

清华MBA核心课程英文版教材

# Managerial Economics and Organizational Architecture

Second Edition

## 管理经济学与 组织结构

(第2版)

James A. Brickley  
Clifford W. Smith, Jr.  
Jerold L. Zimmerman

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**Managerial Economics and Organizational  
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# 出 版 说 明

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为了适应经济全球化的发展趋势,满足国内广大读者了解、学习和借鉴国外先进的管理经验和掌握经济理论的前沿动态,清华大学出版社与国外著名出版公司合作影印出版一系列英文版经济管理方面的图书。我们所选择的图书,基本上是已再版多次、在国外深受欢迎、并被广泛采用的优秀教材,绝大部分是该领域中较具权威性的经典之作。在选书的过程中,我们得到了很多专家、学者的支持、帮助和鼓励,在此表示谢意!清华MBA核心课程英文版教材由清华大学经济管理学院毛波、刘丽文、朱武祥、朱岩、李东红、李明志、吴志明、钱小军、瞿卫菁等老师审阅,在此一并致谢!

由于原作者所处国家的政治、经济和文化背景等与我国不同,对书中所持观点,敬请广大读者在阅读过程中注意加以分析和鉴别。

我们期望这套影印书的出版对我国经济科学的发展能有所帮助,对我国经济管理专业的教学能有所促进。

欢迎广大读者给我们提出宝贵的意见和建议;同时也欢迎有关的专业人士向我们推荐您所接触到的国外优秀图书。

清华大学出版社第三编辑室  
2001.8

世纪之交, 中国与世界的发展呈现最显著的两大趋势——以网络为代表的信息技术的突飞猛进, 以及经济全球化的激烈挑战。无论是无远弗界的因特网, 还是日益密切的政治、经济、文化等方面的国际合作, 都标示着 21 世纪的中国是一个更加开放的中国, 也面临着一个更加开放的世界。

教育, 特别是管理教育总是扮演着学习与合作的先行者的角色。改革开放以来, 尤其是 20 世纪 90 年代之后, 为了探寻中国国情与国际上一切优秀的管理教育思想、方法和手段的完美结合, 为了更好地培养高层次的“面向国际市场竞争、具备国际经营头脑”的管理者, 我国的教育机构与美国、欧洲、澳洲以及亚洲一些国家和地区的大量的著名管理学院和顶尖跨国企业建立了长期密切的合作关系。以清华大学经济管理学院为例, 2000 年, 学院顾问委员会成立, 并于 10 月举行了第一次会议, 2001 年 4 月又举行了第二次会议。这个顾问委员会包括了世界上最大的一些跨国公司和中国几家顶尖企业的最高领导人, 其阵容之大、层次之高, 超过了世界上任何一所商学院。在这样高层次、多样化、重实效的管理教育国际合作中, 教师和学生与国外的交流机会大幅度增加, 越来越深刻地融入到全球性的教育、文化和思想观念的时代变革中, 我们的管理教育工作者和经济管理学习者, 更加真切地体验到这个世界正发生着深刻的变化, 也更主动地探寻和把握着世界经济发展和跨国企业运作的脉搏。

我国管理教育的发展, 闭关锁国、闭门造车是绝对不行的, 必须同国际接轨, 按照国际一流的水准来要求自己。正如朱镕基总理在清华大学经济管理学院成立十周年时所发的贺信中指出的那样: “建设有中国特色的社会主义, 需要一大批掌握市场经济的一般规律, 熟悉其运行规则, 而又了解中国企业实情的经济管理人才。清华大学经济管理学院就要敢于借鉴、引进世界上一切优秀的经济管理学院的教学内容、方法和手段, 结合中国的国情, 办成世界第一流的经管学院。”作为达到世界一流的一个重要基础, 朱镕基总理多次建议清华的 MBA 教育要加强英语教学。我体会, 这不仅因为英语是当今世界交往中重要的语言工具, 是连接中国与世界的重要桥梁和媒介, 而且更是中国经济管理人才参与国际竞争, 加强国际合作, 实现中国企业的国际战略的基石。推动和实行英文教学并不是目的, 真正的目的在于培养学生——这些未来的企业家——能够具备同国际竞争对手、合作伙伴沟通和对抗的能力。按照这一要求, 清华大学经济管理学院正在不断推动英语教学的步伐, 使得英语不仅是一门需要学习



