APPLIES TO ACADEMIC YEAR 2013/2014

MAN 1672/1673 Managerial Economics

Programme

Responsible for the course
Assoc. prof. Dr. Gediminas Radzevicius

Department
Department of Economics

Term
According to study plan

ECTS Credits
30

Language of instruction
English

Introduction

Growing complexity of globalizing business environment created ever increasing importance of rigorous analytical approach in everyday decision making. This program aims to illustrate the central decision problems managers' face and to provide the economic analysis tools they need to guide these decisions. After completing the program participants will have an in-depth understanding of microeconomic and macroeconomic analysis behind rational decision making.

Using *marginal and regression analysis* , forecasting demand with time-series, applying cost-benefit analysis, measuring and predicting risk becomes essential day-to-day activity which enables managers to sustain and increase the competitiveness of their companies. Increasing uncertainty and new sources of risk require more rigorous economic analysis behind every decision.

Nationally acknowledged researchers and managers will give lectures and present practical cases and exercises. The aim of the program is to contribute to the development of knowledge and skills that are of high potential value to managers, individually as well as in groups and teams, and which may aid in building value and competitiveness of companies.

Learning outcome

Knowledge and understanding
When you have completed you will be able to:
· Participants shall acquire scientifically based knowledge on demand, pricing, production functions and profit maximization.
· Participants shall acquire research based knowledge on the decision making under uncertainty, value of information and various competitive strategies.
· Participants shall acquire practical knowledge of macroeconomic activity, government's policies and their implications to managerial decision making.

Cognitive skills
When you have completed you will be able to:
· Participants shall develop skills in performing regression analysis and estimating demand.
· Participants shall develop skills in demand analysis and pricing.
· Participants shall develop skills in forecasting using time-series analysis, barometric models and econometric models.
· Participants shall develop skills in estimating costs and determining profit-maximizing production.
· Participants shall develop skills in measuring and managing risk.

Practical and/or professional skills
When you have completed you will be able to:
· organise thought, analysis, synthesis and critical appraisal; including to identify assumptions, evaluate statements in terms of evidence, detect false logic or reasoning, identify implicit values, define terms adequately and generalise appropriately
· tackle situations by establishing criteria, formulating potential courses of action, implementing and controlling selected courses of action, evaluating results, and reviewing processes for same

Transferable skills
When you have completed your you will be able to:
· perform everyday mathematical skills in relation to quantitative data, including using models of business situations; exercise basic qualitative research skills
· communicate effectively, orally and in writing, using a range of media, including preparing and appraising business

reports; including listening to, negotiating with and persuading and influencing others

Attitudes/competence
- Participants shall acquire understanding of importance of rigorous economic analysis in managerial decision making.

Prerequisites
Bachelor degree, corresponding to 180 credits from an accredited university, university college or similar educational institution.
The applicant must be at least 25 years of age.
At least four years of managerial work experience.
Motivation evidence to accomplish study requirements.
At least upper intermediate level of English.

Compulsory reading

Recommended reading

Course outline
- Introduction to economic decision making.
- Optimal decisions using marginal analysis.
- Demand analysis and optimal pricing.
- Determinants and elasticity of demand.
- Estimating demand.
- Sources of information.
- Regression analysis.
- Forecasting.
- Time-series models.
- The theory and estimation of production.
- Short-run and long-run production.
- Optimal use of input.
- Measuring production functions.
- The nature of costs.
- Relevant costs.
- Short-run and long-run costs.
- Returns to scale, scope and learning.
- Cost analysis and optimal decisions.
- Linear programming.
- Optimization of decision in different markets.
- Decision making under uncertainty.
- Uncertainty, probability, and expected value.
- Decision trees.
- The value of information.
- Intuitive prediction.
- Optimal search.
- Game theory and competitive strategy.
- Equilibrium strategies.
- Market entry, sequential and repeated competition.
- Mixed strategies.
- Cost-benefit analysis
- Asymmetric information and organizational design.
- Bargaining and negotiating.
- Auctions and competitive bidding
- Behavioural economics – irrational decision makers.
- Capital budgeting and risk.
- Risk versus uncertainty.
- Sources and measures of risk.
- Present value and discounting.
- Making investment decisions.
- Sensitivity and scenario analysis.
- Measuring macroeconomic activity.
- Spending by individuals, firms and governments.
- The role of money in the macro economy.
- Globalization
- The aggregate model of the macro economy.
- International and balance of payments issues.
- Combining micro and macro analysis for managerial decision making.

Computer-based tools
SPSS

Learning process and workload
The module is conducted through eight course modules, a total of 128 lecturing hours. Project tutorials differ in each Master of Management module It will consist of personal tutorials and tutorials given in class. Generally the students may expect

consulting tutorials, not evaluating tutorials. The total hours of tutorials offered is estimated to one hour per students following an ordinary Master of Management module.

Examination
The students are evaluated through a term paper, counting 10 ECTS credits and an individual 5 hour written exam, counting ECTS 20 credits. Both evaluations must be passed to obtain a certificate for the program. The term paper may be written individually or in groups of maximum three persons.

Examination code(s)
MAN 16721 - Term paper; accounts for 100 % of the grade to pass the program MAN 1672, 10 ECTS credits
MAN 16731 - Written exam; accounts for 100 % of the grade to pass the program MAN 1673, 20 ECTS credits
Both evaluations must be passed to obtain a certificate for the program.

Examination support materials
None

Re-sit examination
At the next ordinary exam.

