Organizations in Strategy & Economics

SI920**,** *Spring 2012*

Instructors: Samina Karim (Sessions 1-6, 13)
Timothy Simcoe (Sessions 1, 7-13)

Class meets: Thursday 3:30 to 6:30 Room 658A
(Note: there is no class on April 26, instead our last class will be on Mon, May 7, 1pm-4pm, Room 667)

Course Objectives

This doctoral seminar will compare and contrast ideas about organizational design and the performance consequences of organizational decisions from the closely related fields of Strategy and Economics. The first half of the semester will focus on the role of organizations (typically firms) in several schools of thought within Strategic Management. The second half of the semester will cover similar topics from an economic perspective, which places more emphasis on incentives, formal contracts and specific kinds of information problems (i.e. moral hazard and adverse selection). At the end of this course, students should be able to:

a. Explain how the role of organizations differs across several key theoretical lenses used in Strategic Management (e.g. the Knowledge Based View vs. Strategic Human Capital Theory).

b. Identify the core incentive and informational problems that underpin most economic models of organization.

c. Articulate areas where Strategy and Economics have reached a consensus on the key drivers of organization, as well as questions where the two fields make different assumptions and/or reach different conclusions.

d. Describe key empirical regularities and associations that have informed organizational theory-building efforts in both strategy and economics.

Requirements

You are required to read all the assigned reading for each session and be prepared to actively participate in discussions.

In addition, every week you will be individually assigned a specific paper(s) on which you will lead the class discussion. A one-page (typed, single spaced) critical summary

of the assigned paper will be required, as well as a short research question that could extend the paper. More specifically, the summary should include:

(a) a summary of the research question or problem the paper addresses
(b) the paper's strengths and limitations;
(c) the contribution it makes to the field, and a couple of major obvious *and non-obvious* links to the other pieces read that day or earlier in the seminar; and
(d) one interesting and researchable question derived from it.

Please bring enough paper summaries to the class to distribute to all the participants.

You will also be required to write a term paper. You have two alternatives:

- Ideally, your final paper will be an empirical research paper. However, if you are unable to collect the data that you need, then the paper should effectively make the underlying arguments, identify what type of data would be needed to test the arguments, and where/how such data would be collected.

- You can also choose a topic area and provide a directed survey of foundation pieces in that area. The survey will discuss the 3 best papers on separate questions that have appeared in the last 2–3 years, indicate what the questions are, what has been answered, what are the open questions and hot areas of research, and how each question connects to some current managerial situation (i.e., company based application).

Final presentations and papers are due on ***May 3rd***.

Evaluation:
Evaluation will be on the basis of the following weights:

Class discussion	50%
Paper Summaries	20%
Term paper	30%

PART I: ORGANIZATIONS IN STRATEGIC MANAGEMENT

(note JA/JD/SI = listed in prior seminars)(T=theory, R=review, E=empirical)

Session 1: Knowledge Based Perspectives: Organizational Learning

(*T - EVERYONE) Grant, R. M. (1996). “Towards a knowledge-based theory of the firm.” Strategic Management Journal 17(Winter Special Issue): 109-122.

(*R) Fiol, C. and M. Lyles (1985). “Organizational learning.” Academy of Management Review 10(4): 803-813.

(*R) Levitt, B. and J. G. March (1988). “Organizational learning.” Annual Review of Sociology 14: 319-340.

(*R) Huber, G. P. (1991). “Organizational learning: The contributing processes and the literatures.” Organization Science 2(1): 88-115.

(*R) Dodgson, M. (1993). “Organizational learning: A review of some literatures.” Organizational Studies 14(3): 375-394.

(*R) Argote, L., B. McEvily and R. Reagans. 2003. Managing knowledge in organizations: An integrative framework and review of emerging themes. Management Science 49(4): 571-582.

(*E) Lane, P. J. and M. Lubatkin (1998). “Relative absorptive learning and interorganizational learning.” Strategic Management Journal 19(5): 461-477.

(*E) Haunschild, P. R. and B. N. Sullivan (2002). “Learning from complexity: Effects of prior accidents and incidents on airlines’ learning.” Administrative Science Quarterly 47: 609-643.

(*E) Hayward, M. L. A. (2002). "When do firms learn from their acquisition experience? Evidence from 1990-1995." Strategic Management Journal 23(1): 21-39.

