

Academic Year: (2018 / 2019)

Review date: 10-05-2018

Department assigned to the subject: Business Administration Department

Coordinating teacher: RUIZ VERDU, PABLO

Type: Compulsory ECTS Credits : 6.0

Year : 3 Semester : 1

REQUIREMENTS (SUBJECTS THAT ARE ASSUMED TO BE KNOWN)

Mathematics for Economists (or similar)
Microeconomics

OBJECTIVES

- Acquisition of a working understanding of the economic approach to the study of organizations.
- Ability to apply that approach to the analysis of specific problems arising in firms and other organizations.
- Ability to work in groups to analyze in depth organizational problems faced by actual firms and to present the results of the analysis to an audience with the help of au
- Ability to analyze rigorously and discuss in public practical problems of business organization.
- Understand the concept of informational asymmetry and its implications for organization.
- Understand the key concepts of the economic analysis of employee selection and the provision of incentives in firms and be able to apply these concepts to address organizational problems faced by today's firms.
- Understand the concept of vertical integration and its determinants and be able to apply this understanding to the study of firms' decisions.

DESCRIPTION OF CONTENTS: PROGRAMME

1. Internal Organization: Selection and Incentives

1.1. Selection: asymmetric information, adverse selection, signaling, and screening

1.2. Explicit incentives

1.2.1. The Principal-Agent model

1.2.2. Optimal compensation contracts and the trade-off between incentives and insurance

1.2.3. Multi-tasking and optimal compensation

1.2.4. The choice of performance measures

1.3. Implicit incentives and organization

1.3.1. Incentives in teams

1.3.2. Implicit incentives

2. Firm Boundaries

2.1. The benefits of external suppliers and distributors

2.2. Incentives and vertical integration

2.3. Coordination and contracting costs

2.4. Specific investments and the hold-up problem

LEARNING ACTIVITIES AND METHODOLOGY

Textbook and article readings, case studies, and news articles, will be used throughout the course to present, develop, and apply the key concepts of the economic analysis of organizations. The teacher will announce in advance the materials that will be used in each session and students will work on those materials prior to the lecture. Students will also be expected to participate actively in the class discussion of case studies and the solution of exercises. Students will (1) turn in written exercises solved individually, (2) participate in class discussions of case studies and selected readings, participation that will require preparation previous to the session, and (3) form groups to analyze in depth a case study on a topic approved by the teacher and to present the analysis in front of the class.

ASSESSMENT SYSTEM

The final grade will consist of the following components: (1) Written final exam -45%-; (2) team case study: written assignment and class presentation -20%-; (3) in-class exercises and tests -25%-; (4) active participation in the class discussion of case studies and exercises -10%-. A minimum grade of 4 over 10 in the final exam is necessary to pass the course. If the final exam's grade is below 4, the course's grade will be equal to the final exam's grade.

% end-of-term-examination:	45
% of continuous assessment (assignments, laboratory, practicals...):	55

BASIC BIBLIOGRAPHY

- Besanko, D., D. Dranove, M. Shanley y S. Schaefer Economics of Strategy. Fifth Edition., John Wiley & Sons, Inc, 2010
- David Besanko, David Dranove, Mark Shanley, Scott Schaefer Economics of Strategy, 6th Edition International Student Version, John Wiley & Sons, Inc, 2013
- Milgrom, P. and J. Roberts Economics, Organization and Management, Prentice Hall, 1992

ADDITIONAL BIBLIOGRAPHY

- Besanko, D., D. Dranove, M. Shanley, and S. Schaefer Economics of Strategy. Third Edition. , John Wiley & Sons, Inc., 2003
- Lazear E. P, and M. Gibbs Personnel Economics in Practice, 2nd. edition, John Wiley & Sons, Inc., 2009