

Victoria Management School

MMBA 503
ECONOMICS, ORGANIZATIONS AND MARKETS

Trimester Three 2010

COURSE OUTLINE
MBA Stream

Names and Contact Details

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Trimester Dates

15 November 2010 – 12 February 2011

Teaching Period:

Start date: Monday November 15 2010
Finish date: Thursday February 10 2011

Examination Period

Monday 14 February to Saturday 19 February 2011(inclusive)

Withdrawal from Course:

Your fees will be refunded if you withdraw from this course on or before: **21 November 2010**.
The last date for withdrawal from this course is the three-quarter point of the teaching period **28 January 2011**.

After that date, students wishing to withdraw late must apply on an 'Application for Associate Dean's Permission to Withdraw Late' including supporting documentation

The application form is available from either of our Student Customer Service Desks.

Class Times and Room Numbers

<i>Workshop</i>	Monday November 15	17:40 to 21:30	RHLT2
<i>Lectures</i>	Thursdays 18, 25 November 2, 9, 16 December 13, 20, 27 January 3, 10 February	17.40 to 19.30	GBLT3
<i>Tutorials</i>	optional, commencing week 2 Tuesdays Either Or 23, 30 Nov; 7, 14 Dec 11, 18, 25 Jan; 1, 8 Feb	12:30 to 14:30 20:00 to 21:30	GBLT3 GBLT4
<i>Mid-term test</i>	Thursday January 6	17:40 to 19:30	RHLT2

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. Students will develop skills in the use of economic frameworks to analyse complex real world situations, and the application of that analysis to better inform managerial decision-making. 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.

Course Delivery

The course will be taught by means of an introductory workshop covering basic principles of economics, ten two-hour lectures focused on a number of specific topics, and optional tutorials

where students can consolidate their learning and practice the skills of applying economic analysis to common management problems in the topic areas covered in lectures.

Expected Workload

Workload expectations for this course are 12 hours per week for the 10 teaching weeks (2 hours lecture, 2 hours optional tutorial and 8 hours individual and group study - with the exception of the first week, where there will be 4 hours workshop, two hours lecture and 6 hours individual and group study) and 30hrs during the mid-trimester break.

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) – Thursday January 6 2010	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 2, handed in at lecture 3 (December 2).

Assignment 2.	Distributed at lecture 3, handed in at lecture 4 (December 9).
Assignment 3.	Distributed at lecture 4, handed in at lecture 5 (December 16)
Assignment 4.	Distributed at lecture 6, handed in at lecture 7 (January 20).
Assignment 5.	Distributed at lecture 7, handed in at lecture 8 (January 27).
Assignment 6.	Distributed at lecture 8, handed in at lecture 9 (February 3).
Assignment 7.	Distributed at lecture 9, handed in at lecture 10 (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 lectures and tutorials or placed for collection at Rutherford House Level 10 Reception. Assignments will normally be marked and returned within one week.

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

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.

The final examination for this course will be scheduled at some time during the period from **Monday 14 February to Saturday 19 February 2011.**

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 – 85%) 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.

Class Representative

A class representative will be elected in the first class, and that person’s name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Communication of Additional Information

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

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/policy>

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/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/

Lecture Schedule – MMBA503

Schedule of Workshops, Lectures and Tutorials

Date	Workshop.Lectures	Tutorials
15 November	Cost and “Efficiency” Concepts; The Firm <ul style="list-style-type: none"> • Welfare is efficiency • Opportunity cost • Fixed, sunk and variable cost • Cost curves • Economies of scale and scope • Supply and demand • Coase and transaction costs • The cost of capital of a firm • Property rights • Limited liability 	None
18 November	Strategic interaction <ul style="list-style-type: none"> • Economics of strategy • Anticipating your rivals response • Looking forwards and reasoning back • Competition and cooperation 	None
25 November	Contracts <ul style="list-style-type: none"> • Role of contracts • Transactions costs, • Private information in contracts & insurance • Bounded rationality 	Assignment
2 December	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 • Relational contracts 	Assignment
9 December	Markets: Competition and monopoly <ul style="list-style-type: none"> • The competitive firm • Monopoly pricing and output • Natural monopoly 	Assignment
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 	Test Preparation

13 January	Financial Structure <ul style="list-style-type: none"> • Cost of Capital • Debt/equity structures • Business cases and investment decisions • Real Options 	Test feedback
20 January	Issues to do with innovation and investment <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
27 January	Competition Law <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 February	Governance <ul style="list-style-type: none"> • 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 	Exam preparation