的核心课程,而且渗透到各门专业课程的学习当中。

课堂讲授之外,课前课后的大量英文原版著作、案例的阅读对于提高学生的英文水平也是非常关键的。这不仅是积累相当的专业词汇的重要手段,而且是对学习者思维方式的有效训练。

我们知道,就阅读而言,学习和借鉴国外先进的管理经验和掌握经济理论动态,或是阅读翻译作品,或是阅读原著。前者属于间接阅读,后者属于直接阅读。直接阅读取决于读者的外文阅读能力,有较高外语水平的读者当然喜欢直接阅读原著,这样不仅可以避免因译者的疏忽或水平所限而造成的纰漏,同时也可以尽享原作者思想的真实表达。而对于那些有一定外语基础,但又不能完全独立阅读国外原著的读者来说,外文的阅读能力是需要加强培养和训练的,尤其是专业外语的阅读能力更是如此。如果一个人永远不接触专业外版图书,他在获得国外学术信息方面就永远会比别人差半年甚至一年的时间,他就会在无形中减弱自己的竞争能力。因此,我们认为,有一定外语基础的读者,都应该尝试一下阅读外文原版,只要努力并坚持,就一定能过了这道关,到那时就能体验到直接阅读的妙处了。

在掌握大量术语的同时,我们更看重读者在阅读英文原版著作时对于西方管理者或研究者的思维方式的学习和体会。我认为,原汁原味的世界级大师富有特色的表达方式背后,反映了思维习惯,反映了思想精髓,反映了文化特征,也反映了战略偏好。知己知彼,对于跨文化的管理思想、方法的学习,一定要熟悉这些思想、方法所孕育、成长的文化土壤,这样,有朝一日才能真正“具备国际战略头脑”。

以往,普通读者购买和阅读英文原版还有一个书价的障碍。一本外版书少则几十美元,多则上百美元,一般读者只能望书兴叹。随着全球经济合作步伐的加快,目前在出版行业有了一种新的合作出版的方式,即外文影印版,其价格几乎与国内同类图书持平。这样一来,读者可以不必再为书价发愁。清华大学出版社这些年在这方面一直以独特的优势领先于同行。早在1997年,清华大学出版社敢为人先,在国内最早推出一批优秀商学英文版教材,规模宏大,在企业界和管理教育界引起不小的轰动,更使国内莘莘学子受益良多。

为了配合清华大学经济管理学院推动英文授课的急需,也为了向全国更多的MBA试点院校和更多的经济管理学院的教师和学生提供学习上的支持,清华大学出版社再次隆重推出与世界著名出版集团合作的英文原版影印商学教科书,也使广大工商界人士、经济管理类学生享用到最新最好质优价廉的国际教材。

祝愿我国的管理教育事业在社会各界的大力支持和关心下不断发展、日进日新;祝愿我国的经济建设在不断涌现的大批高层次的面向国际市场竞争、具备国际经营头脑的管理者的勉力经营下早日中兴。

赵纯均 教授

清华大学经济管理学院院长  
全国工商管理硕士教育指导委员会副主任

*Dedicated* to Ronald Bittner, Henry Epstein, and James Gleason—  
steadfast supporters and cherished friends.

# PREFACE

A quiet revolution is occurring within business schools. Bright, young economists are conducting path-breaking research in organizational economics, and then using this research to revitalize the curriculum. Armed with powerful theories and access to unprecedented data, we now have a rich set of managerial insights to teach about the workings of organizations and markets.

Thirty years ago, teaching managerial economics to business students was truly a “dismal science.” Many students dismissed the standard economic tools of marginal analysis, production theory, and market structure as too esoteric to have real relevance to the business problems they believed they would encounter. Most of these students knew they would not be responsible for the pricing decisions of their future employers. They sought positions in large firms, eventually hoping to manage operations, marketing, finance, or information systems staffs. But a new generation of economists began applying traditional microeconomic tools—initially to problems involving corporate governance, executive compensation, mergers, and acquisitions. More recently, economists have turned their attention to the internal structure of the firm. Consequently, the managerial economics course now presents a rich menu of topics that can be used to demonstrate the power of traditional microeconomics tools.

