

## MANAGERIAL ECONOMICS

<b>Course code</b>	<i>ECO107</i>
<b>Compulsory in the programmes</b>	<i>Economics and Analytics, Economics and Politics, Industrial Technology Management</i>
<b>Level of studies</b>	<i>Undergraduate</i>
<b>Number of credits</b>	<i>6 ECTS (48 in-class hours + 6 consultation hours + 2 exam hours, 104 individual work hours)</i>
<b>Course coordinator (title and name)</b>	<i>Assoc. prof. dr. Virginija Poškutė</i>
<b>Prerequisites</b>	<i>Microeconomics, Macroeconomics</i>
<b>Language of instruction</b>	<i>English</i>

### THE AIM OF THE COURSE

Managerial economics is a combination of economics and managerial theory, it helps managers in decision-making and acts as a link between practice and theory. The main objective of this course is to equip students with the necessary theory and techniques and the ability to apply them in order to inform and enhance managerial decision making.

The course aims to enable students to:

- develop greater knowledge of the types of problems that managers of various levels are facing in a day to day life;
- enable students to critically assess and describe the environment and the main determinants of demand and competition facing the firm or the industry;
- develop analytical skills related to economic theories in business contexts;
- formulate and apply the right economic tools for business decision making;
- understand why there is a role for the government to play in market economies;
- appraise some of the current and emerging issues in managerial economics at the national and international levels.

Case studies and solving of real life problems are used to learn to make important managerial decisions.

### MAPPING OF COURSE LEVEL LEARNING OUTCOMES (OBJECTIVES) WITH DEGREE LEVEL LEARNING OBJECTIVES (See Annex), ASSESMENT AND TEACHING METHODS

Course level learning outcomes (objectives)	Learning objectives for BSc in Business Management	Learning objectives for BSc in Social Science	Assessment methods	Teaching methods
CLO1. Be able to apply economic reasoning to business decisions	BLO1.1. BLO1.2. BLO2.1.	ELO1.1. ELO1.2. ELO2.1.	Case presentations, group project, participation, mid-term exam, final exam	Lectures, case discussions, reflections
CLO2. Identify and explain the characteristics, scope and techniques of managerial economics	BLO1.1. BLO1.2.	ELO1.1. ELO1.2.	Case presentations, group project, participation, mid-term exam, final exam	Lectures, case discussions, reflections
CLO3. Develop greater knowledge of the types of problems faced by various	BLO1.2.	ELO1.2.	Case presentations, group project,	Lectures, case discussions,

level managers	BLO2.1.	ELO2.1.	participation, mid-term exam, final exam	reflections
CLO4. Acquire managerial problem solving skills	BLO2.1. BLO3.1	ELO2.1. ELO3.1	Case presentations, group project, participation, mid-term exam, final exam	Lectures, case discussions, reflections
CLO5. Develop skills for strategic decision making	BLO2.1. BLO3.1	ELO2.1. ELO3.1	Case presentations, group project, participation, mid-term exam, final exam	Lectures, case discussions, reflections
CLO6. Improve presentation skills, including developing an ability to convey information to others and to clearly explain and defend proposed decisions and results.	BLO3.1. BLO4.1. BLO4.2. BLO4.3.	ELO3.1. ELO4.1. ELO4.2. ELO4.3.	Case presentations, group project presentations, participation, mid-term exam, final exam	Lectures, case discussions, reflections
CLO7. Improve small-group and inter-personal skills	BLO4.1. BLO4.2.	ELO4.1. ELO4.2.	Case presentations, group project, participation	Lectures, case discussions, reflections

### ACADEMIC HONESTY AND INTEGRITY

The ISM University of Management and Economics Code of Ethics, including cheating and plagiarism are fully applicable and will be strictly enforced in the course. Academic dishonesty, and cheating can and will lead to a report to the ISM Committee of Ethics. With regard to remote learning, ISM remind students that they are expected to adhere and maintain the same academic honesty and integrity that they would in a classroom setting.