(*E) Karim, S. (2009). "Business unit reorganization and innovation in new product markets." Management Science 55: 1237-1254.

Argote, L. (1996). “Organizational learning curves: persistence, transfer and turnover.” International Journal of Technology Management 11(7,8): 759-769.

Argyris, C. and D. Schon (1978). Oganizational Learning. London, Addison-Wesley.

(JA) Cohen, Wesley M., and Daniel A. Levinthal. 1990. “Absorptive Capacity: A New Perspective on Learning and Innovation”. Administrative Science Quarterly 35 (1):128–152.

(JA) Darr, E, L Argote and D Epple (1995) “The acquisition, transfer and depreciation of knowledge in service organizations: Productivity in franchises.” Management Science, 41: 1750-1762

(JD) Haleblian, J. and S. Finkelstein (1999). “The influence of organizational acquisition experience on acquisition performance: A behavioral learning perspective.” Administrative Science Quarterly 44(1): 29-56.

Hedberg, B. (1981). How organizations learn and unlearn. Handbook of Organizational Design. P. Nystrom and W. Starbuck. Oxford, Oxford University Press. 1: 3-27.

Lyles, M. A. (1988). “Learning among joint-venture sophisticated firms.” Management International Review 28: 85-98.

(JA) Kogut, Bruce, and Udo Zander. 1992. “Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology.” Organization Science 3 (3, Focused Issue: Management of Technology):383–397.

(JA) March, James G. 1991. “Exploration and Exploitation in Organizational Learning.” Organization Science 2 (1):71–87.

(JA) Schilling, MA, P Vidal, RE Ployhard and A Marangoni (2003) “Learning by doing something else: Variation, relatedness and the learning curve.” Management Science, 49: 39-56

(JA) Schilling, MA, P Vidal, RE Ployhard and A Marangoni (2003) “Learning by doing something else: Variation, relatedness and the learning curve.” Management Science, 49: 39-56

Walsh, J. P. (1991). “Organizational memory.” Academy of Management Review 16(1): 57-91.

Session 2: Knowledge Based Perspectives: Strategic Human Capital

(*T - EVERYONE) Coff, R. (1997) “Human assets and management dilemmas: Coping with hazards on the road to resource-based theory.” Academy of Management Review 22(2): 374-402.

(*T) Barney, J. B. and Wright, P. M. 1998. On becoming a strategic partner: “The role of human resources in gaining competitive advantage”. Human Resource Management, 37(1): 31-46.

(*T) Lepak, D. P. and S. A. Snell. (1999). “The human resource architecture: Toward a theory of human capital allocation and development.” Academy of Management Review 24(1): 31-49.

(*T) Chadwick, C., & Dabu, A. 2009. “Human resource management, and the competitive advantage of firms: Toward a more comprehensive model of causal linkages.” Organization Science, 20(1): 253–272.

(*T) Campbell, B., Coff, R. W. & Kryscynski D. (2011) “Re-thinking Sustained Competitive Advantage from Human Capital.” Academy of Management Review, forthcoming.

(*E) Hitt MA, Biermant L, Shimizu K, Kochhar R. 2001. “Direct and moderating effects of human capital on strategy and performance in professional service firms: a resource-based perspective.” Academy of Management Journal, 44(1), 13-28.

(*E) Hatch, N. W. and J. H. Dyer. 2004. “Human capital and learning as a source of sustainable competitive advantage.” Strategic Management Journal 25(12): 1155-1179.

(*E) Somaya, D., Williamson, I. O., & Lorinkova, N. 2008. “Gone but not lost: The different performance impacts of employee mobility between cooperators versus competitors.” The Academy of Management Journal, 51(5): 936–953.

(*E) Dokko, G., S. L. Wilk, and N. P. Rothbard. 2009. “Unpacking prior experience: How career history affects job performance.” Organization Science 20(1): 51-72.

(*E) Elfenbein D, Hamilton B, Zenger T. 2010. “The small firm effect and the entrepreneurial spawning of scientists and engineers.” Management Science 56(4): 659–681.

Becker, G. S. 1964. *Human Capital*. New York, Columbia University Press.

Becker, G. S. 1976. *The Economic Approach to Human Behavior*. Chicago, University of Chicago Press.

