Course Description

Provides a cross-functional framework for analyzing organizational problems, examines economic research, and applies research inferences to decision making. Integrates the topics of strategy and organizational architecture to explore the theory of business and environmental management. Investigates corporate policy, finance, accounting, marketing, information systems, operations, compensation, and human resources, and focuses on the interrelationships and coordination needs to do business. Explores the theoretical roots of competing policy options and assesses implications of business decisions and various regulations as they affect the productivity and overall performance of the private sector.

Prerequisites

Enrolled in the doctoral program.

Course Textbook


Course Learning Objectives

Upon completion of this course, students should be able to:

1. Assess how the business environment determines the firm's choice of strategy and therefore be able to explain how strategy and the business environment affects the firm's choice of organizational design -- its organizational architecture, and then be able to summarize how its organizational architecture, in turn, largely determines the firm's success or failure and how it also affects how those in the organization will behave so as to create, or destroy, the firm's value.
2. Compare and discriminate how three key features of the firm's architecture -- the assignment of decision-making authority, the reward system, and the performance-evaluation system -- can be structured so as to achieve desirable results for the firm; these three key features -- like three legs of a stool -- must be balanced, and changes in one leg of this stool require changes in the other legs.
3. Assess the aspects of Organizational Architecture and their importance and the relationship of the firm's Organizational Architecture -- intra-firm incentives and firm efficiency.
4. Summarize how firms might structure incentives so as to align employee and managerial interests with those of the firm.
5. Assess non-economic models of managerial and employee behavior.
6. Summarize decision-making by firm managers under uncertainty and in the face of risk.
7. Explain how gains from trade benefit all trading parties and why trade benefits all trading parties.
8. Summarize how market equilibrium is attained and the importance of prices as social co-ordination devices.
9. Summarize the Law of Demand and its importance and assess and explain the demand functions.
10. Explain the nature of Production functions, returns to scale and scope, and optimal input combinations in the face of input price changes.
11. Discriminate between the nature of, and distinction between, various market structures including competitive markets, monopolistically competitive markets, and oligopolistically competitive markets and equilibrium in each of these markets.
12. Explain the objective and basic economics of pricing decisions and, inter alia, explain the rationale and underlying economic reasons behind many observed pricing policies, including block pricing, two-part tariffs, product bundling, rebates and coupons, and price discrimination; also, of course, the student should be able to define and explain these concepts.

13. Assess the relationship between the assignment of decision rights within the firm to its productivity and value and discuss the optional allocation of decision rights within the firm.

14. Discriminate between the cost and benefits of centralized versus decentralized decision-making within the firm.

15. Compare the benefits and costs of collective decision-making within the firm.

16. Assess the cost and benefits of specialized task assignment relative to broad task assignment.

17. Understand and explain the competitive model of employee compensation and understand and be able to explain the concept of human capital, its importance for the firm, and provision by the firm of training.

18. Understand and be able to discuss the design of compensation contracts and systems.

19. Explain the concepts of risk aversion and risk neutrality.

20. Explain the economics of transfer pricing and problems related thereto.

21. Explain the merits of the various legal forms of business that the firm can, and should, consider as it selects its organizational architecture and, inter alia, be able to explain the criteria to be considered in determining whether the firm should operate as a for-profit and non-profit form of business.

22. Explain the issues surrounding the separation of ownership and control of the corporation and managerial and agency problems that arise in the modern corporation.

23. Explain the costs of government regulation, including deadweight losses, wealth transfers, and the indirect costs of such regulation.

24. Formulate the economic theory of government regulation, noting particularly the demand and supply of governmental regulations, and, inter alia, understand the costs of government regulation, including deadweight losses, wealth transfers, and the indirect costs of such regulation.

25. Assess the ethical questions and issues that arise in modern businesses and how these issues and their resolution can affect the value of the firm.

Credits

Upon completion of this course, the students will earn three (3) hours of college credit.

