International Journal of Research in Economics and Social Sciences (IJRESS)
Available online at: http://euroasiapub.org
Vol. 8 Issue 2, February- 2018
ISSN(o): 2249-7382 | Impact Factor: 6.939 |

MANAGERIAL ECONOMICS TAKE DYNAMIC BUSINESS DECISION MAKING PROCESS

Dr. Sangappa V.Mamanshetty,

Assistant Professor & HOD,

Dept of Economics,Govt.First Grade College,Chincholi-55307.

Tq:Chincholi.Dist:Kalaburagi,Karnatkata-State(India)

ABSTRACT

Meaning of Managerial Economics Managerial economics is the science of directing scarce resources to manage cost effectively. It consists of three branches; competitive markets, market power, and imperfect marketsThe word „Economics‟ originates from the Greek work „Oikonomikos‟ which can be divided into two parts: „Oikos‟, which means „Home‟, and (b) „Nomos', which means „Management‟. Thus, Economics means „Home Management‟. The head of a family faces the problem of managing the unlimited wants of the family members within the limited income of the family. In fact, the same is true for a society also. If we consider the whole society as a „family‟, then the society also faces the problem of tackling unlimited wants of the members of the society with the limited resources available in that society. Thus, Economics means the study of the way in which mankind organizes itself to tackle the basic problems of scarcity. All societies have more wants than resources. Hence, a system must be devised to allocate these resources between competing ends. And now a day‟s one popular branch of it is "managerial economics". Managerial economics draws on economic analysis for such concepts as cost, demand, profit and Competition. A close interrelationship between management and economics had led to the development of managerial economics. Viewed in this way, managerial economics may be considered as economics applied to "problems of choice"‟ or alternatives and allocation of scarce resources by the firms. This paper discussed in brief significances of managerial economics in business management decision making process.

KEYWORDS: Business decision-making process, dynamic business Environment , Managerial Economics

INTRODUCTION

Meaning of Managerial Economics Managerial economics is the science of directing scarce resources to manage cost effectively. It consists of three branches; competitive markets, market power, and imperfect markets. A market consists of buyers and sellers that communicate with each other for voluntary exchange. Whether a market is local or global, the same managerial economics apply. A seller with market power will have freedom to choose suppliers, set prices, and use advertising to influence demand. A market is imperfect when one party directly conveys a benefit or cost to others, or when one party has better information than others. An organization must decide its vertical and horizontal boundaries. For effective management, it is important to distinguish marginal from average values and stocks from flows. Managerial economics applies models that are necessarily less than completely realistic. Typically, a model focuses on one issue, holding other things equal.:

Managerial Economics is a discipline that combines economic theory with managerial practice. It tries to bridge the gap between the problems of logic that intrigue economic theorists and the problems of policy that plague practical managers. The subject offers powerful tools and techniques for managerial policy making. An integration of economic theory and tools of decision sciences works successfully in optimal decision making, in face of constraints. A study of managerial economics enriches the analytical skills, helps in the logical structuring of problems, and provides adequate solution to the economic problems. To quote Mansfield,

"Managerial Economics is concerned with the application of economic concepts and economic analysis to the problems of formulating rational managerial decisions." Spencer and Siegelman have defined the subject as "the integration of economic theory with business practice for the purpose of facilitating decision making and forward planning by management."

Contribution of Managerial Economics in Business Decision Making

Mathematical Economics and Econometrics are utilized to construct and estimate decision models useful in determining the optimal behaviour of a firm. The former helps to express economic theory in the form of equations while the latter applies statistical techniques and real world data to economic problems. Like, regression is applied for forecasting and probability theory is used in risk analysis. In addition to this, economists use various optimization techniques, such as linear programming, in the study of behaviour of a firm. They have also found it most efficient to express their models of behaviour of firms and consumers in terms of the symbols and logic of calculus. Thus, Managerial Economics deals with the economic principles and concepts, which constitute „Theory of the Firm‟. The subject is a synthesis of economic theory and quantitative techniques to solve managerial decision problems. It is micro-economic in character. Further, it is normative since it makes value judgments, that is, it states what goals a firm should pursue.

Fig. below summarizes our discussion of the principal ways in which Economics relates to managerial decision-making. Managerial Economics plays an equally important role in the management of non-business organizations such as government agencies, hospitals and educational institutions. Regardless of whether one manages the ABC hospital, Eastman Kodak or College of Fine Arts, logical managerial decisions can be taken by a mind Trained in economic logic.