Campbell, B. A., Ganco, M., Franco, A. M., & Agarwal, R. 2011. “Who leaves, where to, and why worry? employee mobility, entrepreneurship and effects on source firm performance.” Strategic Management Journal, Forthcoming.

Drazin, R. and H. Rao. 2002. “Harnessing managerial knowledge to implement product-line extensions: How do mutual fund families allocate portfolio managers to old and new funds?” Academy of Management Journal 45(3): 609-619.

Karim, S. and C. Williams. 2012 forthcoming. “Structural Knowledge: How executive experience with structural composition affects intrafirm mobility and unit reconfiguration.” Strategic Management Journal.

Oettl, A. 2012 forthcoming. “Reconceptualizing stars: Scientist helpfulness and peer performance.” Management Science.

Session 3: Behavioral Theory of the Firm (& Attention & Cognition)

(*EVERYONE) Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. Englewood Cliffs, NJ: Prentice-Hall.
Read: Chapter 1: Introduction
Chapter 2: Antecedents of the Behavioral Theory of the Firm
Chapter 7: Summary of basic concepts in the Behavioral Theory of the Firm
Section 8.1.3: Innovations
Chapter 9: Epilogue (this is in the second edition, 1992 or later).

(*T) - Tversky, A. and D. Kahneman (1974). "Judgement under uncertainty: Heuristics and biases." Science 185: 1124-1131.

(*T) – Daft, R. L. and K. E. Weick. (1984) “Toward a model of organizations as interpretation systems.” The Academy of Management Review 9(2): 284-295.

(*T) - Hambrick, D. and P. A. Mason. (1984) “Upper Echelons: The organization as a reflection of its top managers.” The Academy of Management Review 9(2): 193-206.

(*CM) - March, J. G., & Shapira, Z. (1992). Variable risk preferences and the focus of attention. Psychological Review *99*(1), 172–183.

(*E) – Cohen, M. D. and P. Bacdayan. (1994) “Organizational routines are stress as procedural memory: Evidence from a laboratory study.” Organization Science 5(4): 554-568.

(*E) - Miller, K. D., & Chen, W. R. (2004). Variable organizational risk preferences: Tests of the March-Shapira model. The Academy of Management Journal *47*(1), 105–115.

(*E) - Cho, Theresa and D. Hambrick. (2006) “Attention as the mediator between top management team characteristics and strategic change: The case of airline deregulation.” Organization Science 17(4): 453-469.

(*E) - Greve, H. R. (2008). A behavioral theory of firm growth: Sequential attention to size and performance goals. The Academy of Management Journal *51*(3), 476–494.

Chattopadhyay, P., W. H. Glick and G. P. Huber (2001). "Organizational actions in response to threats and opportunities." Academy of Management Journal 44(5): 937-955.

(JA) Cohen, Michael D., James G. March, and Johan P. Olsen. 1972. A Garbage Can Model of Organizational Choice. Administrative Science Quarterly 17 (1):1–25.

(JA) Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, *18*(S1), 187–206.

Ocasio, W. (2011) Attention to Attention. *Organization Science*, *99*(1), 172–183.

March, J. G., & Simon, H. A. (1958). *Organizations*. Wiley.

(JA) Prahalad, C.K. and R.A. Bettis (1986). "The dominant logic: A new linkage between diversity and performance," *Strategic Management Journal,* 7: 485-501.

(JA - Ch.1&5) Simon, H. A. (1947). *Administrative behavior: A study of decision-making processes in administrative organizations*. Chicago, IL: MacMillan Press.

Nadkarni, S. and P. S. Barr (2008). “Environmental context, managerial cognition, and strategic action: An integrated view.” Strategic Management Journal **29**: 1395-1427.

Starbuck, W. H. and F. J. Milliken (1988). "Challenger: Fine-tuning the odds until something breaks." Journal of Management Studies 25(4): 319-340.

Staw, B. M., L. E. Sandelands and J. E. Dutton (1981). "Threat rigidity effects in organizational behavior: A multilevel analysis." Administrative Science Quarterly **26**(4): 501-524.

Sutcliffe, K. M. (1994). "What exceutives notice: Accurate perceptions in top management teams." Academy of Management Journal **37**(5): 1360-1378.

Sutcliffe, K. M. and G. P. Huber (1998). “Firm and industry as determinants of executive perceptions of the environment.” Strategic Management Journal **19**(8): 793-807.

