Unit Outline*

MGMT8503

Economic Management and Strategy

QT4 (D10-OFF), 2010
Singapore

Associate Professor David Butler

Business School

www.business.uwa.edu.au

* This Unit Outline should be read in conjunction with the Business School Unit Outline Supplement available on the Current Students web site

http://www.business.uwa.edu.au/students
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UNIT DESCRIPTION

Introduction

Welcome to Economic Management and Strategy. The unit aims to provide an understanding of Economics for managers so that you have the knowledge needed to interpret the economy around you, and the place of your organisation within it. This unit will be interactive with a lot of class discussions, where students learn to apply both macro and micro economic concepts to current business developments By adding these concepts to your mental toolkit, the insight into the business world that you develop will help you not only become a more informed consumer, but perhaps also a more effective employee or manager.

Unit Content

The theory and the concepts are mostly simple, and the focus will be on using these to provide a framework within which to interpret the economic information and misinformation that abounds in the world. The modern manager needs to understand the economic environment in which decisions are made and how it might affect these decisions, without necessarily being able to undertake formal economic analysis on any particular aspect of the economy.

It is not intended that this unit transform experienced managers into economists by teaching economic theory, and then practicing it in a theoretical context. Answers provided by economics are rarely definitive, and must have practical knowledge applied to them if they are to be useful in business situations.

You are expected to read the text and related material, and gain an understanding of the theory, both from your own background knowledge and with the assistance of the lecturer and tutor. Once you have this understanding, you will be expected to apply it to the process of management decision-making. The most valuable knowledge you will receive and the techniques you derive will be those you develop yourself during this unit.

The Goal of the Unit

Each session has stated objectives. The objective of the unit as a whole is that you will understand the basic theoretical structure of microeconomics, and to a lesser extent macroeconomics, and learn to apply relevant concepts in business situations. This will take the form of demonstrating that you can assess the issues within the economic environment in terms of those concepts, and explain the place of this assessment in business decisions.

Neither the textbook nor the unit coordinator or tutor has all the answers. The most important objective of this unit is to develop and enhance basic analytical skills at a practical level. The most important tool is your interest and thought: creative and constructive.

The ultimate objective of this unit is that you have the knowledge to understand that economics can contribute to successful decision-making, but it is not the final answer to anything you will experience as a manager. Seeing the relationships and using that knowledge in a practical manner is the key.
Learning Outcomes

On completion of this unit, you should:

- Be able to analyse the way that an industry’s competitive structure influences business decision making.
- Be able to articulate the role that economics plays in understanding the issues that confront business in market economy.
- Have an understanding of the way that policies affecting business are formed based on microeconomic principles.
- Be able to apply the economic way of thinking to your work life.

Educational Principles and Graduate Attributes

In this unit, you will be encouraged and facilitated to develop the ability and desire to:

- Demonstrate the ability to apply, analyse, synthesise and evaluate information from multiple sources to make decisions about the economic performance of markets;
- Demonstrate the ability to communicate orally to a professional standard to peers in class room discussion in relation to economics matters;
- Demonstrate an ability to work effectively in independent analysis and to produce clear and concise written evaluations of economics material and the performance of markets; and
- Recognise, understand and respond to potential the various equity and efficiency issues confronting government and policy makers.
TEACHING AND LEARNING RESPONSIBILITIES

Teaching and Learning Strategies

For this unit, students are required to be prepared for the lecture blocks. You should spend time reading the required chapters before each lecture.

If you are having difficulty understanding the economic theory and concepts, you can seek assistance from the lecturer during teaching blocks or your tutor or either during consultation times. The focus of the mid semester test and final examination is to assess your level of understanding and ability to apply economic concepts.

The teaching in this unit relies on two large blocks of lectures. The usual structure of each teaching block will involve a lecture, exercise questions and in-class activities where appropriate. The lecture notes, exercise questions and case studies will be distributed to students at the beginning of each seminar. These materials will also be placed on WebCT.

During lectures, the focus will be on application of economic theory and concepts. Hence, students are expected to contribute and participate in discussions on current business developments and economic issues.

