

THE UNIVERSITY OF
NEW SOUTH WALES



Faculty of Commerce and Economics
School of Economics

ECON5112
ORGANIZATIONAL ECONOMICS

COURSE OUTLINE
SESSION 1, 2007

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1. COURSE STAFF

The presenter of the first half of the course will be

Hodaka Morita
John Goodsell 203
Tel: 9385 3341
Email: h.morita@unsw.edu.au
Office hours: Monday 2-5pm.

The presenter of the second half of the course, and course coordinator, will be

Kieron Meagher
John Goodsell 131
Tel: 9385 1145
k.meagher@unsw.edu.au
Office hours: Monday 2-5pm.

1.1 Communication with Staff

Your questions are best answered during office hours or alternatively you can email us. Questions on each half of the course should be directed to the appropriate instructor.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching times and Locations

Monday 5-8pm, Civil Engineering G6

2.2 Units of Credit

6 UOC value for the course.

2.3 Parallel teaching in the course

This course is not available to undergraduates.

2.4 Relationship of this course to other course offerings

Prerequisites and degree regulations are outlined in the UNSW Handbook

2.5 Approach to learning and teaching

The teaching philosophy underpinning this course, draws on the Guidelines on Learning that Inform Teaching at UNSW (www.guideliningonlearning.unsw.edu.au.)

3. COURSE AIMS AND OUTCOMES

3.1 Course Aims

This course offers a rigorous treatment of topics in managing a workforce and organization using theoretical tools from labour economics, industrial organization economics and game theory. Topics analysed in the course include employee motivation and incentives, job design, the internal structure of firms, and firm scope (horizontal and vertical). **This course focuses on the design and operation of organisations.**

3.2 Student Learning Outcomes

By successfully completing this course, you should be able to:

- Analyze manufacturer-supplier relationships applying the hold-up problem.
- Evaluate compensation and promotion system within organizations.
- Understand interconnections among employment and labour-market practices.
- Synthesize information from multiple economic and business sources to produce presentations and reports on organizational ideas and issues.
- Evaluate task allocation; and communication and authority structures in organizations.
- Understand how formal and informal aspects of an organization affect firm performance.

3.3 Teaching Strategies

The major issues and models for a section are introduced in lectures followed by a discussion. Tutorials and assignments given you the opportunity to: (i) practise the techniques demonstrated in class, (ii) extend the analysis by deriving new results and/or by considering different situations, and (iii) evaluate the existing approaches on the basis of the associated empirical and theoretical literatures.

4. STUDENT RESPONSIBILITIES AND CONDUCT

4.1 Workload

It is expected that you will spend at least **ten hours** per week studying this course. This time should be made up of reading, research, working on exercises and problems, and attending classes. In periods where you need to complete assignments or prepare for examinations, the workload may be greater.

Over-commitment has been a cause of failure for many students. You should take the required workload into account when planning how to balance study with employment and other activities.

4.2 Attendance

Your regular and punctual attendance at lectures and seminars is expected in this course. University regulations indicate that if students attend less than eighty per cent of scheduled classes they may be refused final assessment.

4.3 General Conduct and Behaviour

You are expected to conduct yourself with consideration and respect for the needs of your fellow students and teaching staff. Conduct which unduly disrupts or interferes with a class, such as ringing or talking on mobile phones, is not acceptable and students may be asked to leave the class. More information on student conduct is available at: my.unsw.edu.au

4.4 Keeping informed

You should take note of all announcements made in lectures, tutorials or on the course web site. From time to time, the University will send important announcements to your university e-mail address without providing you with a paper copy. You will be deemed to have received this information.

5. LEARNING ASSESSMENT

5.1 Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50; and
- make a satisfactory attempt at all assessment tasks (see below).

5.2 Assessment Details

Part I: In class examination 1: 30%

Two problem sets (#2 and #3): 10% (5% each)

Part II: In class examination 2: 30%

Group project: 20% (report 7%, presentation 7%, process reports 3%, critique 3%).

The group project is to write a report and give a presentation on one organizational economics topic from a list. Assignment to groups and the choice of topic will be initiated during the first half of the course. Details of the project will be supplied on a separate handout.

5.3 Assignment Submission Procedure

Submission details for assignments will be provided in class. Assignments should be submitted at the beginning of the lecture in which they are due. Assignments should include your full name and student number. It is your responsibility to keep an extra copy of the assignment in case the original is lost or damaged.

5.4 Late Submission

Late submission of assignments will incur a penalty of 10% per day.

