EC335-15 Managerial Economics

26/27

Department
Economics
Level
Undergraduate Level 3
Module leader
Isleide Zissimos
Credit value
15
Module duration
10 weeks
Assessment
Multiple
Study location
University of Warwick main campus, Coventry

Description

Introductory description

This module introduces students to managerial economics with a particular emphasis on personnel and organisational decision making. Using the tools of economic analysis and principal agent theory, the module examines how firms design incentives, contracts, monitoring systems, and organisational structures to motivate workers and improve performance.

The module combines formal economic models with empirical and behavioural insights to analyse topics such as performance pay, recruitment, executive compensation, workplace competition, entrepreneurship, and team production. Throughout, students apply economic reasoning to understand how firms can address problems arising from incomplete information, conflicting incentives, and organisational complexity.

Module web page

Module aims

Aimed at business and joint degree students of Economics seeking to understand how economic theories of incentives, information, and strategic interaction apply to practical managerial situations, with particular emphasis on personnel and organisational decision making. The module examines the central problems managers face in motivating, rewarding, and managing workers, and provides the economic analysis needed to evaluate and guide these decisions.

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

1. Incentives and the Principal-Agent Problem: (a) Introduction to Personnel Economics and Managerial Decision Making. (b) The Principal-Agent Model, Effort Choice, Incentive Sensitivity, and Contract Design. (c) Efficiency, Distribution, and Optimal Contracts under Risk and Uncertainty.

2. Monitoring, Motivation, and Performance: (a) Monitoring Technologies, Shirking, and Performance Measurement. (b) Performance Pay and Empirical Evidence on Productivity. (c) Intrinsic Motivation, Trust, Reciprocity, and the Hidden Costs of Control.

3. Recruitment, Training, and Career Incentives: (a) Recruitment, Screening, and Self-Selection. (b) Firm Specific Training, Hiring Practices, and the Hold-Up Problem. (c) Performance Evaluation, Rewards, and the Ratchet Effect.

4. Executive Incentives and Workplace Competition: (a) CEOs, Executive Compensation, Bonuses, and Entrepreneurship. (b) Tournament Theory, Workplace Competition, Wage Inequality, and Risk Taking.

5. Teams and Organisational Behaviour: (a) Team Production, Incentives, and Free Riding. (b) Profit Sharing, Heterogeneity, and Team Contracts. (c) Peer Pressure, Altruistic Punishment, and Co-operation in Organisations.

Learning outcomes

By the end of the module, students should be able to:

- Subject knowledge and understanding:…understand key concepts in Managerial Economics, such as market structures, game theory, imperfect information, principal-agent problems.
- Subject knowledge and understanding:…demonstrate knowledge of economic trends, institutions and policies, especially in the context of business and industry-related problems and issues.
- Subject knowledge and understanding:…abstract and simplify basic economic problems through the application of simple theoretical models.
- Key Skills:…communicate knowledge and understanding of economics in written, graphical and in appropriate mathematical forms.
- Cognitive Skills:…analyse competing models and hypotheses in a critical way.
- Cognitive Skills:…analyse and formulate models for understanding and solving problems.
- Subject-Specific/Professional Skills:…select and apply appropriate economic models and techniques to particular problems especially relating to business and industry.

Indicative reading list

Reading lists can be found in Talis

Specific reading list for the module

Subject specific skills

Analyse employment relationships using economics models.
Design and evaluate incentive and compensation systems.
Apply economic theory to recruitment, training, monitoring, performance evaluation, and teamwork.
Interpret empirical evidence on workplace behaviour and organisational performance.

Transferable skills

Analytical and quantitative reasoning.
Strategic problem solving.
Decision making under uncertainty.
Critical evaluation of evidence.
Communication of complex arguments.
Application of economic frameworks to practical organisational problems.

Study

Study time

Type	Required
Lectures	20 sessions of 1 hour (13%)
Seminars	4 sessions of 1 hour (3%)
Private study	126 hours (84%)
Total	150 hours

Private study description

Private study will be required in order to prepare for seminars/classes, to review lecture notes, to prepare for forthcoming assessments, tests, and exams, and to undertake wider reading around the subject.