Managerial Economics Decision Problem

⇓

Economic Theory
Demand,Supply,Cost,Market,Compitatipon,etc

⇓

Quantitative Techniques, Mathematical,
Econometrical

⇓

Under Managerial Economics
Application of Economic Theory and Quantitative Techniques to
solve Managerial Decision Problems

⇓

Optimal Managerial Decision making

Managerial economics is the science of directing scarce resources to manage cost effectively. It consists of three branches; competitive markets, market power, and imperfect markets. A market consists of buyers and sellers that communicate with each other for voluntary exchange. Whether a market is local or global, the same managerial economics apply. A seller with market power will have freedom to choose suppliers, set prices, and use advertising to influence demand. A market is imperfect when one party directly conveys a benefit or cost to others, or when one party has better information than others. An organization must decide its vertical and horizontal boundaries. For effective management, it is important to distinguish marginal from average values and stocks from flows. Managerial economics applies models that are necessarily less than completely realistic. Typically, a model focuses on one issue, holding other things equal.

The best way to become acquainted with Managerial Economics is to come face to face with real world decision problems. Many companies have applied established principles of Managerial Economics to improve their profitability. In the past decade, a number of known companies have experienced successful changes in the economics of their business by using economic tools and techniques. Some cases as discussed below.

CASE1: For P&G7, the 1990s was a decade of „value-oriented‟ consumer. The company formulated policies in view of emergence of India as „value for money‟ product market. This means that consumers are willing to pay premium price only for quality goods. Customers are "becoming more price-sensitive and quality conscious…more focused on self satisfaction…" It can, therefore, be said that consumer preferences and tastes have come to play a vital role in the survival of companies.

CASE2: Leading multinational players like Samsung, LG, Sony and Panasonic cornered a large
part of Indian consumer durables market in the late 1990s. This was possible because of global Manufacturing facilities and investment in technologies. To maintain their market share, they

resorted to product differentiation. These companies introduced technologically advanced models with specific product features and product styling.

CASE3: Apple, the company that began the PC revolution, had always managed to maintain its
market share and profitability by differentiating its products from the IBM PC compatibles. However, the introduction of Microsoft's Windows operating system gave the IBM and IBM compatible PCs the look feel, and ease of use of the Apple Macintosh. This change in the competitive environment forced Apple to lower its prices to levels much closer to IBM compatibles. The result has been an erosion of profit margins. For example, between 1991 and 1993, Apple‟s net profit margins fell from 5 to 1 per cent.

CASE4: Reliance Industries has maintained top position in polymers by building a world-scale plant and upgrading technology. This has resulted in low operating costs due to economies of scale. Reliance Petroleum Ltd. registered a net profit of Rs. 726 crores on sales of Rs. 14,308 corers for the six months ended September30, 2000. Of these, exports amounted to Rs 2,138 crores, which make RPL India's largest manufacturer and exporter. The overall economies of scale are in favour of expansion. This expansion will further consolidate the position of RPL in
the sector and help in warding off rivals .

Conclusion:

Managerial Economics to control the Application of Economics theory and Quantitative techniques to solve managerial decision taken optimal managerial and problems. Managerial Economics is a discipline that combines economic theory with managerial practice. Managerial Economics bridge the gap between the problems of logic that intrigue economic theorist and problems of policy that plague practical managers. Managerial economics enriches the analytical skill, helps in logical structuring of problems and provides adequate solutions to the economic problems. The study of it helps in all direction of managerial decision making process to execute business efficiently and effectively.

References;

1) Dwivedi D.N (1987) Managerial Economics. Vikas publishing house PVT Limited, New Delhi.

2) Dwivedi, D. N. (2002) Managerial Economics, sixth edition (New Delhi: Vikas Publishing House Ltd).

3) Dr. Atmanand, Managerial Economics, Excel Books, Delhi.

4) Haynes, Mote and Paul, Managerial Economics—Analysis and Cases, Vakils. Feffer and Simons Private Ltd., Bombay.

5) Hague, D.C., Managerial Economics Longman. Introduction to Managerial Economics. Hutchinson University Library.

6) Haessuler, E. F. and Paul, R. S. (1976), Introductory Mathematical Analysis for Students of Business and Economics, 2nd edition (Reston Virginia: Reston Publishing Company)

7) KOLItslvannis A. (1979) Microeconomics 2nd Edition London Macmillan

8) Lipsey R.G. and Crytal K.A. (1997) An introduction to positive economics, Oxford, oxford press.