Course Structure

1. Unit Learning Objectives: Each unit contains learning objectives that specify the measurable skills and knowledge students should gain upon completion of the unit.

2. Unit Summaries: Each unit contains an overview, or summary, of the information to be covered.

3. Reading Assignments: Each unit contains reading assignments from one or more chapters from the textbook.

4. Key Terms: Key terms are intended to guide students in their course of study. Students should pay particular attention to key terms as they represent important concepts within the unit material and reading.

5. Discussion Boards: Discussion Boards are a part of all CSU term courses. Information and specifications regarding these assignments are provided in the Academic Policies listed in the Course Menu bar.

6. Unit Assessments: Students are required to take unit assessments at the completion of each unit.

7. Case Studies: Students are to submit a Case Study in Unit II and Unit V. Instructions and specifications regarding these Case Studies can be found below.

8. Ask the Professor: This communication forum provides you with an opportunity to ask your professor general or course content related questions.

9. Student Break Room: This communication forum allows for casual conversation with your classmates.

Unit II Case Study

CSU requires that students use the APA style for papers and projects. Therefore, the APA rules for formatting, quoting, paraphrasing, citing, and listing of sources are to be followed.

Personal Video Recorders (PVRs): Personal video recorders (PVRs) are digital video recorders used to record and replay television programs received from cable, satellite, or local broadcasts. However, unlike VCRs, which PVRs replaced, PVRs offer many more functions, notably the ability to record up to 60 hours of programs and easy programming.
A PVR consists of an internal hard disk and microprocessor. After the owner installs the hardware, the PVR downloads all upcoming TV schedules to the hardware via a phone or cable connection. Users merely enter the name of the show(s) they want recorded and the system finds the time and channel of the show and automatically records it. Users must subscribe to a cable or satellite system if they wish to record programs off these channels.

Besides ease of programming and much larger recording capacity than video tape, PVRs allow the user to watch a prerecorded show while the unit is recording a new program, pause watching live programs (for example, if the phone rings) then resume watching the rest of the live broadcast, view instant replays and slow motion of live programs, and skip commercials. In effect, PVRs like older VCRs allow viewers to control when they watch broadcast programs (called "time shifting"). However, PVRs provide much sharper pictures and are much simpler to operate than VCRs, and PVRs allow the user to download the television schedule for the next week.

Two companies currently sell the hardware and provide the subscription service: TiVo and ReplayTV. Both firms started in 1997. As of mid-2002 TiVo had nearly 500,000 subscribers and ReplayTV had about 100,000. Companies are developing new technologies that make it even easier for users to "snip" commercials. Cable companies have begun offering a combined cable box and PVR in one unit for a small additional monthly charge. This further simplifies setup and operation and the user gets a single bill.

*J. Gudmundsen (2002), "Video Gizmos Change the Rules," Democrat and Chronicle (August), 5E and 8E.

1. Discuss how PVRs will affect the demand from advertisers.

2. Suppose you are in charge of setting the price for commercial advertisements shown during Enemies, a top network television show. There is a 60 minute slot for the show. However, the running time for the show itself is only 30 minutes. The rest of the time can be sold to other companies to advertise their products or donated for public service announcements. Demand for advertising is given by:

\[
Q_d = 30 - 0.0002P + 26V
\]

in which \(Q_d\) = quantity demanded for advertising on the show (minutes),

\(P\) = the price per minute that you charge for advertising, and \(V\) is the number of viewers expected to watch the advertisements (in millions).

a) All your costs are fixed, and your goal is to maximize the total revenue received from selling advertising. Suppose that the expected number of viewers is one million people. What price should you charge? How many minutes of advertising will you sell? What is total revenue?

b) Suppose price is held constant at the value from part (a). What will happen to the quantity demanded if due to PVRs the number of expected viewers falls to 0.5 million? Calculate the "viewer elasticity" based on the two points. Explain in words what this value means.

3. As more viewers begin using PVRs, what happens to the revenues of the major networks (CBS, NBC, ABC, and FOX)?

4. Discuss the long-run effects if a significant proportion of the viewers begin adopting these "advertising snipping" systems.