Teaching and Learning Evaluation

You may be asked to complete two evaluations during this unit. The Student Perception of Teaching (SPOT) and the Students’ Unit Reflective Feedback (SURF). The SPOT is optional and is an evaluation of the lecturer and the unit. The SURF is completed online and is a university wide survey and deals only with the unit. You will receive an email from the SURF office inviting you to complete the SURF when it is activated. We encourage you to complete the forms as your feedback is extremely important and can be used to make changes to the unit or lecturing style when appropriate.

The feedback from students gained through these surveys is taken into account when the unit is updated.

Attendance

Participation in class, whether it be listening to a lecture or getting involved in other activities, is an important part of the learning process. It is therefore important that you attend classes. More formally, the University regulations state that ‘to complete a course or unit students shall attend prescribed classes, lectures, seminars and tutorials’. Students should not expect to obtain approval to miss more than two classes per unit unless there are exceptional circumstances.
We strongly advise students to regularly access their student email accounts. Important information regarding the unit is often communicated by email and will not be automatically forwarded to private email addresses.

**Unit coordinator/lecturer**

<table>
<thead>
<tr>
<th>Name</th>
<th>Associate Professor David Butler</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email</td>
<td><a href="mailto:david.butler@uwa.edu.au">david.butler@uwa.edu.au</a></td>
</tr>
<tr>
<td>Phone</td>
<td>6488 7160</td>
</tr>
<tr>
<td>Consultation Hours</td>
<td>Wednesday 3.00pm – 5.00pm</td>
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**Lecture Day & Time and Dates:**

- Block 1: 19 September – all day; 20 and 21 September - 6 to 10pm
- Block 2: 17 October – all day; 18 and 19 October - 6 to 10pm

**Tutor**

<table>
<thead>
<tr>
<th>Name</th>
<th>Chi Ching</th>
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<tbody>
<tr>
<td>Email</td>
<td><a href="mailto:cckwj@singnet.com.sg">cckwj@singnet.com.sg</a></td>
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<tr>
<td>Phone</td>
<td>+65  6484 0766</td>
</tr>
<tr>
<td>Consultation Hours</td>
<td>By Appointment</td>
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**Tutorial Dates:**

- 29 September, 11 and 27 October and 8 November
TEXTBOOK(S) & RESOURCES

Unit Website

www.webct.uwa.edu.au

Recommended/Required Text


Interesting alternative texts, useful for just some topics, are:

- ‘Core Economics for Managers’ by J. Gans, Thomson publishers, 2005
- ‘Managerial Economics’ by L. Froeb and B. McCann, Thomson publishers, 2008

Course Reader

There are a number of (mostly short) readings that it is essential for you to read, and are listed later in this guide. While there are numerous readings listed in the Unit’s Structure, many are only a page or two in length. The readings used to be collected together into a hard copy ‘course reader’. However as the library now makes all these readings available on its website, we no longer produce a hard copy. You can read the articles via the library webpage dedicated to such readings, and print off any that you wish to. You can reach the relevant page via the following link:

http://www.library.uwa.edu.au/find_information/course_materials_online

Additional Resources & Reading Material

From time to time additional material will be provided; this material will be made available through WebCT and where required for class, for example, case studies to be used in class discussion, it will be provided directly to students.
# UNIT SCHEDULE

<table>
<thead>
<tr>
<th>Topic</th>
<th>Lecture Content</th>
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<tbody>
<tr>
<td>Topic 1:</td>
<td>Understanding the Economic Way of Thinking</td>
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<td>Topic 2:</td>
<td>Demand and Supply</td>
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<tr>
<td>Topic 3:</td>
<td>The Nature of Economic Costs</td>
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<td>Topic 4:</td>
<td>Game Theory</td>
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<td>Topic 5:</td>
<td>The Competitive Environment</td>
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<td>Topic 6:</td>
<td>Pricing Strategies</td>
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<td>Topic 7:</td>
<td>Firms: Their Role and Scope</td>
</tr>
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<td>Topic 8</td>
<td>The Principal-Agent Problem and Corporate Governance</td>
</tr>
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<td>Topic 9:</td>
<td>Improving Corporate Governance</td>
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<tr>
<td>Topic 10:</td>
<td>Privatisation and the Public Sector</td>
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<tr>
<td>Topic 11:</td>
<td>Money, Prices and the RBA</td>
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<tr>
<td>Topic 12:</td>
<td>Exchange Rates and the Global Financial Crisis</td>
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</table>

