

## ECON5112

### Organisational Economics

#### Course Outline

#### Semester 2, 2017

### Course-Specific Information

The Business School expects that you are familiar with the contents of this course outline. You must also be familiar with the Course Outlines Policies webpage which contains key information on:

- Program Learning Goals and Outcomes
- Academic Integrity and Plagiarism
- Student Responsibilities and Conduct
- Special Consideration
- Student Support and Resources

This webpage can be found on the Business School website:

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>

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# 1 STAFF CONTACT DETAILS

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**Consultation Times:** Tuesdays 3pm-5pm (or by appointment)

## 1.1 Communications with staff

You should feel free to contact your lecturer(s) about any academic matter. However, I strongly encourage, for efficiency, all enquiries about the subject material be made at lectures or tutorials or during consultation time. Discussion of course subject material will not be entered into via lengthy emails.

Email correspondence on administrative matters (e.g. advising inability to attend lecture/tutorial) will be responded to within 48 hours, but not over weekends. Please note that the lecturer has no advance notice of the date and time of the exam (the subject of many emails).

# 2 COURSE DETAILS

## 2.1 Teaching Times and Locations

Lectures start in Week 1 (to Week 12) and are two hours followed by a tutorial. The time and location is: Thursdays 6-9pm at Business School 205.

## 2.2 Units of Credit

The course is worth 6 units of credit. There is no parallel teaching in this course.

## 2.3 Summary of Course

This course introduces an economic approach for solving organisational problems. It takes the perspective of a manager or entrepreneur who seeks to design and manage an effective organisation. How should incentives be designed in organizations? How should conflict within an organisation be resolved? When should organisations outsource and when should they produce internally? How do the answers to these questions depend on external factors such as market competition and technological developments? Tools from game theory and information economics are introduced and applied to analyse these (and other) questions.

## 2.4 Aims and Relationship to Other Courses

ECON5112 is one of the disciplinary courses in the Business Strategy specialisation offered in the M.Com program. This course may also be taken as an elective for other fields of specialisation in the M.Com program.

The course will develop a series of formal economic models. These models constitute an economic toolkit for analysing managerial choices within organizations, such as hiring, incentive provision, and organizational structure. As background, students are expected to have some familiarity with basic algebra and calculus.

## 2.5 Student Learning Outcomes

The Course Learning Outcomes are what you should be able to DO by the end of this course if you participate fully in learning activities and successfully complete the assessment items.

The Learning Outcomes in this course also help you to achieve some of the overall Program Learning Goals and Outcomes for all postgraduate coursework students in the Business School. Program Learning Goals are what we want you to BE or HAVE by the time you successfully complete your degree. You demonstrate this by achieving specific Program Learning Outcomes - what you are able to DO by the end of your degree.

For more information on Program Learning Goals and Outcomes, see the School's Course Outlines Policies webpage available at

<https://www.business.unsw.edu.au/degrees-courses/course-outlines/policies>.

The following table shows how your Course Learning Outcomes relate to the overall Program Learning Goals and Outcomes, and indicates where these are assessed:

| Program Learning Goals and Outcomes                                   |  | Course Learning Outcomes  | Course Assessment Item   |
|---|--|---|--|
| <i>This course helps you to achieve the following learning goals:</i> |  | <i>On successful completion of the course, you should be able to:</i>   | <i>This learning outcome will be assessed in the following items:</i>  |
| 1   | Knowledge  | Understand the various sources of incentive problems within organisations. Understand how different aspect of organisational design may solve these problems: compensation schemes, promotion systems, and governance structures. | <ul style="list-style-type: none"> <li>• Problem Sets</li> <li>• Midterm Exam</li> <li>• Final Exam</li> </ul> |
| 2   | Critical thinking and problem solving                    | Evaluate the costs and benefits of compensation schemes, promotion systems, and governance structures within organizations.   | <ul style="list-style-type: none"> <li>• Problem Sets</li> <li>• Midterm Exam</li> <li>• Final Exam</li> </ul> |
| 3a  | Written communication                                    | Construct written work that is logically and professionally presented.  | <ul style="list-style-type: none"> <li>• Problem Sets</li> <li>• Midterm Exam</li> <li>• Final Exam</li> </ul> |
| 3b  | Oral communication                                       | Communicate ideas in a succinct and clear manner.   | Not specifically assessed.   |
| 4   | Teamwork   | Not specifically addressed in this course.  | Not specifically assessed.   |
| 5a.   | Ethical, environmental and sustainability considerations | Not specifically addressed in this course.  | Not specifically assessed.   |
| 5b.   | Social and cultural awareness                            | Not specifically addressed in this course.  | Not specifically assessed.   |

