

ECON 5303– Managerial Economics
Sul Ross State University - Rio Grande College
Dr. Terry C. Carson

Course Materials

The primary text (required) for this course is **“Managerial Economics and Organizational Architecture”, 7th edition**, by Brickley, Smith, & Zimmerman, McGraw-Hill-Irwin Publishers, ISBN: 978-1-260-70136-4. Copyright 2021. You will not require a Connect card. Additional readings and materials will be posted with the chapter assignments when necessary.

Course Focus

The primary objective of this course is to enhance student understanding of the application of microeconomic analysis to managerial decisions. Additionally, we will examine the internal structure of the firm and develop a systematic, comprehensive, cross-functional framework for investigating organizational problems.

Course Objectives

The student will be able to:

1. Demonstrate knowledge of economic analysis from a managerial perspective including the economists' view of behavior, and markets, organizations, and the role of knowledge. Specific topics include organizational architecture, economic Darwinism, marginal analysis, graphical tools, alternative models of behavior, property rights, the price mechanism, general versus specific knowledge, and contracting costs.

Assessment: Written exams, written discussion questions, graphing exercises, chapter quiz, and online learning center exercises.

2. Understand demand functions, demand curves, factors that influence demand, industry versus firm demand, network effects, statistical analysis, and demand estimation. Demonstrate knowledge of production functions, choice of inputs, costs, profit maximization, and cost estimation.

Assessment: Written exams, demand estimation exercises, written discussion questions, online learning center exercises.

3. Understand various market structures and barriers to entry for firms, incumbent reactions and advantages. Demonstrate knowledge of the pricing and production problems of monopoly, perfect competition, monopolistic competition, and oligopolies.

Assessment: Written exams, discussion questions, chapter quiz, and online learning center exercises.

4. Demonstrate knowledge of pricing objectives, estimating the profit-maximizing price, different forms of price discrimination, bundling, and legal issues of pricing. Understand the concept of value creation, capturing value, and strategy formulation.

Assessment: Profit estimation exercises, chapter quiz, written exams, and chapter discussion questions.

5. Demonstrate knowledge of incentive conflicts within firms, controlling incentive problems through contracts. Understand organizational architecture, architectural determinants, corporate culture, and inappropriate architecture and the associated managerial implications.

Assessment: Written exams, discussion questions, chapter quiz, online learning center exercises.

6. Demonstrate knowledge of assigning tasks and decision rights with the organization, assigning decision rights to teams, and influence costs. Understand contracting objectives, the Basic Competitive Pay model, compensating differentials, internal labor markets, and the salary-fringe benefit mix.

Assessment: Written exams, competitive pay model exercise, chapter quiz, and online learning center exercises.

7. Understand and demonstrate knowledge of incentive compensation, the Principal-Agent model, the Informativeness Principle, group incentive pay and individual performance evaluation techniques.

Assessment: Written exams, research paper, chapter quiz, discussion papers, and online learning center exercises.

Chapter Lecture Focus:

Chapter 1 - Introduction

Economic Darwinism
Components of Organizational Architecture
Economic Analysis

Chapter 2 – Economists’ View of Behavior

- Economic Choice
- Opportunity Cost
- Indifference Curves
- Alternative Models of Behavior
- Decision Making Under Uncertainty

Chapter 3 – Markets, Organizations, and the Role of Knowledge

- Goals of Economic Systems
- Property Rights
- Basics of Supply and Demand
- Markets versus Central Planning
- Contracting Costs

Chapter 4 – Demand

- Demand Functions
- Demand Curves
- Industry versus Firm Demand
- Demand Estimation

Chapter 5 – Production and Cost

- Production Functions
- Choice of Inputs
- Costs
- Profit Maximization
- Cost Estimation

Chapter 6 – Market Structure

- Markets
- Barriers to Entry
- Perfect competition
- Monopoly
- Monopolistic Competition
- Oligopoly

Chapter 7 – Pricing with Market Power

- Profit Maximization
- Price Discrimination
- Bundling
- Implementing a Strategic Pricing Policy

Chapter 8 – Creating and Capturing Value

- Value Creation
- Creating and Capturing Value
- Economics of Diversification
- Strategy Formulation

Chapter 10 – Incentive Conflicts and Contracts

- Incentive Conflicts Within Firms
- Owner-Manager Conflicts
- Controlling Incentive Problems Through Contracts
- Asymmetric Information
- Implicit Contracts and Reputational Concerns

Chapter 11 – Organizational Architecture

- Architecture of Markets
- Architecture Within firms
- Architectural Determinants
- Corporate Culture
- Benchmarking

Chapter 12 – Decision Rights: Level of Empowerment

- Assigning Tasks and Decision Rights
- Centralization versus Decentralization
- Assigning Decision Rights to Teams
- Decision Management and control
- Influence Costs

Chapter 13 – Decision Rights: Bundling Tasks

- Bundling Tasks Into Jobs
- Grouping Jobs by Function
- Grouping Jobs by Product or Geography
- Matrix Organizations

Chapter 14 – Attracting and Retaining Qualified Employees

- Contracting Objectives
- The Basic Competitive Model
- Internal Labor Markets
- The Salary-Fringe Benefit Mix

Chapter 15 – Incentive Compensation

The Basic Incentive Problem
Effective Incentive Contracts
Does Incentive Pay Work?