**Summary of Important Dates:**

- **28th August 2010:** – Unit commences
- **9th October 2010:** – Class Test (held within the lecture at 1pm)
- **6th November 2010:** – Group Assignment due at then end of the class – Completion of the unit.
- **20th November 2010:** – Commencement of the exam period
- **27th November 2010:** – Completion of the exam period
UNIT STRUCTURE

Topic 1: Understanding the Economic Way of Thinking
Introduction to business economics; discussion of the uses and limitations of the ‘economic way of thinking’; implications of the consumer sovereignty assumption.

Text: ▪ W. Boyes, Chapter 1.

 ▪ “MoD invents suit that is forever clean”, The Sunday Times, October 11th 1998.

Topic 2: Deciding What to Produce: Two Approaches to Consumer Theory
This topic looks at demand, supply, elasticity measures and optimal pricing.

Text: ▪ W. Boyes, Chapter 4 and Appendix 4a

Topic 3: The Nature of Economic Costs
Different concepts of costs; lowering costs, the goal of profit maximisation; the uses of marginal analysis; fixed costs in decision making; the relevance of supply curves and the supply decision.

Text: ▪ W. Boyes, Chapter 5, pp.98-105.
  ▪ “The Subjectivity of Economic Costs”, course notes by David Butler.


Topic 4: Game Theory
A non-technical look at strategic thinking and some applications of game theory in real business decisions, the value-net, and the importance of changing the game.

Text: ▪ W. Boyes, Chapter 13.

Topic 5: The Competitive Environment

How the structure of the industry affects a firm’s decisions; review of alternative market structures; the theory of contestable markets; concentration indexes. The nature and purposes of advertising; the optimal level of spending on advertising.

Text:
- “And Only a Smile Remained”, 1981 by Lipsey and Steiner.

Readings:

Topic 6: Pricing Strategies

Origins of markets; the nature of price; the utilisation of dispersed information; prices as a source of information. Mark-up pricing; different types of price targeting.

Text:
- W. Boyes, Chapter 8
- “Handcuffs on the High Street”, The Economist, May 13, 2000, p.64.

Topic 7: Firms: Their Role and Scope

Economic reasons why firms exist; how those reasons limit what they should and shouldn’t try to do; the outsourcing/core competence debate.

Text:
- W. Boyes, Chapter 10, especially, pp.209-217.
- “Farming out the Farm”, The Economist, March 5, 1994, p.77.

Readings:

Topic 8: The Principal-Agent Problem and Corporate Governance
Relevance of the principal-agent structure; balancing the interests of the different stakeholders, particularly when ownership is divorced from control.

Text:
- W. Boyes, Chapter 11, pp. 229-239.

Readings:

Topic 9: Improving Corporate Governance
Alternatives to the neo-classical model, including behavioural and managerial theories. Suggestions for improving governance structures.

Text:
- W. Boyes, Chapter 11, pp.239-247.
- “Where’s all the Fun Gone?”, The Economist, March 20th 2004, pp.75-77.

Readings:

Topic 10: Privatisation and the Public Sector
Why Government is involved in business; the debate over microeconomic reform; the choice between alternative methods of decreasing state involvement.

Text:
- W. Boyes, Chapter 15.

Readings:
Topic 11: Money, Prices and the RBA

Text: ▪ None

Readings: ▪ Selected articles to be found on the RBA website.

Topic 12: Exchange Rates and the Global Financial Crisis

Text: ▪ W. Boyes, Chapter 14

ASSESSMENT MECHANISM

The Purpose of Assessment

There are a number of reasons for having assessable tasks as part of an academic program. The assessable tasks are designed to encourage you to explore and understand the subject more fully. The fact that we grade your work then gives you an indication of how much you have achieved. Providing feedback on your work also serves as part of the learning process.

In this unit both formative and summative assessment is used. The class test is designed to assess your understanding of the learning outcomes listed for each topic covered and is designed as formative assessment. The group assignment is designed to develop skills in assessing market information and presenting clear written communication about economic outcomes in markets, this is an important employability skill. The final exam will assess knowledge of the learning outcomes in all topics.