Thomas, J. B., S. M. Clark and D. A. Gioia (1993). "Strategic sensemaking and oranizational performance: Linkages among scanning, interpretation, action, and outcomes." Academy of Management Journal 36(2): 239-270.

Session 4: Contingency Theory

(*EVERYONE) Lawrence, P. R. and J. W. Lorsch (1967). *Organization and Environment: Managing differentiation and integration*. Boston, Massachusetts: Harvard Business School Press.
Read: TBA

(*T) - Miles, R. E., C. C. Snow, and J. Pfeffer (1974). "Organizational environment: Concepts and issues." Industrial Relations 13(3): 244-264.

(*T) - Hofer, C. W. (1975). "Toward a contingency theory of business strategy." Academy of Management Journal 18(4): 784-810.

(*T) - Donaldson L (1987) Strategy and Structural Adjustment to Regain Fit and Performance: In Defense of Contingency Theory. Journal of Management Studies, 24 (1): 1-24.

(*E) - Duncan, R. G. (1972). “Characteristics of organizational environments and perceived environmental uncertainty.” Administrative Science Quarterly 17(3): 313-327.

(*E) – Schoonhoven, C. B. (1981). “Problems with contingency theory: Testing assumptions hidden within the language of contingency “theory”.” Administrative Science Quarterly 26(3): 349-377.

(*E) – Drazin, R. and A. H. Van de Ven (1985). “Alternative forms of fit in contingency theory.” Administrative Science Quarterly 30(4): 514-539.

(*E) – Venkatraman, N. and J. E. Prescott (1990). “Environment-strategy coalignment: An empirical test of its performance implications.” Strategic Management Journal 11(1): 1-23.

(*E) – Powell T. C. (1992). “Organizational alignment as competitive advantage.” Strategic Management Journal 13(2): 119-134.

(*E) – Naman J. L. and D. P. Slevin (1993). “Entrepreneurship and the concept of fit: A model and empirical tests.” Strategic Management Journal 14(2): 137-153.

(*E) Burton, R. M., Lauridsen, J., and B. Obel (2002). "Return on assets loss from situational and contingency misfits." Management Science 48(11): 1461-1485.

Aldrich, H. E. (1979). Organizations and Environments. Englewood Cliffs, NJ, Prentice-Hall.

Burns, T. and G. M. Stalker (1961). The Management of Innovation. London: Tavistock.

Dooley, K. J. (1997). "A complex adaptive systems model of organization change." Nonlinear Dynamics, Psychology, and Life Sciences 1(1): 69-97.

Miles, R. E., C. C. Snow, A. D. Meyer, and H. J. Coleman (1978). "Organizational strategy, structure, and process." Academy of Management Review 3(3): 546-562.

Thompson, J. D. (1967). Organizations in Action. New York: McGraw-Hill.

Session 5: Organization Design, Modularity & Interdependence

(*EVERYONE) Mintzberg, H. (1979). The Structuring of Organizations. Englewood Cliffs, NJ: Prentice-Hall.

Read: Chapter 1: The Essence of Structure
Chapter 2: Five Basic Parts of the Organization
Chapter 3: The Organization as a System of Flows

(*T) - Galbraith, J. (1974). "Organization design: An information processing view." Interfaces 4(3): 28-36.

(*T) - Tushman, M. L. and D. A. Nadler (1978). "Information processing as an integrating concept in organizational design." Academy of Management Review 3: 613-624.

(*T) - Miller, D. (1986). "Configurations of strategy and structure: Towards a synthesis." Strategic Management Journal 7(3): 233-249.

(*T) - Schilling, M. A. (2000). "Toward a general modular systems theory and its application to interfirm product modularity." *Academy of Management Review* 25(2): 312-334.

(*E) - Khandwalla, P.N. (1973). "Viable and effective organizational designs of firms." Academy of Management Journal 16: 481-495.

(*E) – Ghoshal, S. and N. Nohria (1989). "Internal differentiation within multinational corporations." Strategic Management Journal 10(4): 323-337.

(*E) - Romanelli, E. and M. L. Tushman (1994). "Organizational transformation as punctuated equilibrium: An empirical test." Academy of Management Journal 37(5): 1141-1166.

(*E) – Dess, G.G., G.T. Lumpkin and J.G. Covin (1997). "Entrepreneurial strategy making and firm performance: Tests of contingency and configurational models." Strategic Management Journal 18(9): 677-695.

