

Observations on Graduate Managerial Economics Sanford Berg (February 2008)

Although the course outlines have the same format over the past five years, the examples and course activities change over time—to provide up-to-date materials. Managerial Economics focuses on decision-making at the firm level. It provides a framework for integrating material from other business fields. For both the Internet (ECP5705) and on-campus (ECP5702) courses, the challenge is how to apply economic principles to solving practical, managerial problems. I view the course concepts as a kind of scaffolding—essential for creating a decision-framework, but to be hidden (or even discarded) as other tools are introduced in courses covering the functional areas of business. Basically, I want students to become steeped in the basics of comparing incremental benefits and incremental costs. I present lots of examples, so that students start developing their pattern recognition skills—preparing them for cases covered in other classes and for on-the-job responsibilities. The challenge is to identify (and value) opportunity costs and the net present value of future cash flows, some of which represent real options.

Course objectives: My goals in Managerial Economics are for students to

- (a) learn some *fundamental economic principles* (including the utilization of corporate data to evaluate customer purchase patterns, the categorization of costs for decision making, and the ways markets and governments constrain decisions);
- (b) understand *recent developments* in strategic thinking and how it is applied to economic decision making (including vertical linkages, supplier cooperation and strategic alliances);
- (c) develop further their facility at *approaching business problems*, to induce students "to think in terms of incremental costs and benefits;" and
- (d) establish a *foundation for their future course work*, which is generally more specialized (in terms of functional areas).

Instructional Techniques: Since I believe it is important to have students start to apply key concepts to their current situations, the Internet course utilizes threaded discussions and newly developed Strategic Economic Context Analysis (SECA) assignments. Student responses to these writing assignments have been very positive for the Warrington College's Internet MBA initiative. These instructional activities are very time intensive—in terms of being active daily in responding to student observations and in providing comprehensive feedback to students regarding their SECAs.

My course outlines do not fully convey the mix of lecture, reading, group exercises, and individual problem solving. I have tried to become a guide in the lives of my students. I have prepared and make available to students overviews of each Unit (chapter) in the course, and encourage students to summarize material from class discussions (whether it is posted on the Web or introduced in class). My job is not to introduce artificial puzzles into their lives—creating hurdles that seem to lack congruence with what is happening in the world of business. Rather, through a mix of activities and tasks, I try to create a learning environment that stimulates professionals (who are students) to explore topics on their own—with me as coach and cheerleader.

Ancillary materials: The Web provides a magnificent resource for both distance learning and on-campus courses. I try to be selective about links and how particular sites reinforce key concepts developed in the course. So I review and revise the links on a regular basis. Managerial Economics stimulates students to think clearly and critically about business economics and sets the stage for later courses.

Business Skills: Economics is analytical, which means that equations and coefficients are part of the language used in the field. Yet, I try to balance the precision of the mathematics against the genuine ambiguities and uncertainties that face managers at all levels. In many situations, stylized models (captured in equations) can clarify choices and direct attention at key parameters. However, most students are unfamiliar with how managers might calculate (or estimate) key relationships. Nor do they understand how to make tentative decisions that are subsequently revised as information is collected and analyzed.

My examples from class introduce basic concepts, which then move on to more complicated and realistic problems. I draw upon developments reported in *Business Week* and the *Wall Street Journal* to reinforce principles introduced in class. I try to show students how tools from this course can improve their early career performance.

Economics Education: The broader societal context intrigues MBA and MSM students. Public policy sets the boundaries for corporate behavior. So I spend a little more time on antitrust and environmental issues than is typical in most courses in Managerial Economics. Awareness of the broader social context helps students gain an appreciation of the need to anticipate policy changes. In addition, I utilize group projects so students help one another in a team context. They learn how to contribute in a collaborative setting. Where appropriate, I introduce ethical issues into the course: malfeasance, managerial slack, and breaking commitments represent topics that warrant exploration in any business program.

Educational Mission of the College: The Warrington College of Business Administration aspires to demonstrate national leadership in applying technology to professional business education. I believe that both my Internet course and my on-campus courses are utilizing best practice in terms of presentations and supplementary videos. Managerial Economics is one of the first courses students are exposed to in our Internet initiatives, in the MSM program, and in the residential MBA program.

Managerial Economics is not about managerial leadership nor is it a spreadsheet course. Rather, it introduces tools that can be used in a variety of settings. I try to begin with concrete problems, and then show how the concepts can promote better decision-making. If students can communicate their understanding of analytical techniques and trade-offs, then they will be better educated in the past: trained to have particular perspectives and educated to an awareness of the broader context in which decisions are made.

I want to continue improving the course so that our program is viewed as one of the best in the nation. Because of my work on international infrastructure, I plan to extend this material

so that it can be used for additional outreach activities—targeting infrastructure firms and regulatory agencies in emerging markets.

Tasks for the Future: The initial course design depended heavily on memoranda written by students who applied course concepts to their own jobs and companies. With the increasing size of the Internet course and with the addition of MSM students in the program, I sought additional ways to promote interactions among students without being the “spoke of the wheel” for transactions. Although the initial Memorandum assignment dovetailed nicely with the Professional Writing component of our MBA programs, I developed an alternative way to promote writing that without becoming overloaded. These *Strategic Economic Context Analyses* (SECAs) require Internet students to apply course concepts to company experience. I have not found a comparable activity for the two-credit on-campus versions of the course.

Over the longer term, I would like to create a new course that builds upon about 30 interviews with executives and regulators that have been completed over the past decade. These have been taped; PURC has created brief summaries of the interviews along with supplementary readings on the topics addressed. The proposed system would draw heavily on Web links, so students can access up-to-date material. Students would have a library of interviews that address a number of topics related to public policies towards business. The course would link with the college’s international training. So there are multi-purpose benefits from organizing this material. I plan to seek external funding for this initiative.