We have been extremely gratified by the reception afforded the first edition of *Managerial Economics and Organizational Architecture*. Adopters report that the first edition helped them transform their managerial economics course into one of the most popular required courses within their core curriculum. The first edition had as its foundation recent economics research that applies powerful economic tools of analysis, such as optimization and equilibrium, to examine how managers can design organizations that motivate individuals to make choices that increase a firm's value. Our second edition continues to focus on the fundamental importance of markets and organizational design. In other books, there has been little coverage of such managerially important topics as developing effective performance-evaluation systems and compensation plans, assigning decision-making authority among employees, or managing transfer-pricing disputes among divisions. Given the increased pressures on managers to structure more effective organizations, this omission has been both significant and problematic. Our first objective in writing this book has been to provide current and aspiring managers enrolled in business programs with a systematic, comprehensive framework for addressing such organizational problems.

Before our first edition, faculty who wished to teach courses based on this emerging literature had to rely primarily on academic articles, which frequently were accessible only to the most determined students. This lack of accessible teaching materials severely limited the breadth of topics that could be covered in such a course. To that end, we have strived to write the underlying theoretical concepts in simple, intuitive terms and to illustrate them with numerous examples, most drawn from actual company practice.

## Changing Nature of the Curriculum

Increasing global competition and rapid technological change are prompting firms to undertake major organizational restructurings as well as producing fundamental industry realignments. Firms now attack problems with focused, cross-functional teams. Many firms are shifting from functional organizational structures (manufacturing, marketing, and distribution) to flatter, more process-oriented organizations. Moreover, this pace of change shows no sign of slowing. Business and economics students recognize



these issues; they want skills that will make them effective managers and prepare them to manage organizational change.

Business school programs are evolving in response to these changes. Narrow technical expertise in a single functional area (whether operations, accounting, finance, information systems, or marketing) is not sufficient. To be effective managers within this environment, students must develop cross-functional skills. To meet these challenges, business schools are becoming more integrated. Courses build on one another. Problems faced by managers are not just finance problems or operations problems or marketing problems. Rather, most business problems involve elements that cut across traditional functional areas. And for that reason, the curriculum must encourage students to apply concepts they have mastered across a variety of courses.

A second reason for writing the book has been to provide a multidisciplinary, cross-functional approach to organizational economics. We believe that this is critically important. Our interests span economics, finance, accounting, information systems, and financial institutions; this has allowed us to draw examples across a number of functional areas to demonstrate how this underlying economic framework can be used to analyze a variety of problems managers face regularly.

## The Conceptual Framework

Although the popular press and existing literature on organizations are replete with jargon—TQM, reengineering, outsourcing, teaming, venturing, empowerment, and corporate culture—they fail to provide managers with a systematic, comprehensive framework for examining organizational problems. This book uses economic analysis to develop such a framework. We present this important material in an organized, integrated, accessible manner.

Through this text, readers will gain an understanding of the basic tools of economics and how to apply them to solve important business problems. Although the book covers the standard managerial economics problems of pricing and production, it pays special attention to organizational issues. In particular, the book will help readers understand

- How the elements of business environment (technology, competition in input and output markets, and regulation) drive the firm's choice of strategy.
- How strategy and the business environment affect the firm's choice of organizational design—what we call *organizational architecture*.
- How the three key features of organizational architecture—the assignment of decision-making authority, the reward system, and the performance-evaluation system—can be structured to allow managers to achieve their desired results.
- How corporate policies such as strategy, financing, accounting, marketing, information systems, operations, compensation, and human resources are interrelated and thus why it is critically important that they be coordinated.

Moreover, organizational architecture provides a more integrated and comprehensive view of material presented elsewhere in the business curriculum.