Alexander, C. (1964). *Notes of the Synthesis of Form*. Cambridge, MA, Harvard University Press.

Baldwin C. Y. and K. B. Clark (2000). *Design Rules: The Power of Modularity.* Cambridge, MIT Press.

Chandler, A. (1962). Strategy and Structure: Chapters in the History of the American Industrial Enterprise. Cambridge, MA, MIT Press.

Galbraith, J. (1973). Designing Complex Organizations. Reading, MA: Addison-Wesley.

Galbraith, J. (1977). Organization Design. Reading, MA: Addison-Wesley.

Karim, S. (2006). "Modularity in organizational structure: The reconfiguration of internally developed and acquired business units." Strategic Management Journal 27(9): 799-823.

Miller, D. (1982). "Evolution and revolution: A quantum view of structural change in organizations." Journal of Management Studies 19(2): 131-151.

Miller, D. and P. H. Friesen (1984). Organizations: A quantum view. Englewood Cliffs, NJ: Prentice-Hall.

Nadler, D. and M. L. Tushman (1997). Competing by Design: The power of organizational architecture. New York, Oxford University Press.

Sanchez, R. and J. T. Mahoney (1996). "Modularity, flexibility, and knowledge management in product and organization design." *Strategic Management Journal* 17(Winter Special Issue): 63-76.

Simon, H. (1916). *The Sciences of the Artificial.* Cambridge, MA, The MIT Press.

Tushman, M. and E. Romanelli (1985). "Organizational evolution: A metamorphosis model of convergence and reorientation." Research in Organizational Behavior 7: 171-223.

Weick, K. E. (1976). "Educational organizations as loosely coupled systems." *Administrative Science Quarterly* 21(1): 1-19.

Session 6: Acquisitions: Decision Making & Integration

(*E) - Amihud, Y. and B. Lev (1981). “Risk reduction as a managerial motive for conglomerate mergers.” The Bell Journal of Economics 12(2): 605-617.

(*E) - Walsh, J. P. (1988). “Top management turnover following mergers and acquisitions.” Strategic Management Journal 9(2): 173-183.

(*E) - Nahavandi, A., & Malekzadeh, A.R. (1988). Acculturation in mergers and acquisitions. Academy of Management Review, 13 (1): 79-91.

(*E) - Datta, D. K. (1991). “Organizational fit and acquisition performance: effects of post-acquisition integration.” Strategic Management Journal 12(4): 281-297.

(*E) - Chatterjee, S., Lubatkin, M., Schweiger, D. & Weber, Y. (1992). Cultural differences and shareholder value in related acquisitions: Linking equity and human capital. Strategic Management Journal, 13(5): 319-334.

(*E) - Pablo, A. L. (1994). "Determinants of acquisition integration level: A decision-making perspective." Academy of Management Journal 37(4): 803-836.

(*E) - Hayward, M. L. A. and D. C. Hambrick (1997). “Explaining the premium paid for large acquisitions: Evidence of CEO hubris.” Administrative Science Quarterly 42(1): 103-127.

(*E) - Larsson, R., & Finkelstein, S. (1999). Integrating strategic, organizational, and human resource perspectives on mergers and acquisitions: A case survey of synergy realization. Organization Science, 10(1): 1-26.

(*E) - Karim, S. and W. Mitchell (2000). “Path-dependent and path-breaking change: Reconfiguring business resources following acquisitions in the U.S. medical sector, 1978-1995.” Strategic Management Journal 21(10-11): 1061-1081.

Bower, J. L. (1986). *Managing the resource allocation process: A study of corporate planning and investment*. Harvard Business Press.

Cannella, A. A. and D. C. Hambrick (1993). “Effects of executive departures on the performance of acquired firms.” Strategic Management Journal 14(Summer Special Issue): 137-152.

Capron, L., P. Dussauge, and W. Mitchell (1998). “Resource deployment following horizontal acquisitions in Europe and North America, 1988-1992.” Strategic Management Journal 19: 631-661.

Datta, D. K., & Grant, J. H. 1990. Relationships between type of acquisition, the autonomy given to the acquired firm, and acquisition success: An empirical analysis. *Journal of Management*, 16(1): 29-44.

