ECONOMICS FOR MANAGERS AS APPLIED MICROECONOMICS

EKONOMIJA ZA MENADŽERE KAO PRIMENJENA MIKROEKONOMIJA

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Abstract: *Managerial Economics (or economics for managers) is applied microeconomics. It is the application of microeconomics components that focus on topics that are of most interest and relevance to managers. These themes include the demand, production, cost, price determination, market structure and regulation of the state. Rational application of these principles should result in better management decisions, higher professional team and increase the company's value. Managerial Economics can be used by goal oriented managers in two ways. First, for some of the existing economic environment, the principles of managerial economics provide a framework for assessing whether the resources are efficiently allocated. For example, a manager can determine whether profit may be increased reallocation of employees from marketing activities in the production department. Second, these principles will help a manager to react to different economic signals. For example, due to rising prices of products and developments of new production technologies with lower production costs, adequate managerial decision would be to increase production. Conversely, an increase in input prices, such as labor, can be a signal to other inputs, e.g. capital, substitute for labor in the production process, or alternatively will introduce changes in technology, automation, etc.*

Key words: *Management, Economics, Managerial Economics*

Sadržaj: *Menadžerska ekonomija (ili ekonomija za menadžere) je deo primenjene mikroekonomije. To je primena komponenti mikroekonomije koje se fokusiraju na teme od najvećeg interesa i značaja za menadžere. Ove teme obuhvataju tražnju, proizvodnju, troškove, cene, tržišne strukture i regulisanje države. Racionalna primena ovih principa treba da dovede do boljih odluka menadžmenta i poveća vrednost kompanije. Menadžerska ekonomija je okrenuta ka cilju rukovodilaca na dva načina. Prvo, za postojeće ekonomsko okruženje, principi menadžerske ekonomije daju okvir za procenu da li su sredstva dodeljena efikasno. Na primer, menadžer može da utvrdi da li dobit može da se poveća preusmeravanjem zaposlenih iz marketinških aktivnosti u proizvodni pogon. Drugo, ovi principi će pomoći menadžerima da reaguju na različite ekonomske signale. Na primer, zbog poskupljenja proizvoda i razvoja novih proizvodnih tehnologija sa nižim troškovima proizvodnje, odgovarajuća upravljačka odluka bi bila da poveća proizvodnju. Nasuprot tome, porast cena inputa, kao što je radna snaga, može biti signal drugim ulazima, na primer, kapitala, zamena za rad u procesu proizvodnje, ili alternativno će se uvesti promene u tehnologiji, automatizacija, itd.*

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Ključne reči: *menadžment, ekonomija, menadžerska ekonomija*

Introduction

Managerial Economics is a very interesting and significant part in the operations of each company. It links economic concepts with quantitative methods in order to improve management decision-making. In general, managerial economics is applied microeconomics, which is directly related to decision-making by managers. The managerial economics analyzes the processes through which the manager uses economic theory in order to solve complex problems in business, after that brought rational decisions in a way that predetermined company targets are achieved. The economy can be divided into two broad groups: microeconomics and macroeconomics. Macroeconomics is the study of the economic system as a whole. This includes techniques of analysis of changes in total production, total employment, the retail price index, unemployment rate, imports and exports, and similar. In these considerations remain hidden countless consumer decisions of individual customers, changes in the scope and pace of production of goods and services of individual companies, as the price of goods and services.

Managerial Economics

Managerial Economics (or economics for managers) may be applied microeconomics. It is the application of microeconomics components that focus on topics that are of most interest and relevance to managers. [1] These themes include the demand, production, cost, price determination, market structure and regulation of the state. Good understanding of management principles of economic behavior of firms and individuals is an important managerial talent. Rational application of these principles should result in better management decisions, higher professional team and increase the company's value.

Managerial Economics can be used by goal oriented managers in two ways. First, for some of the existing economic environment, the principles of managerial economics provide a framework for assessing whether resources are efficiently allocated. For example, a manager can determine whether profit may be increased by reallocation of employees from marketing activities in the production department. Second, these principles will help a manager to react to different economic signals. For example, due to rising prices of products and developments of new production technologies with lower production costs, adequate managerial decision would be to increase production. Conversely, the increase in input prices, such as labor, can be a signal to other inputs, e.g. capital, substitute for labor in the production process, or alternatively will introduce changes in technology, automation, and so on.

