

Victoria Management School

**MMBA 503**  
**ECONOMICS, ORGANISATION AND MARKETS**

Trimester Three 2009

**COURSE OUTLINE**

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**Names and Contact Details**

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and  
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**Trimester Dates**

Monday 16 November 2009 to Saturday February 20 2010

**Mid Trimester (Christmas) Break: Saturday 19 December 2009 to Monday 4 January 2010**

**Class Times and Room Numbers**

*Lectures* **Diploma Stream One:** Mondays 5.40pm to 8.30pm; Venue RHLT3  
November 16, 23, 30; December 7, 14; January 18, February 1, 8  
**MBA Stream Two:** Wednesdays 5.40 to 8.30pm;  
Venue Nov & Dec in GBLT3 in Jan & Feb in GBLT4  
November 18, 25, December 2, 9, 16; January 27, February 3, 10

*Mid-term Test* Wednesday January 20; 5.40pm-7.30pm  
Venue: TBA

*Optional Tutorials* Thursdays (during lecture weeks)  
12.40pm to 2.30pm Venue Nov/Dec RHMZ10 and  
Jan/Feb RHG01  
5.40pm-7.30pm Venue RWW413  
Students from both streams may attend either (or both) tutorials

**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. Students are free to attend whichever tutorial best suits, regardless of lecture stream.

## **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*, 4<sup>th</sup> 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%
3-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 23/25).  
Assignment 2. Distributed at lecture 2, handed in at lecture 3 (November 30/December 2).  
Assignment 3. Distributed at lecture 3, handed in at lecture 4 (December 7/9).  
Assignment 4. Distributed at lecture 4, handed in at lecture 5 (December 14/16).  
Assignment 5. Distributed at lecture 5, handed in at lecture 6 (January 18/27).  
Assignment 6. Distributed at lecture 6, handed in at lecture 7 (February 1/3).  
Assignment 7. Distributed at lecture 7, handed in at lecture 8 (February 8/10).
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 lectures and tutorials or placed for collection at Rutherford House Level 10 Reception. Assignments will normally be marked and returned within one week.

### Examinations

The final examination for this course will be scheduled at some time during the period from **Monday 15 February to Saturday 20 February 2010**.

### 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. Failure to meet mandatory requirements does not prevent a student completing other pieces of assessment, including any final examination. (See Section 2 of the Assessment Handbook).

### **Victoria MBA Grading Standards**

- Victoria MBA - **Excellent** Category  
A (80 – 84%) to A+ (85% and 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 Blackboard. This includes notices, lecture material, references and assignments.

### **Use of Turnitin (if applicable)**

The following words below (modified as necessary for particular circumstances) should be added to the section on plagiarism when work submitted by students is likely to be checked by Turnitin.

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

**For the following important information follow the links provided:**

#### **Academic Integrity and Plagiarism**

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

#### **General University Policies and Statutes**

[http://www.victoria.ac.nz/home/about\\_victoria/academic/Publications.aspx](http://www.victoria.ac.nz/home/about_victoria/academic/Publications.aspx)

#### **Faculty of Commerce and Administration Offices**

<http://www.victoria.ac.nz/fca/studenthelp/>

#### **Manaaki Pihipihinga Programme**

[http://www.victoria.ac.nz/st\\_services/mentoring/](http://www.victoria.ac.nz/st_services/mentoring/)

## Schedule of Lectures and Tutorials

Date	Lectures	Tutorials
<b>Lecture 1</b> November 16/18	<b>Organisation of Firms and Markets; Cost and “Efficiency” Concepts;</b> <ul style="list-style-type: none"> <li>• Welfare is efficiency</li> <li>• Opportunity cost</li> <li>• Fixed, sunk and variable cost</li> <li>• Economies of scale and scope</li> <li>• Coase and transaction costs</li> <li>• Theory of the firm</li> <li>• The cost of capital of a firm</li> <li>• Property rights</li> <li>• Limited liability</li> </ul>	Review of cost concepts Supply and Demand,  Assignment
<b>Lecture 2</b> November 23/25	<b>Markets: Competition and monopoly</b> <ul style="list-style-type: none"> <li>• The competitive firm</li> <li>• Competition strategy in practice</li> <li>• Innovation and entry in established markets</li> <li>• Monopoly pricing and output</li> <li>• Natural monopoly</li> <li>• Regulation of monopoly</li> <li>• Economic impacts of taxation</li> </ul>	Profit and non-for-profit firms  Assignment
<b>Lecture 3</b> November 30/December 2	<b>Strategic Interaction and Contractual Commitment</b> <ul style="list-style-type: none"> <li>• Economics of strategy</li> <li>• Anticipating your rivals response</li> <li>• Looking forwards and reasoning back</li> <li>• Competition and cooperation</li> <li>• Role of contracts</li> </ul>	Assignment
<b>Lecture 4</b> December 7/9	<b>Moral Hazard and Adverse Selection</b> <ul style="list-style-type: none"> <li>• Private information</li> <li>• Bounded rationality</li> <li>• Principal and agent</li> <li>• Enforcement of agreements</li> <li>• Long term contracts</li> <li>• Insurance contracts</li> <li>• Role of tort</li> </ul>	Assignment
<b>Lecture 5</b> December 14/16	<b>Pricing and Welfare under Regulation</b> <ul style="list-style-type: none"> <li>• Common costs and incremental costs</li> <li>• Problems with marginal cost and TSLRIC</li> <li>• Real options provided by the regulated firm</li> <li>• Price discrimination</li> <li>• Regulated vs unregulated markets</li> <li>• Public policy issues in regulation</li> </ul>	Assignment  Test preparation

**Lecture 6**  
January 18/27

**Competition Law; Advertising and Information Disclosure**

- 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

**Lecture 7**  
February 1/3

**Financial Structure & Governance**

- 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

Lecture 8  
February 8/10

**Internal labour markets; executive remuneration**

- Hierarchies and tournament
- Incentives for high performance
- Tenure systems
- CEO remuneration

Exam preparation