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Assessment group B1

	Weighting	Study time	Eligible for self-certification
Centrally-timetabled examination (On-campus)	100%		No

- Answerbook Pink (12 page)
- Students may use a calculator

Assessment group R5

	Weighting	Study time	Eligible for self-certification
Examination	100%		No

- Students may use a calculator
- Answerbook Green (8 page)
- Answerbook Pink (12 page)

Feedback on assessment

The Department of Economics is committed to providing high quality and timely feedback to students on their assessed work, to enable them to review and continuously improve their work. We are dedicated to ensuring feedback is returned to students within 20 University working days of their assessment deadline. Feedback for assignments is returned either on a standardised assessment feedback cover sheet which gives information both by tick boxes and by free comments or via free text comments on tabula, together with the annotated assignment. For tests and problem sets, students receive solutions as an important form of feedback and their marked assignment, with a breakdown of marks and comments by question and sub-question. Students are informed how to access their feedback, either by collecting from the Undergraduate Office or via tabula. Module leaders often provide generic feedback for the cohort outlining what was done well, less well, and what was expected on the assignment and any other common themes. This feedback also includes a cumulative distribution function with summary statistics so students can review their performance in relation to the cohort. This feedback is in addition to the individual-specific feedback on assessment performance.

Past exam papers for EC335

Availability

Pre-requisites

This module is not available for single honours L100 students.

To take this module, you must have passed:

- Any of
  - EC131-15 Economics for Business
  - EC229-15 Economics of Strategy
  - EC107-30 Economics 1
  - EC204-30 Economics 2

Courses

This module is Optional for:

- Year 4 of UIBA-MN34 Law and Business Four Year (Qualifying Degree)
- UPHA-L1CA Undergraduate Economics, Psychology and Philosophy
  - Year 3 of L1CA Economics, Psychology and Philosophy
  - Year 3 of L1CD Economics, Psychology and Philosophy (Economics with Philosophy Pathway)
  - Year 3 of L1CE Economics, Psychology and Philosophy (Philosophy and Psychology Pathway)
  - Year 4 of L1CB Economics, Psychology and Philosophy (with Intercalated Year)
- UPHA-L1CB Undergraduate Economics, Psychology and Philosophy (with Intercalated Year)
  - Year 4 of L1CG Economics, Psychology and Philosophy (Behavioural Economics Pathway) (with Intercalated Year)
  - Year 4 of L1CH Economics, Psychology and Philosophy (Economics with Philosophy Pathway) (with Intercalated Year)
  - Year 4 of L1CJ Economics, Psychology and Philosophy (Philosophy and Psychology Pathway) (with Intercalated Year)
  - Year 4 of L1CB Economics, Psychology and Philosophy (with Intercalated Year)
- Year 4 of UIBA-MN32 Undergraduate Law and Business Studies
- Year 5 of UIBA-MN37 Undergraduate Law and Business Studies (Qualifying Degree) with Intercalated Year
- UIBA-MN35 Undergraduate Law and Business Studies with Intercalated Year (3+1)
  - Year 3 of MN35 Law and Business Studies with Intercalated Year (3+1)
  - Year 4 of MN35 Law and Business Studies with Intercalated Year (3+1)
- Year 5 of UIBA-MN36 Undergraduate Law and Business Studies with Intercalated Year (4+1)

This module is Option list C for:

- UPHA-V7ML Undergraduate Philosophy, Politics and Economics
  - Year 3 of V7MP Philosophy, Politics and Economics (Bipartite)
  - Year 3 of V7ML Philosophy, Politics and Economics (Tripartite)
- UPHA-V7MM Undergraduate Philosophy, Politics and Economics (with Intercalated year)
  - Year 4 of V7MS Philosophy, Politics and Economics (Bipartite with Economics Major) (with Intercalated Year)

    - Year 4 of V7MQ Philosophy, Politics and Economics (Bipartite) with Intercalated Year
    - Year 4 of V7MM Philosophy, Politics and Economics (Tripartite) (with Intercalated year)

This module is Option list D for:

- Year 3 of UPHA-V7ML Undergraduate Philosophy, Politics and Economics