

School of Management

MMBA503
ECONOMICS, ORGANIZATIONS AND MARKETS

Trimester 3, 2013

COURSE OUTLINE

Names and Contact Details

COURSE CO-ORDINATOR

Bronwyn Howell

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Teaching Assistant TBA

COURSE ADMINISTRATOR

Amanda Cunningham

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Trimester Dates

Teaching Period: Wednesday 20 November to Friday 14 February 2014

Mid-Trimester (Christmas) Break: Saturday 21 December 2013 to Sunday 5 January 2014

Examination Period: Monday 17 February 2014 to Saturday 22 February 2014 (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before **29 November 2013**.
2. The standard last date for withdrawal from this course is **28 January 2014**.

After the last date stated in #2, students forced to withdraw by circumstances beyond their control must apply for permission on an '*Application for Associate Dean's Permission to Withdraw Late*' including supporting documentation. The application form is available from either of the Faculty's Student Customer Service Desks.

Class Times and Room Numbers

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|----------------------|---|----------------|-------|
| <i>Workshop</i> | Wednesday 20 November | 17:40 to 20:30 | GBLT2 |
| <i>Lectures</i> | Wednesdays 27 November 4, 11, 18 December 15, 20, 29 January 5, 12 February | 17.40 to 20.00 | GBLT2 |
| <i>Mid-term test</i> | Wednesday 8 January 2014 | 17:40 to 19:30 | GBLT2 |

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.

Prescription

The course focuses on providing students with a conceptual appreciation of the modern literature in industry organisation and applied microeconomics, and on demonstrating how this body of literature can be used in thinking about a wide range of management problems.

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 applying critical thinking to 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.

The bookshop has advised that Carlton and Perloff is subject to international pricing so there will be only limited new copies available. However, attempts are being made to facilitate the supply of second hand copies. All texts are on closed reserve at the library.

Assessment

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| The best five marks gained from seven weekly assignments | 25% |
| Mid-term test (closed book) – Wednesday 8 January 2014 | 25% |
| 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 Friday of the following week.

Assignment 1 Distributed week 1, due week 2 (November 29)

Assignment 2 Distributed week 2, due week 3 (December 6)

Assignment 3 Distributed week 3, due week 4 (December 13)

Assignment 4 Distributed week 4, due week 5 (December 21)
Assignment 5 Distributed week 7, due week 8 (January 24)
Assignment 6 Distributed week 8, due week 9 (January 31)
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 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 unless the above-mentioned exception has occurred.

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.

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.

Use of 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 submitted to Turnitin. A copy of submitted materials will be retained 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.

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 following period 17-22 February 2014.

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).

If you cannot complete an assignment or sit a test or examination, refer to www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat

Victoria MBA Grading Standards are as follows:

Excellent Category

A- (75 – 79%) to A (80 – 85%) to A+ (85% and above): 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.

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

All additional information will be communicated via Blackboard

Student feedback

Student feedback on University courses may be found at www.cad.vuw.ac.nz/feedback/feedback_display.php

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS 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 |
|-------------------------------|--|---------------|
| 20 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 |
| 27 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 |
| 4 December Week 3 | Contracts <ul style="list-style-type: none"> • Role of contracts • Transaction costs, • Private information in contracts & insurance • Bounded rationality | Assignment |
| 11 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 |
| 18 December Week 5 | Markets: Competition and monopoly <ul style="list-style-type: none"> • The competitive firm • Monopoly pricing and output • Natural monopoly | Assignment |
| 8 January Week 6 | MID TERM TEST | |
| 15 January Week 7 | 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 feedback |

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| 22 January Week 8 | Pricing and Welfare under Regulation | Assignment |
| | <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 | |
| 29 January Week 9 | Competition Law | Assignment |
| | <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 | |
| 5 February Week 10 | Financial Structure | Assignment |
| | <ul style="list-style-type: none"> • Cost of Capital • Debt/equity structures • Business cases and investment decisions • Real Options | |
| 12 February Week 11 | Internal labour markets and executive remuneration | Exam Preparation |
| | <ul style="list-style-type: none"> • Hierarchies and tournaments • Incentives for high performance • Tenure systems • CEO remuneration | |