Harrison, J., M. A. Hitt, et al. (1991). “Synergies and post-acquisition performance: Differences versus similarities in resource allocations.” Journal of Management 17(1): 173-190.

Haspeslagh, P. C. and D. B. Jemison. 1991. *Managing Acquisitions: Creating Value Through Corporate Renewal*. New York: The Free Press.

Hitt, M. A., R. E. Hoskisson, and R. D. Ireland. (1990). “Mergers and acquisitions and managerial commitment for innovation in M-form firms.” Strategic Management Journal 11: 29-47.

Hitt, M. A., R. E. Hoskisson, R. D. Ireland, and J.S. Harrison (1991). "Effects of acquisitions on R&D inputs and outputs." Academy of Management Journal 34(3): 693-706.

Jemison, D. B. and S. B. Sitkin. 1986. Corporate acquisitions: A process perspective. *Academy of Management Review* 11(1): 145-163.

Ranft, A. L. (2002). “Acquiring new technologies and capabilities: A grounded model of acquisition implementation.” Organization Science 13(4): 420-441.

Salter, M. S. and W. A. Weinhold (1979). Diversification Through Acquisition. New York, Free Press.

Seth, A., K. P. Song and R. Pettit (2000). “Synergy, managerialism or hubris? An empirical examination of motives for foreign acquisitions of U.S. firms.” Journal of International Business Studies 31: 387-405.

Shrivastava, P. (1986). Postmerger integration. Journal of Business Strategy, 7(1): 65-76.

Singh, H. and C. Montgomery (1987). “Corporate acquisition strategies and economic performance.” Strategic Management Journal 8: 377-386.

Zollo, M. and H. Singh. 2004. Deliberate learning in corporate acquisitions: Post-acquisition strategies and integration capabilities in U.S. bank mergers. *Strategic Management Journal* 25(13): 1233-1256

PART II: ORGANIZATIONAL ECONOMICS

Session 7: Building Blocks – Agency Theory, Incentive Contracts and Transaction Costs

*Coase, Ronald. 1937. “The Nature of the Firm.” *Economica*, 4: 386-405.

*Gibbons, Robert. 1999. “Taking Coase Seriously.” *Administrative Science Quarterly*, 44(1) 145-157.

Coase, Ronald. 1960. “The Problem of Social Cost.” *Journal of Law and Economics*, 3: 1-44.

*Pendergast, Canice. 1999. "The Provision of Incentives in Firms". *Journal of Economic Literature* 37: 7–63.

Gibbons, Robert. 2005. “Incentives Between Firms (and Within).” *Management Science* 51: 2-17.

Alchian, Armen and Harold Demsetz (1972). “Production, Information Costs, and Economic Organization.” *American Economic Review*, 62: 316-25.

*Oliver E. Williamson (2002). "The Theory of the Firm as Governance Structure: From Choice to Contract". *Journal of Economic Perspectives* 16 (3): 171–195.

Whinston, Michael D. 2003. On the Transaction Cost Determinants of Vertical Integration. *Journal of Law, Economics and Organization* 19(1): 1-23.

Holmstrom, Bengt. 1982. “Moral Hazard in Teams.” *Bell Journal of Economic*s 13: 324-340.

Lazear, Edward and Sherwin Rosen. 1981. “Rank-Order Tournaments as Optimal Labor Contracts.” *Journal of Political Economy* 89: 841-64.

*Holmstrom, Bengt and Paul Milgrom. 1991. “Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design.” *Journal of Law, Economics and Organization* 7: 24-52.

Levin, Jonathan. 2003. “Relational Incentive Contracts.” *American Economic Review* 93: 835-57.

Baker, George, Robert Gibbons, and Kevin J. Murphy. 1994. “Subjective Performance Measures in Optimal Incentive Contracts.” *Quarterly Journal of Economics* 109:1125-56.

Session 8: Within Firms – Organizational Structure

*Gibbons, Robert. 2005. “Four Formal(izable) Theories of the Firm?” *Journal of Economic Behavior and Organization* 58: 202-247 (Sections 1-3).

*Hart, Oliver and John Moore. 1990. “Property Rights and the Nature of the Firm.” *Journal of Political Economy* 98: 1119-58.

*Milgrom, Paul, and John Roberts. 1995. “Complementarities and Fit: Strategy, structure, and organizational change in manufacturing.” *Journal of Accounting and Economics* 19:179-208.