## 3 LEARNING AND TEACHING ACTIVITIES

### 3.1 Approach to Learning and Teaching in the Course

The philosophy underpinning this course and its Teaching and Learning Strategies are based on “Guidelines on Learning that Inform Teaching at UNSW”. These guidelines may be viewed at: [www.guidelinesonlearning.unsw.edu.au](http://www.guidelinesonlearning.unsw.edu.au). Specifically, the lectures, tutorials and assessment have been designed to appropriately challenge students and support the achievement of the desired learning outcomes. A climate of inquiry and dialogue is encouraged between students and teachers and among students (in and out of class). The lecturers and tutors aim to provide meaningful and timely feedback to students to improve learning outcome.

### 3.2 Learning Activities and Teaching Strategies

The examinable content of the course is defined by the references given in the Lecture Schedule, the content of Lectures, and the content of the Tutorial Program.

#### Lectures

The purpose of Lectures is to provide a logical structure for the topics that make up the course; to emphasize the important concepts and methods of each topic, and to provide relevant examples to which the concepts and methods are applied.

#### Tutorials

Tutorials are an integral part of the subject. Tutorial problems will build on the material discussed in class with the lecturer.

#### Out-of-Class Study

While students may have preferred individual learning strategies, it is important to note that most learning will be achieved outside of class time. Lectures can only provide a structure to assist your study, and tutorial time is limited.

An “ideal” strategy (on which the provision of the course materials is based) might include:

- Reading of relevant materials **before the lecture**. This will give you a general idea of the topic area.
- Attendance at lectures. Here the context of the topic in the course and the important elements of the topic are identified. The relevance of the topic should be explained.
- Attending tutorials and attempting the tutorial questions.

## 4 ASSESSMENT

### 4.0 You must complete the “Working with Academic Integrity” module on your Moodle site, before you hand in any written work.

- You **MUST** complete the ‘Working with Academic Integrity’ module **AND THE MODULE’S QUIZ**, found on your course Moodle site, **BEFORE YOU ARE ALLOWED TO SUBMIT ANY WRITTEN ASSESSMENT**.
- If your submission is delayed because you did not complete the module and the quiz, you may be liable to late penalties as specified in your course outline.

- Failing to comply with the University rules of Academic integrity may result in serious consequences:
  - All cases of plagiarism (regardless of their severity) ARE recorded with the University Integrity Office University register.
  - Depending on the level of the plagiarism/misconduct, the penalties may include a FAIL grade for the assessment piece, a FAIL grade for the course, or being expelled for serious/repeat offences.

Any misconduct, including plagiarism, is recorded on your Conduct Record. If you have only one academic misconduct at the lowest level (level A) in your career, then the record is wiped clear when you graduate. Otherwise it remains there permanently. *Many professions, such as accounting and law, require access to the student's Conduct Record.*

#### 4.1 Formal Requirements

In order to pass this course, you must:

- achieve a composite mark of at least 50 out of 100; and
- make a satisfactory attempt at ALL assessment tasks (see below); and
- achieve a satisfactory level of performance in the final exam.
- 

#### 4.2 Assessment Details

| Assessment Task | Weighting        | Length        | Due date                                  |
|-----------------|------------------|---------------|---|
| 4 Problem Sets  | 20%<br>(5% each) | See 4.4 below | Due one week after problem set handed out |
| Midterm Exam    | 30%              | 2 hours       | Week 6                                    |
| Final Exam      | 50%              | 2 hours       | University Exam Period                    |

#### 4.3 Midsession Exam

There will be a mid-session exam in week 6. The exam will be 120 minutes in length. The exam will cover material from Week 1 to Week 5. Details of the time and place will be posted on the course website.

