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

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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:

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<thead>
<tr>
<th>Component</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Class discussion</td>
<td>50%</td>
</tr>
<tr>
<td>Paper Summaries</td>
<td>20%</td>
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<tr>
<td>Term paper</td>
<td>30%</td>
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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


Session 2: Knowledge Based Perspectives: Strategic Human Capital


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


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).


Session 4: Contingency Theory


Read: TBA


Session 5: Organization Design, Modularity & Interdependence

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


Session 6: Acquisitions: Decision Making & Integration


PART II: ORGANIZATIONAL ECONOMICS

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


Session 8: Within Firms – Organizational Structure


122: 1351-408.


Session 9: Within Firms - Personnel Economics


Session 10: Between Firms – Vertical and Horizontal Scope


Teece, Towards and Economic Theory of the Multiproduct Firm


Session 11: Between Firms – Cooperative Strategy


Session 12: Beyond Firms – Non-market Strategy


Session 13: Presentations & Synthesis