### COURSE OUTLINE

Topic	In-class hours	Readings and Cases
1. Nature and Scope of Managerial Economics: Introduction to Economic Decision Making. Course structure and assignments.	4	[1] Chapters 1, 2.
2. Business Competitiveness and Environment Analysis: Internal and External Environment Factors that Influence Organizational Decision Making. Tools for Managerial Decision Making.  <i>Guest in the class: managerial decision making using economic tools and information.</i>	4  2	<b>Cases:</b> - Walmart: Navigating a Changing Retail Landscape (9-717-474) - Rubicon Global (9-816-015)
3. Competitiveness and Economic Development. Overall Framework for Competitiveness Analysis (macro level). Assessment of Competitive Environment: The Diamond Model.	4	[4] Chapters 6, 7, 8. <b>Cases:</b> - Estonia in Transition (9-713-479) - Chile: The Latin American Tiger? (9-798-092)

4. Demand Analysis and Revenue Optimization (determinants of demand, price elasticity of demand, optimal pricing, information gathering and forecasting, theory and practice)	4	[1] Chapters 3, 4, 5. <b>Case:</b> - Atlas Eléctrica: International Strategy (9-704-435) - AFP Provida (9-703-424)
5. Cost Analysis and Optimal Decisions (relevant costs; the cost of production; SR&LR costs; returns to scale; economies of scope; optimal decisions)	4	[1] Chapters 6, 7, 8. [4] Chapter 7 <b>Case:</b> - Building a Cluster: Electronics and Information Technology in Costa Rica (9-703-422)
6. Cost Benefit Analysis in Public Sector (valuing costs and benefits from society's perspective, optimal decisions)	4	[1] Chapter 14 <b>Cases:</b> - Remaking Singapore (9-710-483) - New York City: Bloomberg's Strategy for Economic Development (9-714-404)
7. <u>Mid-Term Exam</u> Topics 1 to 6 inclusive	2	
8. Competing within Markets: Asymmetric Information, Bargaining and Negotiation. Competition and/or Collaboration: How Competitors can Collaborate. Role of Institutions for Collaboration	4	[1] Chapters 15, 16. <b>Cases:</b> - Asociación Colombiana de Plásticos (Acoplásticos) (9-703-437) Institutions for Collaboration, Overview (9-703-436) -Discovery Limited (715-423)
9. Decision-Making Applications: Auctions and Competitive Bidding (advantages of auctions; bidder strategies; expected auction revenue; competitive procurement)	4	[4] Chapter 8 <b>Case:</b> - California Wine Cluster (9-799-124) - Australian Wine Cluster: Supplementary Information (9-703-492) - Dutch Flower Cluster (9-711-507)
10. Decision-Making Applications: Imperfect Markets and Public-Private Partnerships  Group project presentations	4	[3] Chapters 12, 14. <b>Cases:</b> -Yara International: Africa Strategy (715-402)
11. Decision-Making Applications: The Private Sector Role in Economic and Social Development  Group project presentations	4	[5] <b>Cases:</b> - InterCorp (718-417) - Sustainable Tea at Unilever (9-712-438)
12. Decision-Making Applications: Creating Shared Value  Group project presentations	4	<b>Cases:</b> Nestle's Creating Shared Value Strategy (9-716-422)
	<b>Total: 48 hours</b>	
CONSULTATIONS	6	
FINAL EXAM	2	

## FINAL GRADE COMPOSITION

Type of assignment	%
<u>Group Components 30%</u>	
Group project and presentation	20
Group case presentation	10
<u>Individual Components 70%</u>	
Mid-term exam	20
Participation	15
Final exam	35
<b>Total:</b>	<b>100</b>

## DESCRIPTION AND GRADING CRITERIA OF EACH ASSIGNMENT

*(Provide short descriptions and grading criteria of each assignment)*

**Group project and presentations.** A group of 3 to 4 students will critically assess a company or an industry of their choice. It will account for **20** percent of the final grade. The project findings will be delivered in 15 minute presentation in the class according to the schedule of the course. All the details on the project requirements and assessment criteria are provided in a separate document "Group project".

**Group case presentations.** A group of 3 to 4 students will have to present the assigned case during the class and lead the case discussion. It will account for **10** percent of the final grade. Detailed guidelines and other information concerning case presentation will be provided during the first class.

