

Seminar (Master Level)

Firm Behavior and Development

Professor Dr. Guido Bünstorf and Dr. Stefan Krabel

Winter Term 2012/13

Time and Location: Tuesday, 14.15-15.45 (first session: October 23, 2012); Room 0211 (NP 6)

6 Credits (MSc Economic Behavior and Governance (Module 5); MA Wirtschaftswissenschaften; MA Wirtschaft, Psychologie und Management)

Questions and Registration for Presentations by E-Mail: krabel@uni-kassel.de

Scope and Format:

Why do firms exist? What factors shape and constrain the activities of firms? How do firms develop over time? These are some of the most basic questions faced by economists and management scholars (as well as researchers from neighboring disciplines such as psychology and sociology). In this seminar we will read and discuss some classic and contemporary contributions to the literature.

WARNING: This will be a reading-intensive course. We expect participants to have read the main article(s) discussed in each session and to actively participate in the classroom discussion (in English). In addition, each participant will be expected to give an introductory presentation about one or two of the course topics. This presentation should also take the complementary reading for the respective session into account. To keep the workload manageable, written assignments will be kept to a minimum.

Credit requirements (to be finalized when number of participants is known):

- 1 or 2 introductory oral presentations of 15-20 minutes
- 1 essay on a course topic (in English; 4-6 text pages; due date: February 28, 2013)
- Reading of the assigned course material (denoted as “mandatory reading” below) **prior to each session**
- Active participation in the classroom discussion

Background reading:

- Foss, N.J. (2000): “The Theory of the Firm: An introduction to themes and contributions”, in his: *The Theory of the Firm: Critical Perspectives on Business and Management*, London and New York: Routledge, 2000, vol. I, pp. xv-lix.

Syllabus (topics and assigned reading)

Week 1 (October 23, 2012): Introduction

Mandatory reading: Hayek, F. A. (1963): "Arten der Ordnung", *ORDO Jahrbuch für die Ordnung von Wirtschaft und Gesellschaft*, 14: 3-20 (no English version available; alternatively, Chapter 7 of: Vanberg, V. (1994) *Rules and Choice in Economics: Essays in Constitutional Political Economy*, London: Routledge, contains an English-language discussion of the Hayek article)

Part I: Classic contributions

Week 2 (October 30, 2012): Transaction costs and the boundaries of the firm (1)

Mandatory reading: Coase, R. (1937): "The nature of the firm", *Economica*, 4: 386-405.
Complementary reading: Rathe, K. and U. Witt (2001): "The Nature of the Firm – Static versus Developmental Interpretations", *Journal of Management and Governance*, 5: 331-351.

Week 3 (November 6, 2012): Transaction costs and the boundaries of the firm (2)

Mandatory reading: Williamson, O.E. (1989): "Transaction Cost Economics", In: R. Schmalensee and R. Willig (eds.): *Handbook of Industrial Organization*, Vol. 1, pp. 136-82. Reprinted in O. E. Williamson (1996): *The Mechanisms of Governance*, New York: Oxford University Press, pp. 54-87.
Complementary reading: Joskow, P. L. (1987): "Contract duration and relation-specific investments: empirical evidence from coal markets", *American Economic Review*, 77: 167-185.

Week 4 (November 13, 2012): Property rights and the boundaries of the firm

Mandatory reading: Grossman, S.J. and O. D. Hart (1986): "The costs and benefits of ownership: A theory of vertical and lateral integration", *Journal of Political Economy*, 94: 691-719.
Complementary reading: Holmström, B. and J. Roberts (1998): "The Boundaries of the Firm Revisited", *Journal of Economic Perspectives*, 12 (4): 73-94.

Week 5 (November 20, 2012): Team production, measurement and agency problems within the firm

Mandatory reading: Alchian, A. A. and H. Demsetz (1972): "Production, Information costs, and economic organization", *American Economic Review*, 62: 777-795.
Complementary reading: Fama, E.F. (1980): "Agency problems and the theory of the firm", *Journal of Political Economy*, 88: 288-307.

