

THE UNIVERSITY OF
NEW SOUTH WALES



Australian School of Business
School of Economics

ECON 5111
ECONOMICS OF STRATEGY

COURSE OUTLINE
SESSION 1, 2008

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1. COURSE STAFF

Lecturer-in-charge: Ilke Onur

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Phone: 9385 3334

Office Hours: Monday 2pm–3:30pm, Wednesday 2pm–3:30pm, or by appointment

1.1 Communication with Staff

Please feel free to approach me about any academic matter either during consultation hours or send me an e-mail for an appointment.

2. INFORMATION ABOUT THE COURSE

2.1 Teaching Times and Locations

Each student should enrol in the lecture and the tutorial. The combined lecture/tutorial meets on Tuesdays 6pm – 9pm in ASB 115.

2.2 Units of Credit

This course carries 6 units of credit.

2.3 Parallel Teaching in the Course

There is no parallel teaching (UG/PG students together) involved in this course.

2.4 Relationship of This Course to Other Course Offerings

ECON 5111 is one of the core courses in the *Business Strategy* specialisation offered in the M Com (coursework) program. It builds upon the knowledge and skills which students have developed in the COMM 5002 – Managing for Value Creation I course. It may also be chosen as an elective in several other specialisations.

3. COURSE AIMS AND LEARNING OUTCOMES

3.1 Course Aims

The aim of this course is to provide the students with the necessary skills to analyse the problems that business managers face and teach them how to tackle these problems using strategic decision making tools. For this purpose, the course introduces Game Theory and combines it with practice.

Game theoretic analysis is fundamental to the understanding of modern business strategy and forms the primary infrastructure of strategy courses taught in business schools. This course teaches the basic tools of Game Theory and introduces a structured way to think about business interactions. This structure is

implicitly or explicitly used in various strategy courses in other disciplines. Examples of other disciplinary areas in business schools include Finance, Accounting, Marketing and Information Systems.

3.2 Student Learning Outcomes

At the end of the course, students should be able to:

- a. have an understanding of the basic principles of strategic analysis including solution concepts;
- b. apply Game Theory to analyse and solve concrete problems that might be encountered in the business environment;
- c. identify which tools to use for various kinds of problems faced by managers;
- d. make more strategic and long-term plans for managing a business unit or corporation.

These outcomes will help you develop UNSW Graduate Attributes, especially those of: the necessary skills for scholarly enquiry, the ability to engage in independent and reflective learning and most important of all, information literacy – the skills to appropriately locate, evaluate and use relevant information.

3.3 Approach to Learning and Teaching

The emphasis in this course is on learning how to formulate strategic problems in analytical terms and analyse them using tools provided by the theory. The approach taken in the lectures is one that stresses interactive teaching and learning. Active student contribution through discussion and questioning is essential and it reflects students' reading and professional experience.

3.4 Teaching Strategies

The materials needed for each class is stated in the course schedule. Homework problems will be prescribed in class. Students are expected to attempt to solve the homework problems and go over the relevant material before attending classes. Participation in class discussions is also expected.

Though the timetable clearly differentiates between lectures and tutorial, the class will be taught as an integral unit. Tutorial-type material will be interspersed between lecture-type material.

The readings and the lectures give you an opportunity to learn the concepts and methods. The homework problems will encourage you to review your course material and give you practise with the material discussed in the lectures.

4. CONTINUAL COURSE EVALUATION AND 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 is one of the ways in which student evaluative feedback is gathered.

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

5.2 Assessment Details

- | | | |
|--------------------|-----|---|
| • Quizzes | 10% | (Weeks 4, 9, & 11 in lecture, we take the best 2) |
| • Mid-session Exam | 30% | (Week 6) |
| • Final Exam | 60% | (as scheduled) |

Quizzes

There will be three quizzes on Week 4 (April 8), Week 9 (May 13), and Week 11 (May 27). The quizzes will take place during the lecture time. The quizzes will cover materials covered in lectures following the previous quiz. The quizzes will consist of short essay-style and/or problem solving questions. The aim for the quizzes is to encourage you to review your course material throughout the semester.

Mid-session Examination

A mid-session exam will be held on Tuesday 22 April (Week 6) at 6pm in class. There will be a one-hour lecture following the mid-session exam. The mid-session exam will cover materials covered in lectures Weeks 1-5 (inclusive). The exam will consist of both essay-style and problem solving questions. The exam will ask you to think creatively about how you could apply concepts from the course to particular situations.

Final Examination

This will be held in the University examination period. The final exam will cover the entire course. The exam will consist of both essay-style and problem solving questions. The exam will ask you to think creatively about how you could apply concepts from the course to particular situations. Further information on the content of the final exam will be provided towards the end of session.

It is important to note that a satisfactory performance in the Final Examination is required to pass this course.

5.3 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 that a register of applications for Special Consideration is maintained. History of previous applications for Special Consideration is taken into account when considering each case.

