

**SOUTHEAST MISSOURI STATE UNIVERSITY
COURSE SYLLABUS**

Department: Economics and Finance
Course Title: Managerial Economics

Course No EC561
Revision Spring 2010

I. Catalog Description and Credit Hours of Course:

Application of microeconomic theory to the practical problems faced by decision makers in business environment. (3)

II. Prerequisites:

EC215, MA134

III. Purposes or Objectives of the Course

A. Identify a variety of economic problems faced by business organizations. *BSBA Goal: Knowledge of the fundamentals of finance, business law, MIS, marketing, management and economics. Use business-related terms, concepts, theories and principles appropriately*

B. Analyze the process of managerial decision making. *BSBA Goal: Use critical thinking to reach decisions by, identifying the problems/issues, presenting plausible alternatives, evaluating the alternatives and resolving the problem/dilemma with justification based on ethical principles, discipline-specific understanding and professional judgment.*

C. Apply principles of economics to managerial problems. *BSBA Goal: Use critical thinking to reach decisions by, identifying the problems/issues, presenting plausible alternatives, evaluating the alternatives and resolving the problem/dilemma with justification based on ethical principles, discipline-specific understanding and professional judgment.*

IV. Expectations of Students

- A. Regular class attendance.
- B. Satisfactory performance on exams.
- C. Satisfactory completion of assignments.

V. Course Outline

50 minute class periods

I. Introduction: Firms and Managing Them	1
II. Basic Concepts	
A. The Economist's View of Behavior	1
1. Economic Behavior	
2. Graphical Tools	
3. Alternative Models of Behavior	
B. Markets, Organizations and the Role of Knowledge	1
1. Property Rights and Exchange	
2. Basics of Supply and Demand	
3. Markets versus Central Planning	
4. Contracting Costs	
III. Managerial Economics	
A. Demand	3
1. Demand Functions	
2. Demand Curves	
3. Demand Estimation	

4. Elasticity of Demand	
B. Production and Cost	3
1. Production Functions	
2. Input Choice	
3. Costs	
4. Cost Estimation	
C. Market Structure	3
1. Competitive Markets	
2. Barriers to Entry	
3. Monopoly	
4. Monopolistic Competition	
5. Oligopoly	
D. Economics of Strategy: Creating & Capturing Value	3
1. Value Creation	
2. Capturing Value	
3. Economics of Diversification	
Strategy Formulation	
E. Incentive Conflicts and Contracts	3
1. Incentive Conflicts within Firms	
2. Controlling Incentive Conflicts through Contracts	
3. Implicit Contracts	
IV. Designing Organizational Architecture	
A. Organizational Architecture	3
1. Architectural Determinants	
2. Corporate Culture	
3. Managerial Implications	
B. Decision Rights: The Level of Empowerment	3
1. Assigning Tasks and Decision Rights	
2. Centralization v. Decentralization	
3. Decision Management & Control	
4. Influence Costs	
C. Decision Rights: Bundling Tasks into Jobs	3
1. Bundling Tasks into Jobs	
2. Bundling of Jobs into Subunits	
D. Attracting & Retaining Qualified Employees	3
1. The Level of Pay	
2. Internal Labor Markets	
3. Pay in Internal Labor Markets	
4. The Salary-Fringe Benefit Mix	
E. Incentive Compensation	3
1. The Basic Incentive Problem	
2. Effective Incentive Contracts	
3. Does incentive Pay Work?	
F. Individual Performance Evaluation	3
1. Setting Performance Benchmarks	
2. Measurement Costs	
3. Opportunism	
4. Relative Performance Evaluation	
5. Subjective Performance Evaluation	
G. Divisional Performance Evaluation	3
1. Measuring Divisional Performance	
2. Transfer Pricing	
3. Internal Accounting System and Evaluation	
V. Applications of Organizational Architecture	

A. Vertical Integration and Outsourcing	3
1. Vertical Chain of Production	
2. Benefits of Buying in Competitive Markets	
3. Reasons for Nonmarket Transactions	
4. Vertical Integration versus Long-Term Contracts	
B. Ethics and Organizational Architecture	3
1. Ethics and Choices	
2. Corporate Mission: Ethics and Policy Setting	
3. Contracting Costs: Ethics and Policy Implementation	
4. Codes of Ethics	

VI. Textbook(s) and/or Other Required Materials or Equipment

Brickley, J.A., C.W. Smith, J.L. Zimmerman. *Managerial Economics and Organizational Architecture*, 5th Edition, New York: McGraw-Hill, 2009.

VII. Basis of Student Evaluation

Tests: 50%
 Homework: 20%
 Quizzes: 20%
 Bulletin Board (if web course): 10%

The weight of evaluation criteria may vary at the discretion of the instructor and will be indicated at the beginning of each course. Graduate students will be given additional assignments such as articles from the managerial economics literature to read and analyze. In addition, graduate students may be assigned case studies related to course concepts to analyze.

VIII. Academic Honesty Policy

Students will be expected to abide by the University policy for academic honesty. Please refer to <http://www6.semo.edu/judaffairs/code.html>

IX. Students with Disabilities

If a student has a special need addressed by the Americans with Disabilities Act and requires materials in an alternative format, please notify the instructor immediately. Reasonable efforts will be made to accommodate special needs.