Part II: Knowledge and the theory of the firm

Week 6 (November 27, 2012): The Carnegie School

Mandatory reading: Chapters 5: “Organizational Choice” and 7: “A Summary of Basic Concepts in the Behavioral Theory of the Firm” in: Cyert, R.M. and J.G. March (1963): *A Behavioral Theory of the Firm*, New York: Prentice-Hall.

Complementary reading: Winter, S.G. (1971): “Satisficing, Selection, and The Innovating Remnant”, *Quarterly Journal of Economics*, 85: 237-261 (sections I-III only).

Week 7 (December 4, 2012): Evolutionary Economics

Mandatory reading: Chapter 5: “Organizational Capabilities and Behavior” in: Nelson, R.R. and S.G. Winter Chapter (1982): *An Evolutionary Theory of Economic Change*, Belknap Press of Harvard University Press.

Complementary reading: Kogut, B. and U. Zander (1992): “Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology”, *Organization Science* 3: 383-397.

Week 8 (December 11, 2012): Resource- and Capability-Based Views

Mandatory reading: Conner, K.R. and C.K. Prahalad (1996): “A Resource-Based Theory of the Firm: Knowledge versus Opportunism”, *Organization Science*, 7: 477-501.

Complementary reading: Gruber, M., F. Heinemann, M. Brettel and S. Hungeling (2010): “Configurations of Resources and Capabilities and their Performance Implications: An Exploratory Study on Technology Ventures”, *Strategic Management Journal*, 31: 1337–1356.

Part III: Theories of firm development

Week 9 (December 18, 2012): Regularities in Firm Development 1: Diversification

Mandatory reading: Penrose, E. (1955): “Limits to the Growth and Size of Firms”, *American Economic Review*, 45: 531-543.

Complementary reading: Teece, D.J., R. Rumelt, G. Dosi and S. Winter (1994): “Understanding corporate coherence: Theory and evidence”, *Journal of Economic Behavior and Organization*, 23: 1-30.

Week 10 (January 15, 2012): Regularities in Firm Development 2: Growth Crises

Mandatory reading: Cordes, C., P.J. Richerson and G. Schwesinger (2010): “How corporate cultures coevolve with the business environment: The case of firm growth crises and industry evolution”, *Journal of Economic Behavior and Organization*, 76: 465-480.

Complementary reading: Witt, U. (2000): “Changing Cognitive Frames—Changing Organizational Forms: An Entrepreneurial Theory of Organizational Development”, *Industrial and Corporate Change*, 9: 733-755.

Week 11 (January 22, 2013): Replication of Organizational Practices

Mandatory reading: Winter, S.G., and G. Szulanski (2001): "Replication as Strategy", *Organization Science*, 12: 730-743.

Complementary reading: Complementary reading: Bünstorf, G. and J.P. Murmann (2005): "Ernst Abbe's Scientific Management: Theoretical Insights from a 19th Century Dynamic Capabilities Approach", *Industrial and Corporate Change*, 14: 543-578.

Week 12 (January 29, 2013): Spin-offs and the Reproduction of Capabilities across Organizations

Mandatory reading: Agarwal, R., R. Echambadi, A.M. Franco and M.B. Sarkar (2004) "Knowledge Transfer through Inheritance: Spin-out Generation, Development and Survival", *Academy of Management Journal*, 47: 501-522.

Complementary reading: Klepper, S. (2001): "Employee Startups in High-Tech Industries", *Industrial and Corporate Change*, 10: 639-674.

Week 13 (February 5, 2013): Imprinting and Identity in Organizational Development

Mandatory reading: Hannan, M.T., J. N. Baron, G. Hsu und Ö. Koçak (2006): "Organizational Identities and the Hazard of Change", *Industrial and Corporate Change*, 15: 755-784.

Complementary reading: Hannan, M.T. (2005): "Ecologies of organizations: diversity and identity", *Journal of Economic Perspectives*, 19: 51-70.

Week 14 (February 12, 2013): Organizational Isomorphism and Inertia

Mandatory reading: DiMaggio, P.J. and W.W. Powell (1983): "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields", *American Sociological Review*, 48: 147-160.

Complementary reading: Hannan, M.T. and J. Freeman (1984): "Structural Inertia and Organizational Change", *American Sociological Review*, 49: 149-164.