

Victoria Management School

MMBA503 ECONOMICS, ORGANISATION AND MARKETS

Trimester Three 2008

COURSE OUTLINE

Names and Contact Details

Coordinator Bronwyn Howell, Victoria Management School

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Trimester Dates

Monday 17 November 2008 to Saturday February 21 2009

Class Times and Room Numbers

Lectures Tuesdays 5.40pm to 8.30pm
November 18 GBLT4
November 25; December 2, 9, 16; } GBLT2
January 27; February 3, 10 } GBLT2

Optional Tutorials Thursdays (during lecture weeks)
12.40pm to 2.30pm GBG04
(except week 1 – GBLT3)
7.40pm-9.30pm GBG07

Mid-term Test Tuesday January 20; 5.40pm-7.30pm GBLT2

Withdrawal dates

Information is available on

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefulds.aspx>

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.

Course Learning 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 five weeks, since this will provide a range of fundamental microeconomic concepts that will be used subsequently in the course.

By the end of this course, students 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. The weekly assignments and tutorials encourage the development and practical application of these skills in a structured and sequential manner. The mid-term test and final examination assess the extent to which these skills have been mastered.

Expected Workload

Workload expectations for this course are 15 hours per week for the 8 teaching weeks (3 hours lecture, 2 hours optional tutorial and 10 hours individual study) and 30hrs during the mid-trimester break.

Optional 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.

Group Work

MMBA503 contains no mandatory group work required. However, students are encouraged to contribute collaboratively in their study groups and the optional tutorial sessions.

Readings

Recommended textbooks

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

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

Specific Topics

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.

Assessment Requirements

The best five marks gained from seven weekly assignments	30%
Mid-term test (closed book) – Tuesday January 20	20%
2-hour final examination (closed book)	50%

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.

Assignment 1.	Distributed at lecture 1, handed in at lecture 2 (November 25).
Assignment 2.	Distributed at lecture 2, handed in at lecture 3 (December 2).
Assignment 3.	Distributed at lecture 3, handed in at lecture 4 (December 9).
Assignment 4.	Distributed at lecture 4, handed in at lecture 5 (December 16).
Assignment 5.	Distributed at lecture 5, handed in at lecture 6 (January 27).
Assignment 6.	Distributed at lecture 6, handed in at lecture 7 (February 3).
Assignment 7.	Distributed at lecture 7, handed in at lecture 8 (February 10).

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.

Examinations

Students who enrol in courses with examinations are obliged to attend an examination at the University at any time during the formal examination period. Examination dates for trimester three: Monday February 16 to Saturday 21 February 2009 inclusive.

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

In order to pass this course, students are required to:

- Students must complete the mid-term test, the final examination, and at least 3 assignments; and
- obtain at least forty percent of the final examination marks available, and obtain at least fifty percent of the overall course marks available.

Failure to meet mandatory requirements does not prevent a student completing other pieces of assessment, including any final examination.

Victoria MBA Grading Standards

Victoria MBA - Excellent Category

A (80 – 84%) to A+ (85% & above): The quality is performed to a very high level of proficiency, i.e. it is at a standard that makes it exceptional at Master’s level.

Victoria MBA - Very Good Category

B+ (70 – 74%) to A- (75 – 79%): The quality is performed at a high standard. Students have reached a level which clearly exceeds “competency”.

Victoria MBA - **Good** Category

B- (60 – 64%) to B (65 – 69%): The quality is clearly demonstrated without being exceptional in any way. Students can be thought of as competent in respect of this quality.

Victoria MBA - **Satisfactory** Category

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

Victoria MBA - **Unsatisfactory** Category

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

Communication of Additional Information

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

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 on the ground floor (EA005). This counter is the first point of contact for :

- 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.victoria.ac.nz/home/about/policy/students.aspx

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

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

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means *no cheating*. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other students or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: including the work of others will not be considered plagiarism as long as the work is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- cancellation of your mark for an assessment or a fail grade for the course
- suspension from the course or the University.

Find out more about plagiarism, and how to avoid it, on the University's website:

www.victoria.ac.nz/home/studying/plagiarism.html

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 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.

Schedule of Lectures and Tutorials

Date	Lectures	Tutorials
18 November	Organisation of Firms and Markets; Cost and “Efficiency” Concepts; <ul style="list-style-type: none"> • Welfare is efficiency • Opportunity cost • Fixed, sunk and variable cost • Economies of scale and scope • Coase and transaction costs • Theory of the firm • The cost of capital of a firm • Property rights • Limited liability 	Review of cost concepts Supply and Demand, Assignment
25 November	Strategic Interaction and Contractual Commitment <ul style="list-style-type: none"> • Economics of strategy • Anticipating your rivals response • Looking forwards and reasoning back • Competition and cooperation • Role of contracts 	Assignment
2 December	Moral Hazard and Adverse Selection <ul style="list-style-type: none"> • Private information • Bounded rationality • Principal and agent • Enforcement of agreements • Long term contracts • Insurance contracts • Role of tort 	Assignment
9 December	Markets: Competition and monopoly <ul style="list-style-type: none"> • The competitive firm • Competition strategy in practice • Innovation and entry in established markets • Monopoly pricing and output • Natural monopoly • Regulation of monopoly • Economic impacts of taxation 	Assignment Profit and not-for-profit firms
16 December	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 • Regulated vs unregulated markets • Public policy issues in regulation 	Assignment Test preparation

20 January	Mid-term test	(5:40pm – 7.30pm)
27 January	Competition Law; Advertising and Information Disclosure <ul style="list-style-type: none"> • Competition Law vs Regulation • Commerce Act – outline • Substantial lessening of competition • Market definition • Barriers to entry • Mergers and conduct • Regulation of markets • Fair trading Act – outline • Advertising and market performance • Regulated vs voluntary disclosure 	Assignment Test review
3 February	Financial Structure & Governance <ul style="list-style-type: none"> • Cost of Capital • Debt/equity structures • Business cases and investment decisions • Real Options • Owners vs Managers • Alignment of interests • Executive / non-executive boards • Function separation / conflict resolution • Performance monitoring 	Assignment
10 February	Internal labour markets and executive remuneration <ul style="list-style-type: none"> • Hierarchies and tournament • Incentives for high performance • Tenure systems • CEO remuneration 	Assignment Exam preparation