*Milgrom, P. and J. Roberts. 1988. An economic approach to influence activities in organizations. *American Journal of Sociology*, 94: S174-S179.

*Foss, Nicolai. 2003. “Selective Intervention and Internal Hybrids: Interpreting and Learning from the Rise and Decline of the Oticon Spaghetti Organization.” *Organization Science* 14: 331-49.

*Garicano, Luis. 2000. “Hierarchies and the Organization of Knowledge in Production.” *Journal of Political Economy* 108: 874-904.

Hart, Oliver and John Moore. 2005. “On the Design of Hierarchies: Coordination Versus Specialization.” *Journal of Political Economy* 113: 675-702.

Holmstrom, Bengt and John Roberts. 1998. “The Boundaries of the Firm Revisited.” *Journal of Economic Perspectives* 12: 73-94.

Holmstrom, Bengt. 1999. “The Firm as a Subeconomy.” *Journal of Law Economics and Organizations* 15: 74-102.

Gibbons, Robert. 2010. “Economic Theories of Internal Organization: Pricing, Politics, and Path-Dependence.” *Annual Review of Economics* 2: 337-65. (Section 4).

Klein, Benjamin, Robert Crawford, and Armen Alchian. 1978. “Vertical Integration, Appropriable Rents and the Competitive Contracting Process.” *Journal of Law and Economics* 21: 297-326.

Prendergast, Canice. 2002. “The Tenuous Trade-Off between Risk and Incentives.” *Journal of Political Economy* 110: 1071-1102.

Winter, Sidney. 1988. “On Coase, Competency, and the Corporation.” *Journal of Law, Economics, and Organization* 4: 179-95.

*Bloom, Nicholas and John Van Reenen. 2007. “Measuring and Explaining Management Practices Across Firms and Countries. *Quarterly Journal of Economics*

122: 1351-408.

*Fligstein, N. 1985. The spread of the multidivisional form among large firms, 1919-1979. *American Sociological Review*, 50: 377-391.

Session 9: Within Firms - Personnel Economics

* Lazear, Edward and Paul Oyer. 2012. “Personnel Economics.” Forthcoming in R. Gibbons and J Roberts Handbook of Organizational Economics, Oxford Univ. Press.

* Lazear, Edward. 2000. “Performance Pay and Productivity.” *American Economic Review* 90: 1346-61.

* Gneezy, Uri, Stephan Meier and Pedro Rey-Biel. 2011. “When and Why Incentives (Don’t) Work to Modify Behavior.” Journal of Economic Perspectives 25(4): 191-210.

* Bandiera, Oriana, Iwan Barankay, and Imran Rasul. 2007. “Incentives for Managers and Inequality Among Workers: Evidence from a Firm Level Experiment.” *Quarterly Journal of Economics* 122: 729-73.

* Chevalier, Judith and Glen Ellison. 1997. “Risk Taking by Mutual Funds as a Response to Incentives.” *Journal of Political Economy* 105:1167-1200.

* Prendergast, Canice. 1993. “The Role of Promotion in Inducing Specific Human Capital Acquisition.” *Quarterly Journal of Economics* 108:523-34.

Baker, George, Michael Gibbs, and Bengt Holmstrom. 1994. “The Internal Economics of the Firm: Evidence from Personnel Data.” *Quarterly Journal of Economics* 109:881-919.

Ichniowski, Casey, Kathryn Shaw, and Giovanna Prennushi. 1997. “The Effects of Human Resource Management Practices on Productivity: A Study of Steel Finishing Lines.” *American Economic Review* 87: 291-313.

* Pierce, Lamar and Jason Snyder. 2008. “Ethical Spillovers in Firms: Evidence from Vehicle Emissions Testing.” Management Science 54 (11): 1891-1903.

Larkin, Ian, and Stephen Leider. "Incentive Schemes, Sorting and Behavioral Biases of Employees: Experimental Evidence" Harvard Business School Working Paper, No. 10-078, March 2010.

*Larkin, Ian. "The Cost of High-powered Incentives: Salesperson Gaming in Enterprise Software." Working Paper.

Session 10: Between Firms – Vertical and Horizontal Scope

* Monteverde, Kirk and David Teece. 1982. “Supplier Switching Costs and Vertical Integration in the Automobile Industry.” *Bell Journal of Economics* 13:206-13.

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