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 RESPONSIBILITIES AND CONDUCT

All students are expected to adhere to university policies in relation to class attendance and general conduct and behaviour. In addition, students are expected to understand their obligations in relation to workload and keeping informed. Information and policies on these topics can be found at: www.my.unsw.edu.au .

7.1 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, 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.

7.2 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.

7.3 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: www.my.unsw.edu.au

7.4 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. It is also your responsibility to keep the University informed of all changes to your contact details.

8. STUDENT RESOURCES

8.1 Course Resources

Required Textbook: Besanko, Dranove, Shanley and Schaefer (2007), **Economics of Strategy**, John Wiley and Sons. (Referred to as *Besanko* hereafter)

Highly Recommended: Dixit, Avinash and Susan Skeath, **Games of Strategy**. W.W. Norton and Company, New York. 2nd edition 2004. (Referred to as *Dixit* hereafter)

Other Reference Book: Dixit, Avinash and Barry Nalebuff (1991). **Thinking Strategically: The Competitive Edge in Business, Politics and Everyday Life**. New York: W.W. Norton and Company.

All course materials, announcements, and grades for assessments will be posted on the course website. The website should be checked regularly. It is accessible through <http://vista.elearning.unsw.edu.au>

8.2 Other Resources, Support and Information

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

Learning and Study Support:

- **ASB Education Development Unit**

The Education Development Unit (EDU) provides learning support and assistance to all students in the ASB, to enable them to enhance the quality of their learning. The EDU services are free, and tailored to meet the academic needs of students in the Australian School of Business.

The role of the EDU is to provide

- A range of support initiatives for students from the Australian School of Business in relation to their transition to university;
- Learning skills development, resources and activities for Business students
- Academic writing and skills workshops throughout the session;

- Printed and online study skills resources, such as referencing guides, report writing and exam preparation;
- A drop-in EDU Office containing books and resources that can be borrowed;
- A limited consultation service for students with individual or small group learning needs.

The EDU website www.business.unsw.edu.au/edu contains information, online resources and useful links as well as providing information and dates for workshops. More information about the EDU services including resources, workshop details and registration, and consultation request forms are available from the EDU Office.

EDU Contact Details

Location Room G07 Ground Floor,
 West Wing, Australian School of Business Building
 Telephone: 02 9385 5584
 Email: Edu@unsw.edu.au
 Website www.business.unsw.edu.au/edu

- **UNSW Learning Centre** (<http://www.lc.unsw.edu.au>)

In addition to the EDU services, the UNSW Learning Centre provides academic skills support services for all UNSW students. The Learning Centre is located on Level 2 of the Library and can be contacted by phone: 9385 3890 or through their website.

Technical support:

For any technical support issues (difficulty logging in to websites, problems downloading documents, etc) you can contact the UNSW IT Service Desk at: (02) 9385 1333 ; Email: servicedesk@unsw.edu.au

Counselling support - <http://www.counselling.unsw.edu.au>

Students experiencing problems of a personal or academic nature are encouraged to contact the Counselling Service at UNSW. This consultation service is free and confidential and run by professional counsellors. The Counselling Service also conducts workshops on topics such as 'Coping With Stress' and 'Procrastination'. The Counselling Service is located on Level 2, Quadrangle East Wing, and can be contacted on 9385 5418.

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.studentequity.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
<https://my.unsw.edu.au/student/academiclife/assessment/examinations/examinationrules.html>
- Occupational Health and Safety policies and student responsibilities;
<https://my.unsw.edu.au/student/atoz/OccupationalHealth.html>

9. COURSE SCHEDULE

Week 1 (11/3)	Introduction and Economic Concepts <i>Besanko</i> Introduction and Primer
Week 2 (18/3)	Game Theory I (Introduction and Sequential Games) <i>Dixit</i> Chapters 1, 2, and 3
Week 3 (1/4)	Game Theory II (Simultaneous Games) <i>Dixit</i> Chapter 4
Week 4 (8/4)	Competitors and Competition <i>Besanko</i> Chapter 6
Week 5 (15/4)	Dynamics of Pricing Rivalry <i>Besanko</i> Chapter 8
Week 6 (22/4)	Mid-session Exam <i>Besanko</i> Chapter 7
Week 7 (29/4)	Entry and Exit <i>Besanko</i> Chapter 9
Week 8 (6/5)	Horizontal Boundaries of the Firm <i>Besanko</i> Chapter 2
Week 9 (13/5)	Vertical Boundaries of the Firm <i>Besanko</i> Chapter 3

Week 10
(20/5)

Strategic Positioning for Competitive Advantage
Besanko Chapter 11

Week 11
(27/5)

Sustaining Competitive Advantage
Besanko Chapter 12

Week 12
(3/6)

Origins of Competitive Advantage
Besanko Chapter 13