**Mid-Term Exam.** The Mid-Term Exam will be held after 6<sup>th</sup> class and will account for **20** percent of the final grade. It will cover topics 1 to 6 inclusive. Students will have to answer multiple choice or/and open questions.

**Participation in classes.** In order to ensure a high quality of studies and to promote active participation during the course, lecturer will assess the performance of students. Every class (without any notice in advance) students will have to be prepared to answer oral or written questions, asked by lecturer. The students will be evaluated based on the knowledge shown during the case analyses and discussions (frequency and quality of contributions to class discussion). It will account for **15** percent of the final grade.

**Final Exam.** It will be held at the end of semester and accounts for **35** percent of the final grade. The exam will cover topics 7 to 12 inclusive. Students will have to answer multiple choice or/and open questions (if held in class), or answer questions related to a case provided in advance (if held on-line).

## RETAKE POLICY

**The retake of exam** will be held at the end of semester and accounts for **55** percent of the final grade. It will cover all topics (from topic 1 to topic 12 inclusive). Evaluation received for group work and participation in lectures will not be annulled and cannot be retaken.



## REQUIRED READINGS

1. Samuelson, W. F. and Marks, S.G. (2006). *Managerial Economics*, 5<sup>th</sup> edition. New York: John Wiley & Sons, Inc. (*ISM library*)
2. Paul G. Keat, Philip K.Y. Young (2005). *Managerial Economics. Economic Tools for Today's Decision Makers*, 5<sup>th</sup> edition. Upper Saddle River: Prentice Hall. (*ISM library*)
3. Png, I., Lehman, D. (2007). *Managerial Economics*. Blackwell Publishing.
4. Porter, M. (2008). *On Competition* (Updated and Expanded Edition). Boston: Harvard Business School Press.
5. Porter, M. E. and Kramer, M. "Creating Shared Value" *Harvard Business Review*. January-February 2011.

Case studies provided by Harvard Business School.

## ADDITIONAL READINGS

- Porter M. (1998), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: Free Press.
- Porter M. (1998), *Competitive Advantage: Creating and Sustaining Superior Performance*, New York: Free Press.
- Porter M. (1998), *The Competitive Advantage of Nations*, New York: Free Press.

## DEGREE LEVEL LEARNING OBJECTIVES

### Learning objectives for the Bachelor of Business Management

Programmes:

*International Business and Communication,*

*Business Management and Marketing, Finance,*

*Industrial Technology Management*

Learning Goals	Learning Objectives
Students will be critical thinkers	BLO1.1. Students will be able to understand core concepts and methods in the business disciplines
	BLO1.2. Students will be able to conduct a contextual analysis to identify a problem associated with their discipline, to generate managerial options and propose viable solutions
Students will be socially responsible in their related discipline	BLO2.1. Students will be knowledgeable about ethics and social responsibility
Students will be technology agile	BLO3.1. Students will demonstrate proficiency in common business software packages
	BLO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	BLO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations
	BLO4.2. Students will be able to convey their ideas effectively through an oral presentation
	BLO4.3. Students will be able to convey their ideas effectively in a written paper

### Learning objectives for the Bachelor of Social Science

Programmes:

*Economics and Data Analytics,*

*Economics and Politics*

Learning Goals	Learning Objectives
Students will be critical thinkers	ELO1.1. Students will be able to understand core concepts and methods in the key economics disciplines
	ELO1.2. Students will be able to identify underlying assumptions and logical consistency of causal statements
Students will have skills to employ economic thought for the common good	ELO2.1. Students will have a keen sense of ethical criteria for practical problem-solving
Students will be technology agile	ELO3.1. Students will demonstrate proficiency in common business software packages
	ELO3.2. Students will be able to make decisions using appropriate IT tools
Students will be effective communicators	ELO4.1. Students will be able to communicate reasonably in different settings according to target audience tasks and situations
	ELO4.2. Students will be able to convey their ideas effectively through an oral presentation
	ELO4.3. Students will be able to convey their ideas effectively in a written paper