Course Policies

Web courses require that you take personal responsibility for keeping up with assignments as posted. You should plan to spend as much, if not more, time on this course as you would a traditional lecture course. There is an initially steep learning curve associated with online learning and the format of web courses; as such, please allow extra time to get familiar with this website and the associated links and **Course Content** section.

Grading Policy

The course requirements consist of a **mid-term exam** and a **final exam**. The two exams comprise 80% of the final grade and participation is 20% of the final grade. **Class Participation** will be primarily based on your timely responses to posted discussion questions in the Discussion Board each week.

Exams will be administered on-line and will be primarily essay-type questions. See the **Course Schedule** section of the **Assignment** component for proposed exam dates and the due date for your research paper. **Watch the Announcements Section concerning these important dates!**

Contact Information

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MBA Marketable Skills

1. Students will understand the functions of the business enterprise in the general economy.
2. Students will have the skills needed to effectively lead a business.
3. Students will be able to craft effective business strategies for both existing businesses and new businesses.
4. Students will be able to make effective oral presentations to both professional and general audiences.

Distance Education Statement

Students enrolled in distance education courses have equal access to the university's academic support services, such as library resources, online databases, and instructional technology support. For more information about accessing these resources, visit the SRSU website. Students should correspond using Sul Ross email accounts and submit online assignments through Blackboard, which requires secure login. Students enrolled in distance education courses at Sul Ross are expected to adhere to all policies pertaining to academic honesty and appropriate student conduct, as described in the student handbook. Students in web-based courses must maintain appropriate equipment and software, according to the needs and requirements of the course, as outlined on the SRSU website. Directions for filing a student complaint are located in the student handbook.

Libraries

The Bryan Wildenthal Memorial Library in Alpine.

Offers FREE resources and services to the entire SRSU community. Access and borrow books, articles, and more by visiting the library's website, library.sulross.edu. Off-campus access requires logging in with your LoboID and password. Librarians are a tremendous resource for your coursework and can be reached in person, by email (srsulibrary@sulross.edu), or phone (432-837-8123).

The Southwest Texas Junior College (SWTJC) Libraries at Uvalde, Del Rio, and Eagle Pass.

Offer additional access to library spaces and resources. Del Rio, Eagle Pass, and Uvalde students may also use online resources available through SWTJC website, library.swtjc.edu. The SWTJC Libraries serve as pick-up locations for InterLibrary Loan (ILL) and Document Delivery from the Alpine campus.

Academic Integrity

Students in this class are expected to demonstrate scholarly behavior and academic honesty in the use of intellectual property. A scholar is expected to be punctual, prepared, and focused; meaningful and pertinent participation is appreciated. Examples of academic dishonesty include but are not limited to: Turning in work as original that was used in whole or part for another course and/or professor; turning in another person's work as one's own; copying from professional works or internet sites without citation; collaborating on a course assignment, examination, or quiz when collaboration is forbidden.

Classroom Climate of Respect

Importantly, this class will foster free expression, critical investigation, and the open discussion of ideas. This means that all of us must help create and sustain an atmosphere of tolerance, civility, and respect for the viewpoints of others. Similarly, we must all learn how to probe, oppose and disagree without resorting to tactics of intimidation, harassment, or personal attack. No one is entitled to harass, belittle, or discriminate against another on the basis of race, religion, ethnicity, age, gender, national origin, or sexual preference. Still we will not be silenced by the difficulty of fruitfully discussing politically sensitive issues.

Diversity Statement

"I aim to create a learning environment for my students that supports a diversity of thoughts, perspectives and experiences, and honors your identities (including race, gender, class, sexuality, religion, ability, socioeconomic class, age, nationality, etc.). I also understand that the crisis of COVID, economic disparity, and health concerns, or even unexpected life events could impact the conditions necessary for you to succeed. My commitment is to be there for you and help you meet the learning objectives of this course. I do this to demonstrate my commitment to you and to the mission of Sul Ross State University to create an inclusive environment and care for the whole student as part of the Sul Ross Familia. If you feel like your performance in the class is being impacted by your experiences outside of class, please don't hesitate to come and talk with me. I want to be a resource for you."

SRSU Disability Services

SRSU Disability Services. Sul Ross State University (SRSU) is committed to equal access in compliance with Americans with Disabilities Act of 1973. It is SRSU policy to provide reasonable accommodations to students with documented disabilities. It is the student's responsibility to initiate a request each semester for each class. Students seeking accessibility/accommodations services must contact Rebecca Greathouse Wren, LPC-S, SRSU's Accessibility Services Coordinator at 432-837-8203 (please leave a message and we'll get back to you as soon as we can during working hours), or email rebecca.wren@sulross.edu. Our office is located on the first floor of Ferguson Hall (Suite 112), and our mailing address is P.O. Box C-122, Sul Ross State University, Alpine, Texas, 79832.