5. What advice would you give the major commercial networks and producers of programming for these networks as more consumers adopt PVRs?

**Unit V Case Study**

CSU requires that students use the APA style for papers and projects. Therefore, the APA rules for formatting, quoting, paraphrasing, citing, and listing of sources are to be followed.

**Eastman Kodak**: For many years, Eastman Kodak had a virtual monopoly in film production. This market power resulted in large profits. It also permitted Kodak to control the timing for introducing new products to the marketplace and responding to changes in consumer demands.

By the 1980s, Kodak's market environment had changed materially. The Fuji Corporation produced high-quality film that eroded Kodak's market share. Increased competition also came from generic store brands.
In addition, the 1980s witnessed a technological explosion. Improved communications, design capabilities, and robotics allowed companies to bring new products to market within months rather than years.

These changes in the market environment placed significant pressure on Kodak. Kodak's stock price dropped from over $85 per share in 1982 to just over $71 in 1984. This 16 percent decline in stock price appears particularly dramatic when it is compared to the substantial increase in stock prices for the market as a whole. Earnings per share at Kodak also dropped substantially. The company realized it had to change its organization to regain profits and market share. Colby Chandler, former CEO of Kodak, said at the 1984 annual meeting, “Like many companies, we are not used to working in an environment where there is rapid technological transfer from laboratory to the marketplace. But we know that will be important in our future”.

During 1984, Kodak undertook a major corporate restructuring. Prior to the restructuring, decision making at Kodak was quite centralized. Top-level approval was required for most major decisions. The restructuring created 17 new business units with profit-and-loss responsibility. Business-unit managers were given increased decision-making authority for new products, pricing, and other important policy choices. By decentralizing decision rights, senior management hoped to make the company more responsive to changing customer demands and market conditions. The 1984 annual report stated, “In short, Kodak is finding new ways to stimulate the innovative nature of its people. The result: a spirit of independence, new ideas and a quickened pace in the process which turns new ideas into commercial realities”.

Unfortunately for Kodak, changing the assignment of decision rights did not have a significant impact on the company's performance. In response, Kodak adopted the Management Annual Performance Plan (MAPP) in 1987. Under this plan, the base salary of management employees was reduced by 10 percent and replaced with a variable bonus. The bonus was to average 10 percent, ranging from 0 to 20 percent. Bonus payments were based on individual, unit, and company objectives.

The idea behind MAPP was that changing the performance-evaluation and reward systems would motivate managers to be more creative and industrious. The plan, however, did not have a large impact on managerial incentives or corporate profits. In 1993, Kodak officials were quoted as saying (1) that management had not really been held accountable for their failure to deliver results, (2) that management had to develop tougher work standards and demote failing employees, and (3) that in the past managers who advanced at Kodak had excelled in office politics but not necessarily leadership. Frustrated by the continued lack of success, Kodak's board of directors fired its CEO in late 1993.

* Democrat and Chronicle (June 27, 1993).

1. What factors motivated Kodak to change its organizational architecture?
2. What mistakes did Kodak make in changing its architecture?
3. What might it have done differently?
4. How does this example relate to the concept of economic Darwinism?

**APA Guidelines**

CSU requires that students use the APA style for papers and projects. Therefore, the APA rules for formatting, quoting, paraphrasing, citing, and listing of sources are to be followed. A document titled “APA Guidelines Summary” is available for you to download from the APA Guide Link, found in the Learning Resources area of the myCSU Student Portal. It may also be accessed from the Student Resources link on the Course Menu. This document provides links to several internet sites that provide comprehensive information on APA formatting, including examples and sample papers.