5.5 Special Consideration and Supplementary examinations

UNSW policy and process for Special Consideration applies (see <https://my.unsw.edu.au/student/atoz/SpecialConsideration.html>). Specifically:

- Applications for special consideration (including supplementary examinations) must go through UNSW Central administration (within 3 working days of the assessment to which it refers) – applications will **not** be accepted by teaching staff;
- Applying for special consideration does not automatically mean that you will be granted additional assessment or that you will be awarded an amended result;
- If you are making an application for special consideration (through UNSW Central Administration) please notify your Lecturer in Charge;
- Please note: a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

5.6 Assignment Format

Details will be provided with each piece of assessment.

6. ACADEMIC HONESTY AND PLAGIARISM

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html>

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

7. STUDENT RESOURCES

7.1 Course Resources

The recommended text for this course is:

D. Besanko, D. Dranove, M. Shanley and S. Schaefer (2007), *Economics of Strategy*, 4th Edition, John Wiley & Sons.. The third edition is very similar and is in the library (call number S 658.4012/239).

Lecture notes, tutorial problem sets etc will be available in class and/or online at the class website.

7.2 Other Resources, Support and Information

The University and the Faculty provide a wide range of support services for students, including:

- **Learning and study support**
 - FCE Education Development Unit (<http://education.fce.unsw.edu.au>)
 - UNSW Learning Centre (<http://www.lc.unsw.edu.au>)
 - EdTec – WebCT information (<http://www.edtec.unsw.edu.au>)
- **Counselling support** - <http://www.counselling.unsw.edu.au>
- **Library training and support services** - <http://info.library.unsw.edu.au>
- **Disability Support Services** – Those students who have a disability that requires some adjustment in their teaching or learning environment are encouraged to discuss their study needs with the Course Coordinator or the Equity Officer (<http://www.equity.unsw.edu.au/disabil.html>). Early notification is essential to enable any necessary adjustments to be made.

In addition, it is important that all students are familiar with University policies and procedures in relation to such issues as:

- **Examination procedures** and advice concerning illness or misadventure <http://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html>
- **Occupational Health and Safety** policies and student responsibilities; <http://www.riskman.unsw.edu.au/ohs/Policies%20&%20Procedures/UNSW%20OHS%20Accountability.pdf>

8. CONTINUAL COURSE IMPROVEMENT

Each year feedback is sought from students and other stakeholders about the courses offered in the School and continual improvements are made based on this feedback. UNSW's Course and Teaching Evaluation and Improvement (CATEI) Process (http://www.ltu.unsw.edu.au/ref4-5-1_catei_process.cfm) is one of the ways in which student evaluative feedback is gathered. Significant changes to courses and programs within the School are communicated to subsequent cohorts of students.

9. COURSE SCHEDULE

Part I: Morita (Week 1-7)

Week 1 Course overview;

Introduction to Game-theoretic analysis and optimization

Week 2 Manufacturer-supplier relationships and the holdup problem

Reading: Lecture note for Week 2

Background reading (not required): Besanko et al. Chapter 3,
Dyer and Ouchi (1993)

Tutorial: Problem set #1

Week 3 Labor mobility and human capital acquisition

Reading: Lecture note for Week 3

Tutorial: Problem set #2 (to be submitted in class)

Week 4 Incentives: Variable pay or straight pay?

Reading: Lazear (1998) Chapter 5

Background reading (not required): Besanko et al. Chapter 14

Tutorial: Problem set #3 (to be submitted in class)

Week 5 Promotion

Reading: Lecture note for Week 5

Background reading (not required): Besanko et al. Chapter 15

Tutorial: Problem set #4

Week 6 Multiskilling as a commitment device

Reading: Lecture note for Week 6

Tutorial: Problem set #5

Week 7 In class examination (from 6:15pm until 7:45pm)

Part II: Meagher (Week 8-14)

Formal Organization

Week 8 Organizational Design and Strategy

Reading: Besanko et al. Introduction and Chapter 1

Tutorial: Progress Reports on Presentations

Week 9 Horizontal Boundaries of the Firm

Reading: Besanko et al. Chapter 2

Tutorial: Problem set #6

Week 10 Centralization and Decentralization

Reading: Besanko et al. Chapter 16

Tutorial: Problem set #7

Week 11 Organizational Forms
Reading: Besanko et al. Chapter 16
Tutorial: Problem set #8

Informal Organization

Week 12 Presentations and Critiques
Tutorial: exam preparation

Week 13 In class examination 2 (from 6:15pm until 7:45pm)

Week 14 Presentations and Critiques