



## Managerial Economics

### Introduction

Managerial Economics is concerned with the application of economic principles to key management decisions. It provides guidance to increase value creation within an organization and allows for a better understanding of the external business environment in which the organization operates. A primary purpose of this course is to develop a tool kit useful in other MiM courses and useful in decision making in business. Economics is a key foundation for much of what is taught in finance, marketing and strategy.

### Objectives

The aims of this course are to illustrate the central decision problems managers face and to provide the economic analysis they need to guide these decisions. Managers in business, government and non-profit enterprises must make decisions under constraints and limited resources. Economics is fundamentally a unique way of thinking about these kinds of problems, issues and decisions. This way of thinking stresses the importance of incentives as determinants of human behavior and performance and emphasizes the consideration of costs and benefits in reaching decisions. Adopting the economic approach should enable participants to make consistent assumptions and predictions about the local and international business environment. It should also allow them to enrich their strategies through economic analysis.

### Competences

#### Basic Competences

- CB6. Possess and understand knowledge that provides a basis or opportunity to be original in the development and / or application of ideas, often in a research context.
- CB7. The students know how to apply the knowledge acquired and their ability to solve problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to their area of study
- CB8. The students can integrate knowledge and face the complexity of formulating judgments based on information that, being incomplete or limited, includes reflections on social and ethical responsibilities linked to the application of their knowledge and judgments.
- CB9. Students know how to communicate their conclusions and the knowledge and ultimate reasons that support them to specialized and non-specialized audiences in a clear and unambiguous way.
- CB10. Students possess the learning skills that allow them to continue studying in a way that will be largely self-directed or autonomous.

#### General Competences

- CG1 - Listen, understand, and contrast the points of view of others to make an objective composition of a business situation. Communicate in a structured and persuasive way. (Interpersonal communication)
- CG2 - Work effectively in multicultural teams, assuming the leadership of a project when required.

Integrate the value of diversity in the decision process and teamwork. (Ability to work in multicultural teams)

- CG3 - Critically evaluate the information and the context of a business situation to reach its own conclusions for making prudential decisions. (Critical thinking)
- CG4 - Acquire the self-knowledge and self-control necessary to work effectively in professional environments under pressure, understanding the motivations of others and the culture of the company. (Emotional intelligence)
- CG5 - Apply proven ethical criteria in making business decisions, respecting the intrinsic dignity of each person and the achievement of the common good. (Integrity)

### **Specific Competences**

- CE01 - Identify the relevant data to diagnose a business problem and generate sensible decision alternatives.
- CE05 - Carry out negotiations, both in competitive and collaborative environments, that reach satisfactory and stable agreements for all parties.
- CE06 - Model the impact of the global macroeconomic and microeconomic environment of each industry on activities specific business ventures in order to develop action plans to adapt to these environments in a context of uncertainty.
- CE08 - Identify the sources of competitive advantage of a company to make a judgment on its sustainability in the future based on the competitive structure of the industry, the expected response of competitors and the internal resources of the company itself.

## **Content**

The course discusses the following topics:

- Introduction to Economics
- How Markets Work
- Price Floors and Price Ceilings
- Taxes
- Cost Analysis
- Demand Analysis and Price Discrimination
- Monopoly
- Oligopoly
- Game Theory and Competitive Strategy
- Externalities, property rights and the environment
- Auctions
- Aggregating Information: Prediction Markets
- Aggregating Information: Surprisingly Popular Mechanism

## **Evaluation**

There is one final exam. Practice problem sets will be posted on Global Campus and they will not be graded:

- Final Exam 70%
- Class Participation 30%

The IESE Business School's Honor Code and Learning Partnership apply to all activities in this course. For individual assignments, unless explicitly stated, you should not interact with anyone else. For deliverables to be done in teams you should interact only with the members of your team.

