

School of Management

MMBA503 ECONOMICS, ORGANISATIONS AND MARKETS

Trimester 3, 2014

COURSE OUTLINE

Names and Contact Details

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Trimester Dates

Teaching Period: Wednesday December 10 2014 - Wednesday February 11 2015

Examination Period: Monday February 16 2015 - Saturday February 21 2015 (inclusive)

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before 28 November 2014.
2. The standard last date for withdrawal from this course is 27 January 2015.

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

Lectures	Wednesday's		17:40 to 20:30
	10, 17 December	GBLT4	
	7, 14, 21, 28 January	GBLT2	
	4, 11 February	GBLT2	
<i>Tutorials (optional)</i>	Thursdays	RWW315	12:40 to 14:30
	11, 18 December	RWW315	17:40 to 19:30
	Tuesdays	GBLT4	12.40-14.40
	6, 13, 20, 27 January	GBLT2	20:00-22:00
	3, 10 February		
<i>Mid-term test</i>	Thursday 15 January	GBLT2	17:40 to 19:30

Course Delivery

The course will be taught by means of eight two-hour fifty 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 15 hours per week for the 8 teaching weeks. This comprises one 3-hour lecture, 2 hours optional tutorial and between 10 and 12 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

The best four marks gained from six weekly assignments	20%
Mid-term test (closed book) – Thursday January 15 2014	30%
3-hour final examination (closed book)	50%

Assignments

Students will be required to submit their assignments electronically via Blackboard. Students must also keep an electronic copy of their work.

Each of the six 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 on the day of the lecture, and are to be submitted by 5.30pm on the Friday of the following week.

Assignment 1.	Distributed week 1, due week 2 (December 19).
Assignment 2.	Distributed week 2, due week 3 (January 9).
Assignment 3.	Distributed week 3, due week 5 (January 23).
Assignment 4.	Distributed week 5 due week 6 (January 30).
Assignment 5.	Distributed week 6, due week 7 (February 6).
Assignment 6.	Distributed week 7 due week 8 (February 13)

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 tutorial. 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:

16-21 February 2015

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

Pass/Fail	Grade	Normal Range	Indicative Characterisation
Pass	A+	90%-100%	Outstanding performance
	A	85%-89%	Excellent performance
	A-	80%-84%	Excellent performance in most respects
	B+	75%-79%	Very good performance
	B	70%-74%	Good performance
	B-	65%-69%	Good performance overall, but some weaknesses
	C+	60%-64%	Satisfactory to good performance
	C	55%-59%	Satisfactory performance
	C-	50%-54%	Adequate evidence of learning
Fail	D	40%-49%	Poor performance overall, some evidence of learning
	E	0-39%	Well below the standard required

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.

Date	Lectures	Tutorials
10 December	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
17 December	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
7 January	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 	Test preparation
14 January	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 	
15 January	Mid-term	(5:30pm – 7.30pm)
21 January	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 	Assignment

- Regulated vs unregulated markets
- Public policy issues in regulation

28 January

Competition Law; Advertising and Information Disclosure

Assignment

- 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

4 February

Financial Structure & Governance

Assignment

- 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

11 February

Internal labour markets and executive remuneration

Assignment; Exam preparation

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