Additional information
Program lecturers
Assoc. prof. dr. Gediminas Radzevicius, assoc. prof. dr. Nerijus Maèiulis, assoc. prof. dr. Ausryte Rastenienë, prof. dr. Violeta Pukelienë, assoc. prof. dr. Zina Gaidiene, assoc. prof. dr. Virginija Poskute, Benas Adomavicius, Zygimantas Mauricas, Jakaterina Rojaka, Juozas Granskas.

Some modules are in computer lab, maximum number of students is 30.

Compulsory literature 1462 pages (including a textbook)	**Textbooks:**
	Fahrnham, P.G. (2010) Economics for Managers. Prentice Hall, 2nd ed., (511 pages)
	Keat P., Young Ph. K.Y. (2011) Managerial Economics: Economic Tools for Today's Decision Makers. Prentice Hall. 6st ed. (576 pages)
	Articles:
	Wilkinson, N. (2005)Managerial Economics. A Problem-Solving Approach. Cambridge University Press (16 pages)
	Mayer, Th. (2009) Invitation to Economics. Understanding Argument and Policy. Willey-Blackwell. 54 pages
	Griffiths, A., Wall, S. (2011) Economics for Business and Management. 3rd ed. Prentice Hall. (32 pages)
	T Sai Vijay, Saradhi Kumar Gonela (2010) Indian Automobile Industry: Is it Going to be the 'Global Small Car Hub' Case Code: MEBE0037 IBS Case Development Centre (18 pages)
	John D., Lakshmi A. and Chaganty, S. (2010) Galloping Oil Prices: Supply-Demand Dynamics. Case Code: MBM0025IRC, IBS Case Development Centre (21 pages)
	Rajesh Kumar, K., Mathew, M. (2010) Business Confidence? Very High; Consumer Spending? Very Low: How to get the German Consumer to Spend More? Case Code MBME0009, IBS Case Development Centre (16 pages)
	Baye, M. R., (2005) Managerial Economics & Business Strategy, McGraw-Hill, 5th edition, (73-92, 177-192 pages) Total 32 pages
	Lambertini, L., (2011) Extended Games Played by Managerial Firms. Dipartimento Scienze Economiche, Universita' di Bologna (13 pages)
	Jaimovich, N. (2007) Firm Dynamics, Mark-up Variations, and the Business Cycle. Stanford Institute for Economic Policy Research (41 pages)
	Björnerstedt, J. Stennek J. (2001) Bilateral Oligopoly. Research Institute of Industrial Economics (31 pages)
	Dahlström, T., Åsberg E.(2009) Determinants of Demand for Wine – price sensitivity and perceived quality in a monopoly setting Royal Institute of Technology (13 pages)
	Mathä, T. (2001) Non-Tariff Barriers, Market Access and Trade. The Economic Research Institute (23 pages)
	Economic focus (2005): The regulators' best friend? The Economist, April 2, p. 72.
	Jain, M. (2011) Paradox of Plenty, with Special Reference to Inelastic Demand for Apples IUP Journal of Managerial Economics, Vol. IX, No. 2, May 2011 (4 pages)
	Fromartz, S. (2009) The Mini-Cases: 5 Companies, 5 Strategies, 5 Transformations Source: Case study. MIT Sloan Management Review (7 pages).
	Sahay, A. (2007) How To Reap Higher Profits with Dynamic Pricing. Case study. Source: MIT Sloan Management Review (10 pages).

Compulsory literature 1462 pages (including a textbook)	Bell, D.E. (1991) Regression Analysis. Case Study. Harvard Business Review. (23 pages).
	Hayash, A.M. (2009) A Manager's Guide to Human Irrationalities. Case Study. Source: MIT Sloan Management Review (9 pages).
	Stengel, D.N. (2011) Managerial Economics: Concepts and Principles 6: Market Equilibrium and the Perfect Competition Model. Source: Business Expert Press (22 pages)
Recom-mended literature 1848 pages Research articles 375 pages	Ellet, W. (2007). The Case Study Handbook: How to Read, Discuss, and Write Persuasively About Cases. Harvard Business Press. (216 pages) ≈12 cases are handed out as additional readings. (142 pages) McKenzie, R.B. Lee, D.R. (2010) Microeconomics for MBAs: The Economic Way of Thinking for Managers. (191 pages) McGuigan J.R. Moyer R.C. Haris F.H deB. (2011) Economics for Managers. 12th International Edition. South-Western Centage Learning. (272 pages) Michaels R.J. (2011) Economics for Managers. Transaction and Strategies. International edition. South-Western Centage Learning. (280 pages) Boyes W. (2011) Managerial Economics. Markets and the Firm. 2nd International Edition South-Western Centage Learning. (174 pages). Gillespie, A. (2010) Business Economics. OUP Oxford. (127 pages) Sloman, J. Hindle, K. Garratt, (2010) Economics for Business and CWG Pack. Financial Time/Prentice Hall. (147 pages) Salvatore, D. (2004) Managerial Economics in a Global Market 5th ed. Thomson Learning. (137 pages) Pukeliene, V. Zukauskas, P. (2006) Ekonomika . Studiju knyga. VDU. (162 pages) Research articles: Economics (2012). The open access, Open-Assesment E-Journal. Source: http://www.economics-ejournal.org/economics/journalarticles. (145 pages) International Journal of Decision Scences, Risk and Management.(2009-2012) ISSN (online): 1753-7177. Source: http://www.inderscience.com/browse/index.php?journalCODE=ijdsrm (230 pages)