## Our View of Content and Pedagogy

A variety of topics could be covered in an economics textbook. This book focuses on topics that we believe are most relevant to managers. For instance, the book provides an in-depth treatment of compensation policy, outsourcing, transfer pricing, and management innovations. But we spend little time on public policy aspects of topics,

such as minimum-wage legislation, antitrust policy, and income redistribution through the welfare system or the tax code. A number of other important features differentiate this book from others currently available:

- Our book provides a comprehensive, cross-functional framework for analyzing organizational problems. We do this by first describing and integrating important research findings published across several functional areas. We then demonstrate how to apply the framework to specific organizational problems.
- We have tried to write a readable book. Reviewers, instructors, and students found the first edition accessible and interesting. The analysis in the text uses intuitive descriptions and simple examples; more technical material is provided in chapter appendices for those who wish to pursue it.
- Numerous examples drawn from the business press and our experiences illustrate the theoretical concepts. These examples, many highlighted in boxes, reinforce the underlying principles and help the reader better visualize the application of abstract ideas. Each chapter begins with a specific case history that is used throughout the chapter. This provides an important pedagogical device that unifies the chapter and aids the reader in recalling and applying the key constructs.
- Nontraditional economics topics dealing with strategy, outsourcing, leadership, ethics, and implementing management innovations are examined. Business school curricula often are criticized for being slow in covering topics of current interest to business, such as ethics. The last five chapters examine recent management trends and demonstrate how the book's framework can be used to analyze and understand topical issues.
- Cases and end-of-chapter problems are drawn from real organizational experience, from the business press as well as our contact with executive MBA students and consulting engagements. We have structured exercises that provide readers with a broad array of opportunities to apply the framework to problems like those they might encounter as managers.

## Alternative Uses for the Text

Our book is an effective tool for a variety of classes at the MBA, executive MBA, or undergraduate level. The literature on the economics of organizations provides the foundation for this book. The basic material on managerial economics is presented in Parts 1 and 2—the first 10 chapters. The tools necessary for understanding and applying the organizational framework we develop within this text have been selected for their managerial relevance. In our experience, these economics tools are invaluable for those students who have been out working (and hence not in a classroom) for some time and for those who did not major in economics as an undergraduate. Those with an economics background may choose to forgo components of this material. We have structured our discussions of demand, production/cost, market structure, pricing, and strategy to be optional. Thus, readers who do not want to review these tools can skip Chapters 4 through 9 without loss of continuity. The inclusion of this material allows this book to be used in an introductory managerial economics course as well as in a course that specifically focuses on organizations, where students would have had a prior economics course.

We strongly recommend that all readers cover Chapters 1 to 3 and 10; these chapters introduce the underlying tools and framework for the text. Chapters 4 to 9, as we noted above, cover the basic managerial economics topics of demand, costs, production, market

structure, pricing, and strategy. Part 3 (Chapters 10 to 17) develops the organizational architecture framework; we recommend that these be covered in sequence. Finally, Part 4 (Chapters 18 to 22) covers special managerial topics: outsourcing, leadership, regulation, ethics, the process of management innovations, and managing organizational change. They are capstone chapters—chapters that apply and illustrate the framework. Chapter 22 offers a particularly useful summary of the implications of our analysis. Instructors can assign these chapters based on their specific interests and available time.

## Second Edition

This edition differs from the first in several ways:

- The core microeconomics material in Chapters 4 to 7 has been enriched. For example, we expanded our analysis of pricing with market power and made it a separate chapter (Chapter 7).
- Two chapters on the economics of strategy (Chapters 8 and 9) have been added—the second providing a broad array of game theory applications.
- A chapter on the economics of regulation (Chapter 20) has been added. We focus on how regulation constrains a firm's decisions and how firms participate in the political markets for regulation.
- We end the book with a general discussion of the economics of changing organizational architecture and the role played by management innovations (like TQM or reengineering) in this process.
- Many of the examples used throughout the text have been updated, with new ones added that focus especially on international and e-commerce.
- More end-of-chapter cases and problems are included.
- Each chapter has been revised to enhance the book's readability.

