

School of Management

MMBA503
ECONOMICS, ORGANIZATIONS AND MARKETS

Trimester 3, 2012

COURSE OUTLINE

Names and Contact Details

Coordinator Bronwyn Howell
General Manager, NZ Institute for the Study of Competition and Regulation

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Teaching Assistant Deane Nicholls
Victoria MBA graduate
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Cellphone: [021 193 6511](tel:0211936511)
E-mail contact is preferred
Please note that Deane will primarily be marking assignments, but has agreed to be available via email to answer student queries and assist with clarification and understanding of the concepts covered in the course. Please feel free to ask him questions as well as (or an alternative to) asking the Course Co-ordinator.

Trimester Dates

Monday 19 November 2012 to Friday 15 February 2013.

Mid Trimester (Christmas) Break: Saturday 22 December 2012 to Sunday 6 January 2013.

Examination Period

Monday 18 February to Saturday 23 February 2013 (inclusive)

Withdrawal from Course

Your fees will be refunded if you withdraw from this course on or before: **Friday 30 November 2012.**

The standard last date for withdrawal from this course is the three-quarter point of the teaching period, **25 January 2013.** 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>	Wednesday November 21	17:40 to 20:30	GBLT2
<i>Lectures</i>	Wednesdays 28 November 5, 12, 19 December 9, 16, 21, 30 January 13 February	17.40 to 20.00	GBLT2
<i>Tutorials</i>	optional, commencing week 2 Either Mondays Tuesdays 27 Nov; 4, 11, 18 Dec 8, 15, 22, 29 Jan; 5, 12 Feb	12:30 to 14:30 20:00 to 22:00	TBA GBLT2 Nov & Dec GBLT2 Jan & Feb
<i>Mid-term test</i>	Thursday January 10, 2013	17:40 to 19:30	RHLT1

Course Delivery

The course will be taught by means of an introductory workshop covering basic principles of economics, nine two-hour twenty minute 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.

Group Work

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

Expected Workload

Workload expectations for this course are 12 hours per week for the 10 teaching weeks. For all but week 1, this will comprise 2hrs 20 mins lecture, 2 hours optional tutorial and between 7hrs 40 mins and 9hrs 40 mins individual and group study. In week 1, there will be a 3 hour workshop and 9 hours individual and group study. It is expected that 30hrs individual and group study will be required during the mid-trimester break.

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 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 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 10 2013	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

Questions for each assignment will be distributed via Blackboard, and are to be submitted by 5.30pm on the dates indicated below (Wednesdays (lecture day) with the exception of Assignment 7, which is to be submitted on the Thursday following Waitangi Day):

Assignment 1.	Distributed week 1, due week 2 (November 28).
Assignment 2.	Distributed week 2, due week 3 (December 5).
Assignment 3.	Distributed week 3, due week 4 (December 12).
Assignment 4.	Distributed week 4, due week 5 (December 19).
Assignment 5.	Distributed week 7, due week 8 (January 23).
Assignment 6.	Distributed week 8, due week 9 (January 30)
Assignment 7.	Distributed week 9, due week 10 (February 7).

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
- (f) Student Identification Number

Assignments should be uploaded electronically using Blackboard, with .pdf being the preferred format (.doc and .rtf are also acceptable). Assignments submitted in other formats will not be accepted and students will be penalised accordingly. Detailed instructions for the submission process will be posted on Blackboard, and discussed at the first tutorials. Should you have any problems with submission, send an email to bronwyn.howell@vuw.ac.nz (copy to deane.nicholls@vuw.ac.nz) detailing the problems you have encountered and with your assignment file attached before the due time. Technical difficulties will not be accepted as an excuse if you do not follow this procedure.

NOTE: Assignments must not be handed to the Programme Administrator or emailed to the lecturer.

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 grades posted on Blackboard within one week. However, it may take a little longer for the assignments to be physically returned. As a guide, you can expect to receive them back within two weeks of submission.

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 18 February to Saturday 23 February 2013.**

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.

Academic Integrity and Plagiarism

Plagiarism is prohibited at Victoria and is not worth the risk. The Course Co-ordinator and Teaching Assistant will randomly check assignments using the Turnitin engine, which compares them to other assignments submitted by the class (including past MMBA503 cohorts) and a large database of material from around the world. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute of Conduct.

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.

Link to general information

For general information about course-related matters, go to

<http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

Note to Students

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.

Schedule of Workshops, Lectures and Tutorials

Date	Workshop.Lectures	Tutorials
21 November Week 1	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
28 November Week 2	Strategic interaction <ul style="list-style-type: none"> • Economics of strategy • Anticipating your rivals response • Looking forwards and reasoning back • Competition and cooperation 	Assignment
5 December Week 3	Contracts <ul style="list-style-type: none"> • Role of contracts • Transaction costs, • Private information in contracts & insurance • Bounded rationality 	Assignment
12 December Week 4	Moral Hazard and Adverse Selection <ul style="list-style-type: none"> • Principal and agent • Enforcement of agreements • Long term contracts • Insurance contracts • Relational contracts • The role of Tort 	Assignment
19 December Week 5	Markets: Competition and monopoly <ul style="list-style-type: none"> • The competitive firm • Monopoly pricing and output • Natural monopoly 	Assignment
9 January Week 6	Innovation and investment <ul style="list-style-type: none"> • Innovation and entry in established markets • Price discrimination and product differentiation • Regulated vs unregulated markets 	Test Preparation
16 January Week 7	Pricing and Welfare under Regulation <ul style="list-style-type: none"> • Public policy issues in regulation • Common costs and incremental costs • Problems with marginal cost and TSLRIC • Real options provided by the regulated firm 	Test feedback
23 January Week 8	Competition Law <ul style="list-style-type: none"> • Commerce Act – outline • Substantial lessening of competition • Market definition • Barriers to entry • Mergers and conduct • Competition strategy in practice 	Assignment

30 January
Week 9

Financial Structure

- Cost of Capital
- Debt/equity structures
- Business cases and investment decisions
- Real Options

Assignment

6 February

Waitangi Day – No class

13 February
Week 10

Internal labour markets and executive remuneration

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

Exam Preparation