University of Essex

Online

Module code	MGOE_PBUS7E	NQF level	7
Credit value	10	Study duration	6 weeks

Markets, Governance and Ethics

Module description

The managerial economics module covers two important aspects of organisations: the economics of organised activity as well as their governance and control. We apply economic-contracting and transactions-cost approaches to the study of these two aspects of organising.

Sustainable enterprises need to balance risks and returns and choose appropriate trade-offs carefully and corporate governance is a means to achieve a balance between risk levels and return that is sustainable for the organisation and society more broadly. The central question of corporate governance is: In whose interests should a corporation be run? We examine the main corporate governance systems used globally so as to study the different balances between risk and return that underlie them and how these systems differently spread the risk among corporate stakeholders.

This module aims to:

- Describe the perspectives of contracting (explicit, implicit or incomplete), agency costs and asymmetric information, which are core devices developed in economics, that help garner insights into important resource choices that senior managers cannot but confront if they are to suitably govern their organisations
- Describe the political economy associated with the risk distributions among stakeholders of corporations in such systems

Learning and teaching methods

This module will be delivered by learning materials provided on the learning platform supplemented by readings. Tutor support will be available to students via phone, email, and a fortnightly seminar session.

Learning outcomes

On completion of this module, students will be able to:

- employ economic concepts to describe the conflicts of interest inherent in corporations and explain how, in resolving such conflicts, the administration that minimises transactions costs gains competitive advantage
- describe the control mechanisms that can reduce such conflicts and explain the complementarities among these mechanisms
- develop a thorough understanding of the concepts of agency and signalling, as well as, explain how these two concepts help analyse important events in corporate governance and control, such as executive compensation, mergers and acquisitions, reorganisations and liquidations
- develop an understanding of the different macroeconomic and associated corporate governance systems prevalent globally and the political economy associated with the different risk distributions among the stakeholders in these broad macroeconomic settings

Syllabus

- Macroeconomic context of all managerial decisions.
- Corporate governance - markets, organisations and knowledge
- Markets: structure, monopoly, monopsony, oligopoly, competition.
- Markets: power and pricing strategies
- Economics of strategy: value creation and competitor interactions
- Incentives, asymmetries, frictions and architecture.
- Coordination, transactions and agency costs
- Decision rights, compensation and evaluation.
- Compensation and boards – mergers, reorganisations and distress

Description of unit of assessment	Length/Duration	Submission date	Weighting
End of module examination (in-class test)	2 hours	End of Unit 5	50%
Individual essay	2,000 words	End of Unit 6	50%