Individuals and companies are the main participants in the market economy. Individuals owned or controlled resources that have value for the company because they are essential inputs in the production process. These resources are, in general, classification as labor, capital and natural resources. Of course, there are many types and classes of these production resources. Most people have the labor resources to sell, and a lot of people own capital and / or natural resources that rent, borrow or sell to firms that will be used as inputs in the production process. The money that an individual receives from the sale of these resources is referred to as factor payments. These income individuals are then used to meet their consumer demands for goods and services. Interaction between individuals and firms takes place in two different arenas. First, there is a market where products are bought and sold goods and services. Secondly, there is a market for factors of production which are traded on labor (work), capital and natural resources. Individuals are providers of market factors. They offer labor services, capital, and natural resources firms which they seek to produce goods and services. Companies recognized the strength of their desire for these inputs by bidding for them on the market. Cash flow goes from firms to individuals, and factors of production ranging from individuals to businesses. The prices of the factors of production are placed in this market. Prices and profit you serve as signals to regulate the flow of money and resources by market factors, and the flow of money and goods through product market. In a market economy over the circular movement described, individuals and firms are highly interdependent; each participant should be the other. For example, the work of the individual will have no market value unless there are firms willing to pay for it. Similarly, the company could not justify production if there are no buyers who want to buy its products. As a result of this, all parties have an incentive to provide what others want. All participate willingly because it would realize some benefit. Companies gain profits, the demand for consumption by individuals is satisfied, and resource owners receive wages, rent and interest. If someone would have used in the sale and purchase in the market, he does not even have to do. Hence, one should be sure that no one will work at their own expense factors in these markets and products. Indeed, the benefits accruing to the individual participants represent the essence and the drivers of the market economy. [2]

The Law of Demand

The assumption of behavior in order to maximize profit this takes into account that the owners and managers familiar with the demand for their goods and services. Demand function gives confidence that there is a measurable relationship between the prices the firms asking for its product and the number of units that a buyer is willing to buy over a certain period of time. Economists associated such relational behavior as the law of demand, which is sometimes called the first fundamental law of the economy. By definition, the law of demand contends that the required quantity of goods or services in an indirect relation to the sale price, with the true ceteris paribus (all other determinants of demand are unchanged). Symbolically, the law of demand can be represented as: [3]

$$QD = f\,(P) \text{ and } DQD\,/\,dP0.$$

This means indirect (inverse) correlation between quantity and price.

Market Demand

Demand is the quantity of goods or services that consumers are willing and able to buy over a period of time, in some given economic conditions. Timeframe for demand may be an hour, day, month or year. The conditions, which should be pushing to be considered, include the cost of a given good and or services, prices and availability of similar goods, expectations for price changes, consumer income, tastes and preferences of consumers, advertising expenses and so on. The amount of product that consumers are willing to buy, that is, their demand, depends on all these factors. For managerial decision-making, the primary focus should be on the market demand. [4] Market demand is the aggregate demand of individuals, or personal demand. Individual demand is determined by the value attributable to the acquisition and use of any goods or services, as well as skills to good / services procurement. Both of these items are necessary for the effective demand of individuals. Existence desires without purchasing power can lead to the need but not to demand.

Direct Demand

There are two models of individual demand. One, known as the theory of consumer behavior, refers to the direct demand for products for personal consumption. This model is suitable for analyzing individual demand for goods and services that directly meet the needs of consumers. The value or importance of a good or services, its usability, are the primary determinants of direct demand. In this model, individuals seek to maximize the overall usability and satisfaction offered by the good or service that they purchase and consume. This optimization process requires that consumers focus on border usability (used in satisfying) to acquire additional units of a particular product. Product features, preferences (and tastes) individuals, as well as the ability to pay are all important determinants of direct demand.

Derived Demand

Goods and services are sometimes obtained with respect to the important input in the production and distribution of other products. The available capacities of engineers, production workers, vendors, managers, lawyers, consultants, office machinery and equipment, production facilities and equipment, natural resources and commercial aircraft - all of these are examples of goods and services which are required not for direct consumption, but for the sake of their use in the provision of other services and goods. Their demand is derived from demand for products whose provision they use. It is actually a request for an input in theory is referred to as a derived demand.

Demand for mortgage loans is an example of this. The amount of the loan requested is not determined directly; it is derived from the much more fundamental demand for solving housing issues. Likewise, the demand for air transportation to remote tourist destinations is not a direct demand but is derived from the demand for leisure and tourism in general. Demand for semi-finished goods and services related to manufacturing are closely linked with the demand for corresponding final products. Key components derived demand is the marginal benefits and marginal costs associated with the use of a given input or production factor. The extent of any used goods or services grows when its marginal benefits, measured in terms of the resulting production, higher than marginal costs when using inputs that are measured in terms of salary, interest, cost of raw materials or ancillary expenditure. Conversely, the scope of any of the inputs used in the production decreases when the resulting marginal benefits less than the marginal cost of hiring these inputs. In short, the derived demand is affiliated with a professional stability use of a good or service.

Conclusion

Market demand for a certain good or service represents the sum of all individual demand.
The inverse relationship between price and quantity demanded for certain goods for periods of time the plan of demand for goods and graphical data display gives the demand curve of individual goods. Demand function specifies the relationship between the quantity on offer and all the variables that determine the offer. The demand expresses the relationship between the price charged for a given product and the quantities in which its product offering, whereby the (analysis to) all other variables are considered constant.

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