**CSU Grading Rubric for Papers/Projects**

The course papers will be graded based on the CSU Grading Rubric for all types of papers. In addition, all papers will be submitted for electronic evaluation to rule out plagiarism. Course projects will contain project specific grading criteria defined in the project directions. To view the rubric, click the Academic Policies link on the Course Menu, or by accessing the CSU Grading Rubric link, found in the Learning Resources area of the myCSU Student Portal.
Communication Forums

These are non-graded discussion forums that allow you to communicate with your professor and other students. Participation in these discussion forums is encouraged, but not required. You can access these forums with the buttons in the Course Menu. Instructions for subscribing/unsubscribing to these forums are provided below.

Click here for instructions on how to subscribe/unsubscribe and post to the Communication Forums.

Ask the Professor

This communication forum provides you with an opportunity to ask your professor general or course content questions. Questions may focus on Blackboard locations of online course components, textbook or course content elaboration, additional guidance on assessment requirements, or general advice from other students.

Questions that are specific in nature, such as inquiries regarding assessment/assignment grades or personal accommodation requests, are NOT to be posted on this forum. If you have questions, comments, or concerns of a non-public nature, please feel free to email your professor. Responses to your post will be addressed or emailed by the professor within 48 hours.

Before posting, please ensure that you have read all relevant course documentation, including the syllabus, assessment/assignment instructions, faculty feedback, and other important information.

Student Break Room

This communication forum allows for casual conversation with your classmates. Communication on this forum should always maintain a standard of appropriateness and respect for your fellow classmates. This forum should NOT be used to share assessment answers.

Grading

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<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Discussion Board (8 @ 1%)</td>
<td>= 8%</td>
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<tr>
<td>Unit Assessments (8 @ 9%)</td>
<td>= 72%</td>
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<tr>
<td>Case Study (2 @ 10%)</td>
<td>= 20%</td>
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<td>Total</td>
<td>= 100%</td>
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Course Schedule/Checklist (PLEASE PRINT)

The following pages contain a printable Course Schedule to assist you through this course. By following this schedule, you will be assured that you will complete the course within the time allotted.
### Unit I
**Basic Concepts – Introduction, View of Behavior, and Role of Knowledge**

<table>
<thead>
<tr>
<th>Review:</th>
<th>Unit Study Guide</th>
</tr>
</thead>
</table>
| Read:    | Chapter 1: Introduction  
|          | Chapter 2: Economists’ View of Behavior  
|          | Chapter 3: Markets, Organizations, and the Role of Knowledge |
| Discuss: | Discussion Board Response: Submit your response to the Discussion Board question by Saturday, Midnight (Central Time) |
| Submit:  | Assessment by Tuesday, Midnight (Central Time) |

**Notes/Goals:**

### Unit II
**Demand, Production, and Cost**

<table>
<thead>
<tr>
<th>Review:</th>
<th>Unit Study Guide</th>
</tr>
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</table>
| Read:    | Chapter 4: Demand  
|          | Chapter 5: Production and Cost |
| Discuss: | Discussion Board Response: Submit your response to the Discussion Board question by Saturday, Midnight (Central Time)  
|          | Discussion Board Comment: Comment on another student’s Discussion Board response by Tuesday, Midnight (Central Time) |
| Submit:  | Assessment by Tuesday, Midnight (Central Time)  
|          | Unit II Case Study by Tuesday, Midnight (Central Time) |

**Notes/Goals:**

### Unit III
**Market Structure and Pricing with Market Power**

<table>
<thead>
<tr>
<th>Review:</th>
<th>Unit Study Guide</th>
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</table>
| Read:    | Chapter 6: Market Structure  
|          | Chapter 7: Pricing with Market Power |
| Discuss: | Discussion Board Response: Submit your response to the Discussion Board question by Saturday, Midnight (Central Time)  
|          | Discussion Board Comment: Comment on another student’s Discussion Board response by Tuesday, Midnight (Central Time) |
| Submit:  | Assessment by Tuesday, Midnight (Central Time) |

**Notes/Goals:**

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By following this schedule, you will be assured that you will complete the course within the time allotted. Please keep this schedule for reference as you progress through your course.
# Course Schedule