Assessment Mechanism Summary

<table>
<thead>
<tr>
<th>Component</th>
<th>Weight</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class Test – One hour</td>
<td>25%</td>
<td>17th October 2010 at 9.30am</td>
</tr>
<tr>
<td>Group Assignment</td>
<td>25%</td>
<td>8th November 2010 at 5pm</td>
</tr>
<tr>
<td>Final Examination - Two hours</td>
<td>50%</td>
<td>Exam Period</td>
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</tbody>
</table>

Note 1: Results may be subject to scaling and standardisation under faculty policy and are not necessarily the sum of the component parts.

Note 2: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning outcomes as required for accreditation and audit purposes. The findings may 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 the outcome will not affect your grade for the unit.
Assessment Components

Assessment item # 1 - Class Test (25%)

The Class Test will be held at 1pm on Sunday 17th October 2010 and will cover materials from Teaching Block 1. The test will be of one hour duration and will be comprised of multiple choice and short answer questions. The test will be held in the usual lecture venue. This exam is a closed book exam.

Assessment item # 2 – Group Assignment (25%)

Students are expected to work in groups of 4-5 and prepare a group assignment based on the materials covered in this course. Each group is expected to submit one group assignment report (3,500 words).

Details of the assignment question are as follows:

Due Date
6th November: Week 6 at the end of class. Note: Week 6 is the final week for the unit. Students will be emailed their final mark and comments for the assignment within two weeks of the assignment being submitted. More information on submitting the assignment is below.

Question
Identify an industry or firm in Singapore that is actively pursuing price targeting. Based on the theories examined in this unit, discuss the methods that the industry or firm uses for price discrimination. How is price targeting in that industry or firm possible? Is this price targeting fair on consumers? Explain your answer.

Word Limit
Strictly 3,500 words. Penalties may occur for assignments that exceed the word limit.

Format
Assignments should be typed using 12 font size and 1.5 spacing. All references throughout the assignment should be presented in Harvard Style Referencing. Each assignment should include a coversheet. Students must ensure that the names of all students doing the group assignment are on the cover sheet. Students should keep a back-up copy of their assignment.

Suggested Structure
An appropriate structure of an assignment is:
- Introduction (include background information on the market being analysed).
- Discussion on the methods of price discrimination used in the market including evidence of the price discrimination.
- Discussion on how price discrimination is possible in the market.
- Evaluation on the whether price discrimination is fair on consumers.
- Conclusion

Tips*
- You should aim to think critically and write originally.
- You will be rewarded for picking an interesting market to study. Examples of potential markets include sporting events, petrol stations, supermarkets and movie cinemas.
- You are required to research this topic. The use of Econlit for journal article searches and Factiva for newspaper article searches will assist you with the assignment.
A key component of the assessment of the assignment will be based on your ability to explain your answers using the economic concepts and theory discussed in this unit. You will be rewarded for linking the theory with a real life example of price discrimination.

Be sure to re-read your assignment before submitting it; poor presentation, spelling and grammar will be penalised.

A common question asked by students is “what do I have to do to get a good mark in this course?” Obviously the harder you work, the better you should perform, but that is perhaps too facile an answer. While some students are happy to just sail along with a pass or credit, others will strive for excellence by aiming to get distinctions or higher distinctions. But whatever your aims and abilities, it is important to recognise what is expected of you by the markers in your written work.


**Assessment item # 3 - Final Exam (50%)**

A two-hour examination will be held during the exam period. It will comprise of three sections:

(i) Multiple choice questions
(ii) Short answer questions
(iii) Essay questions

This will be a closed book examination that requires only the simplest calculations. Calculators and other mathematical aids will not be required.

**Submission of Assignments**

Students will be required to submit their assignment at the end of class on Week 6 (8th November)

Late assignments will attract a penalty of 5% per day. This penalty will be waived by the lecturer only in exceptional circumstances. No marks will be awarded to assignments submitted after other students in the class have had their assignments returned.

Papers of excessive length will also attract a penalty. The penalty will be 5% for each 300 words, or part thereof, over the word limit.

Marked assignments will be couriered to PSB Academy for distribution. Students will be emailed their assignment mark and comments.

It is the intention that the marked assignments will be returned within two weeks of submission.

**Student Guild**

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