## Acknowledgments

No textbook springs from virgin soil. This book has its intellectual roots firmly planted in the work of dozens who have toiled to develop, test, and apply organization theory. As we detailed in the preface to the first edition, the genesis of this book was a course William Meckling and Michael Jensen taught on the economics of organizations at the University of Rochester in the 1970s. Bill's and Mike's research and teaching stimulated our interest in the economics of organizations, prompted much of our research focused on organizational issues, and had a profound effect on this text. No amount of citation or acknowledgments can adequately reflect the encouragement and stimulation that Bill and Mike provided, both personally and through their writings.

Bill and Mike emphasized three critical features of organizational design: (1) the assignment of decision rights within the organization, (2) the reward system, and (3) the performance-evaluation system. These three elements, which we call *organizational architecture*, serve as an important organizing device for this book. As readers will discover, this structure makes a rich body of knowledge more useful for managerial decision making.

Important contributions to the literature on the economics of organizations have been made by a host of scholars. Through the work of these individuals, we have learned a tremendous amount. A number of our colleagues at Rochester also contributed to the development of the book. Ray Ball, Rajiv Dewan, Scott Keating, Stacey Kole, Larry Matteson, Glenn MacDonald, Kevin Murphy, Mike Ryall, Greg Schaffer, Ronald

Schmidt, Karen Van Nuys, Ross Watts, Michael Weisbach, and Ron Yeaple offered thoughtful comments and suggestions that helped clarify our thinking on key issues. Don Chew, editor of the *Journal of Applied Corporate Finance*, provided invaluable assistance in publishing a series of articles based on the book; his assistance in writing these articles improved the exposition of this book enormously.

This project also has benefited from an extensive development effort. In addition to generations of Simon School students, dozens of colleagues both in the United States and overseas formally reviewed the manuscript and gave us detailed feedback, for which we are very grateful.<sup>1</sup> New material for this addition was reviewed by Gordon H. Dash, Gary Ferrier, Luke Froeb, Charles M. Gray, Philip Grossman, James Henderson, Harvey James, Jr., Alejandro Manelli, Robert Michaels, Edward G. Weiss, Robert Windle, Daryl Winn, and Pan G. Yatrakis. We owe special thanks to Henry Butler, Luke Froeb, Mel Gray, and Chris James, each of whom provided insightful comments on the material. In addition, we are grateful for feedback from over 500 individuals who completed various surveys. Their thoughts served to guide our refinement of this work. We appreciate the efforts of Lena Cardone and Kathy Jones who provided secretarial support. Finally, we wish to thank our colleagues at Irwin/McGraw-Hill: Michael Junior, Paul Shensa, Gary Nelson, Ellen Cleary, and Marilea Fried. They encouraged us to pursue this project. Through their vision and publishing expertise, they provided us with insights and feedback to help expand our audience while adhering to our mission.

This book represents the current state of the art. Nonetheless, development is ongoing as research continues to evolve and as we continue to learn. *Managerial Economics and Organizational Architecture* covers an exciting, dynamic area. We hope that a small portion of that excitement is communicated through this text. Reviewers, instructors, and students frequently mention the relevance of material to the business community, the accessibility of the text, and the logical flow within the framework we have developed. However, in the final analysis, it is the instructors and their students who will determine the true value of our efforts.

We welcome—in fact, urge—feedback. We appreciate the extensive feedback we have received from many readers; their generous comments have improved this edition substantially. Although we had a definite objective in mind as we began writing this book, it is important to be open to suggestions and willing to learn from others who are traveling a similar yet distinct path. Although we are unlikely to please everyone, we will continue to evaluate suggestions critically and to be responsive where consistent with our mission. If readers would like to share their thoughts on this work or their classroom experiences, please feel free to contact any of us at the University of Rochester. Many thanks in advance for the assistance.

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<sup>1</sup>The first edition benefited from reviews by: John H. Brown, Luke Froeb, Michael Gibbs, Charles M. Gray, Daniel R. LeClair, Robert Maness, Stephen E. Margolis, J. Peter Mattila, Daniel L. McConaughy, Seth W. Norton, Richard R. Pace, David Parker, Tim Sorenson, Martin Stahl, Michael Sykuta, Steven Tomlinson, Roger Tutterow, Walter Verdon, Mike Williams, and Huizhong Zhou.

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