There will be **NO supplementary tests** offered for the mid-session exam. You should make every effort to take the mid-session exam. Students who fail to attend the examination will need to apply for Special Consideration. For information on Special Consideration please refer to the Business School's [Course Outlines Policies webpage](#).

Applications for special consideration for the mid-session exam must be lodged online through myUNSW within 3 working days of the exam. (Log into myUNSW and go to My Student Profile tab > My Student Services channel > Online Services > Special Consideration. Then submit the originals or certified copies of your completed Professional Authority form (pdf - download here) and any supporting documentation to Student Central.)

In cases of serious illness or misadventure (e.g., the onset of labour the day before the exam), students will need full and convincing documentation of that illness or misadventure. Students who are found to have been genuinely too ill or otherwise indisposed to have attended the exam will have their mark in the remaining assessment tasks (i.e., the problem sets, assignment and the final examination) re-

weighted to include the mark reserved for the missed test. In all other cases of non-attendance, students will receive a grade of zero.

Employment obligations or holiday plans of any kind are not acceptable reasons for an absence from any test or examination.

#### **4.4 Assessments for Problem Sets**

There are four problem sets which you will be assessed on (PS#1, PS#2, PS#3, PS#4). These problem sets give 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. The problem sets will be provided for each week's tutorials via Moodle.

##### **4.4.1 Submission Procedure**

Problem sets may be submitted online, or in-class on the week that they are due. Problem sets should include your full name and student number. It is your responsibility to keep an extra copy of the problem sets in case the original is lost or damaged.

##### **4.4.2 Late Submission**

Late problems sets are not acceptable and zero credit will be given.

#### **4.5 Final Exam Format**

The final exam will consist of 3 to 5 questions/problems. These questions/problems will be based on the lectures and problem sets. As outlined in 3.2 above all material covered in the lectures and tutorial program is examinable.

#### **4.6 Protocol for viewing final exam scripts**

The Business School has set a protocol under which students may view their final exam script. Please check the protocol [here](#).

#### **4.7 Quality Assurance**

The Business School is actively monitoring student learning and quality of the student experience in all its programs. A random selection of completed assessment tasks may be used for quality assurance, such as to determine the extent to which program learning goals are being achieved. The information is required for accreditation purposes, and aggregated findings will be used to inform changes aimed at improving the quality of Business School programs. All material used for such processes will be treated as confidential and will not be related to course grades.

## **5 COURSE EVALUATION AND DEVELOPMENT**

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 myExperience Survey Tool is one of the ways in which student evaluative feedback is gathered. You are strongly encouraged to take part in the feedback process.

## 6 COURSE RESOURCES

The website for this course is on UNSW Moodle at: <http://moodle.telt.unsw.edu.au>

There is no assigned textbook for this course; lecture notes will be provided. However, students who are interested in further reading on the topic may refer to the following textbooks:

- *Personnel Economics in Practice* by Edward Lazear and Michael Gibbs
- *Economics, Organization and Management* by Paul Milgrom and John Roberts

## 7 COURSE SCHEDULE

### 7.1 Lecture Schedule

Lectures start in Week 1 and finish in Week 12. References and reading materials will be posted on the course website prior to each lecture.

| LECTURE SCHEDULE  |                                 |           |
|---|---------------------------------|-----------|
| Week  | Topic                           | Reference |
| Week 1<br>24 July   | Principal-Agent Model           |           |
| Week 2<br>31 July   | Perverse Incentives             |           |
| Week 3<br>7 August  | Game Theory                     |           |
| Week 4<br>14 August   | Repeated Games                  |           |
| Week 5<br>21 August   | Relative Performance Evaluation |           |
| Week 6<br>28 August   | Midterm                         |           |
| Week 7<br>4 September   | Human Capital                   |           |
| Week 8<br>11 September  | Careers and Promotions          |           |
| Week 9<br>18 September  | Information Economics           |           |
| <b>Mid-semester break: 23 September – 2 October inclusive (2 Oct = Labour Day Public Holiday)</b> |                                 |           |
| Week 10<br>3 October  | Authority                       |           |
| Week 11<br>9 October  | Property Rights                 |           |
| Week 12<br>16 October   | Organizational Form             |           |
| Week 13<br>23 October   | NO LECTURE                      |           |