the common standard across the Faculty. The Commerce and Central Libraries hold the APA Style Guide. You can also access the information from the online VUW library site (<http://www.vuw.ac.nz/library/resources/virtualref.shtml#style>).

Communication of Additional Information

Additional information or information on changes will be made in writing on Blackboard.

Lecture Schedule – MMBA503 Schedule of Lectures and Tutorials

Date	Lectures	Tutorials
11 July	Cost and “Efficiency” Concepts <ul style="list-style-type: none">• Opportunity cost• Fixed, sunk and variable cost• Economies of scale and scope• The cost of capital of a firm• Welfare is efficiency	Review of cost concepts Supply and Demand,
18 July	Strategic interaction <ul style="list-style-type: none">• Economics of strategy• Anticipating your rivals response• Looking forwards and reasoning back• Competition and cooperation	Assignment
25 July	Contracts <ul style="list-style-type: none">• Role of contracts• Transactions costs,• Private information in contracts & insurance• Bounded rationality	Assignment
1 August	Moral Hazard and Adverse Selection <ul style="list-style-type: none">• Principal and agent• Enforcement of agreements• Long term contracts• Insurance contracts• Role of tort	Assignment Profit and not-for-profit firms
8 August	Theory of the firm <ul style="list-style-type: none">• Relational contracts• Coase and transaction costs• Property rights• Limited liability	Assignment
15 August	Markets: Competition and monopoly <ul style="list-style-type: none">• The competitive firm• Monopoly pricing and output• Natural monopoly	Assignment
5 September	Pricing and Welfare under Regulation <ul style="list-style-type: none">• Common costs and incremental costs• Problems with marginal cost and TSLRIC	

- Real options provided by the regulated firm
- Price discrimination

6 September **Mid-term** **(5:30pm – 7.30pm)**

12 September	<p>Financial Structure</p> <ul style="list-style-type: none"> • Cost of Capital • Debt/equity structures • Business cases and investment decisions • Real Options 	
19 September	<p>Issues to do with innovation and investment</p> <ul style="list-style-type: none"> • Competition strategy in practice • Innovation and entry in established markets • Regulated vs unregulated markets • Public policy issues in regulation 	Assignment
26 September	<p>Competition Law</p> <ul style="list-style-type: none"> • Commerce Act – outline • Substantial lessening of competition • Market definition • Barriers to entry • Mergers and conduct • Regulation of markets 	Assignment
3 October	<p>Governance</p> <ul style="list-style-type: none"> • Owners vs Managers • Alignment of interests • Executive / non-executive boards • Function separation / conflict resolution • Performance monitoring 	Assignment
10 October	<p>Internal labour markets and executive remuneration</p> <ul style="list-style-type: none"> • Hierarchies and tournament • Incentives for high performance • Tenure systems • CEO remuneration 	

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar or go to www.vuw.ac.nz/policy.

For information on the following topics, go to the Faculty's website www.vuw.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Academic Integrity and Plagiarism
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email manaaki-pihipihinga-programme@vuw.ac.nz or phone (04) 463 5233 ext. 8977. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.