

# Organizational Strategy

Economics 390, Fall 2018

Mondays and Wednesdays, 3:35-4:50 PM

Classroom CCC 214, Office CPS 336D

Scott Wallace

Office Hours MW 2:30-3:25, TTh 11:00-11:50

Phone: 346-4358

[swallace@uwsp.edu](mailto:swallace@uwsp.edu)

## Course Description

This course employs economics as a conceptual framework in analyzing three key features of a firm's organizational strategy: the assignment of decision-making authority (who gets to make what decisions), the reward system (how people are rewarded for meeting performance goals), and the performance evaluation system (measures used to evaluate the performance of managers and employees). It is critical that firms appreciate the interdependent nature of these three key features and adopt a holistic approach in executing a successful organizational strategy.

This course presumes that students have completed a principles of microeconomics course (Econ 111). The reading assignments primarily will come from the following textbook:

James A. Brickley, Clifford W. Smith, and Jerold L. Zimmerman, *Managerial Economics and Organizational Architecture*, Sixth Edition, 2016, New York: McGraw-Hill Education.

## School of Business & Economics Mission Statement

The UWSP School of Business & Economics educates and inspires students and prepares graduates for success in positions of leadership and responsibility. We serve the students, businesses, economy and people of the greater Central Wisconsin region. Our students achieve an understanding of regional opportunities that exist within the global economy.

## Course Learning Objectives

The following "learning objectives" reflect what I consider to be the most important learning goals for students in completing this class.

- Students will understand how organizations can structure incentives in ways that encourage behavior that increase value.
- Students will be able to apply microeconomic concepts and models in evaluating the effects of a wide variety of organizational practices on firm performance

- Students will be able to critically identify the organizational architectures that are optimal for given economic contexts.
- Students will be able to describe how organizations can align incentives among members who possess conflicting objectives.

## Course Requirements.

Your grade in the course will be based on class participation/attendance, homework, two midterm exams, and a final exam. The breakdown of your final grade will be as follows:

Class Participation/Attendance	20%	
Homework	20%	Periodically
First Exam	20%	Wednesday, October 10
Second Exam	20%	Wednesday, November 14
Final Exam	20%	Tuesday, December 18 (8:00– 10:00)

Class attendance and class participation are required. In addition to lecture, we will be doing in-class exercises that will require your participation. The in-class exercises are designed to illustrate the important economic concepts and ideas introduced during the class lecture and in the textbook. You will face similar questions on your homework assignments and exams. It is critical that you make every effort to attend each class. There is a stiff penalty for those who do not regularly attend class. A student is allowed four absences without penalty. Every subsequent absence will result in subtracting ten points from your Class Participation/Attendance grade.

Homework will largely consist of analytical problem solving and short answer questions. These questions will provide valuable practice for exams. Student cooperation and discussion of the material and homework is encouraged, but the homework you hand in must be your own work. Any evidence to the contrary will result in a zero grade for your homework. All homework is due at the beginning of the class period. No late homework will be accepted. In calculating your homework average, I will drop the lowest score.

Exams will consist of a mixture of definitions, short answer, short essay, and problem-solving questions. I do not give make up exams. Only under the most extraordinary of circumstances will I excuse a student from taking an exam. You will need my prior consent and proof of the relevant circumstances to be excused. If you do miss an exam (legitimately), I will reallocate the its weight onto the final exam to compensate for the missed exam.

Your final grade will be based upon the calculation of your final average based upon the above weights.

A	92.5+
A-	90.0 – 92.4
B+	87.5 – 89.9
B	82.5 – 87.4

B-	80.0 – 82.4
C+	77.5 – 79.9
C	72.5 – 77.4
C-	70.0 – 72.4
D+	65.0 – 69.9
D	60.0 - 64.9
F	59.9 and Below

## **Course Outline and Reading Assignments.**

### **I. Conceptual Framework**

#### A. Foundations of Economic Analysis

- Chapter 1: Introduction
- Chapter 2: Economists' View of Behavior

#### B. Markets as Economic Institutions

- Chapter 3: Exchange and Markets

#### C. Economics of Strategy

- Chapter 8: Creating and Capturing Value

### **II. Designing Effective Organizations**

#### A. Introduction

- Chapter 10: Incentive Conflicts and Contracts
- Chapter 11: Organizational Architecture

#### B. Decision Rights

- Chapter 12: The Level of Empowerment
- Chapter 13: Bundling Tasks into Jobs and Subunits

#### C. The Reward System

- Chapter 14: Attracting and Retaining Qualified Employees
- Chapter 15: Incentive Compensation

#### D. Performance Evaluation

- Chapter 16: Individual Performance Evaluation
- Chapter 17: Divisional Performance Evaluation

### **III. Applications**

#### A. The Corporate Form of Organization

- Chapter 18: Corporate Governance

#### B. Organizing the Supply Chain

- Chapter 19: Vertical Integration and Outsourcing