## Unit IV
**Creating and Capturing Value, Game Theory, and Incentive Conflicts and Contracts**

### Review:
- [ ] Unit Study Guide

### Read:
- [ ] **Chapter 8**: Economics of Strategy: Creating and Capturing Value
- [ ] **Chapter 9**: Economics of Strategy: Game Theory
- [ ] **Chapter 10**: Incentive Conflicts and Contracts

### Discuss:
- [ ] **Discussion Board Response**: Submit your response to the Discussion Board question by Saturday, Midnight (Central Time)
- [ ] **Discussion Board Comment**: Comment on another student’s Discussion Board response by Tuesday, Midnight (Central Time)

### Submit:
- [ ] **Assessment** by Tuesday, Midnight (Central Time)

### Notes/Goals:

## Unit V
**Organizational Architecture, Level of Empowerment, and Bundling Tasks into Jobs and Subunits**

### Review:
- [ ] Unit Study Guide

### Read:
- [ ] **Chapter 11**: Organizational Architecture
- [ ] **Chapter 12**: Decision Rights: The Level of Empowerment
- [ ] **Chapter 13**: Decision Rights: Bundling Tasks into Jobs and Subunits

### Discuss:
- [ ] **Discussion Board Response**: Submit your response to the Discussion Board question by Saturday, Midnight (Central Time)
- [ ] **Discussion Board Comment**: Comment on another student’s Discussion Board response by Tuesday, Midnight (Central Time)

### Submit:
- [ ] **Assessment** by Tuesday, Midnight (Central Time)
- [ ] **Unit V Case Study** by Tuesday, Midnight (Central Time)

### Notes/Goals:

## Unit VI
**Attracting and Retaining Qualified Employees and Incentive Compensation**

### Review:
- [ ] Unit Study Guide

### Read:
- [ ] **Chapter 14**: Attracting and Retaining Qualified Employees
- [ ] **Chapter 15**: Incentive Compensation

### Discuss:
- [ ] **Discussion Board Response**: Submit your response to the Discussion Board question by Saturday, Midnight (Central Time)
- [ ] **Discussion Board Comment**: Comment on another student’s Discussion Board response by Tuesday, Midnight (Central Time)

### Submit:
- [ ] **Assessment** by Tuesday, Midnight (Central Time)

### Notes/Goals:
<table>
<thead>
<tr>
<th>Unit VII</th>
<th>Individual Performance Evaluation and Divisional Performance Evaluation</th>
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<td><strong>Review:</strong></td>
<td>□ Unit Study Guide</td>
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</table>
| **Read:** | □ Chapter 16: Individual Performance Evaluation  
□ Chapter 17: Divisional Performance Evaluation |
| **Discuss:** | □ Discussion Board Response: Submit your response to the Discussion Board question by Saturday, Midnight (Central Time)  
□ Discussion Board Comment: Comment on another student’s Discussion Board response by Tuesday, Midnight (Central Time) |
| **Submit:** | □ Assessment by Tuesday, Midnight (Central Time) |

**Notes/Goals:**

<table>
<thead>
<tr>
<th>Unit VIII</th>
<th>Corporate Governance, Vertical Integration and Outsourcing, The Economics of Regulation and Ethics, and Organizational Architecture</th>
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<tbody>
<tr>
<td><strong>Review:</strong></td>
<td>□ Unit Study Guide</td>
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</tbody>
</table>
| **Read:** | □ Chapter 18: Corporate Governance  
□ Chapter 19: Vertical Integration and Outsourcing  
□ Chapter 21: Understanding the Business Environment: The Economics of Regulation  
□ Chapter 22: Ethics and Organizational Architecture |
| **Discuss:** | □ Discussion Board Response: Submit your response to the Discussion Board question by Saturday, Midnight (Central Time)  
□ Discussion Board Comment: Comment on another student’s Discussion Board response by Tuesday, Midnight (Central Time) |
| **Submit:** | □ Assessment by Tuesday, Midnight (Central Time) |

**Notes/Goals:**