HEC PhD. Program
Research Seminar - Syllabus
‘Economic Theories of the firm and organizations’ (ETFO)
2006-2007
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• Professor: Bertrand Quélin, HEC Paris School of Management
  (Assistant - Mrs. Lalo: 01.39.67.72.28 - e-mail: quelin@hec.fr)
• Schedule: 10 weekly seminars - 2 hours (cf. calendar)
• Web site: http://studies.hec.fr/runtime/HEC/quelin/

Positioning of the seminar:
In large measure, the economics of organization arose in response to perceived limitations in
the neoclassical theory of the firm. This research seminar covers some economic theories of the
firm and organizations related to management. It is entirely devoted to the assessment of nine
economic theories that are interested in the firm like an organizational form. The firm is not a
stand-alone entity but is to be examined in relation to the market and other modes of organizing
economic activities.

This seminar is thus intended to bring to the students’ basic knowledge in economics of
organization, whatever their background and their major in the HEC PhD Program. It is also
devoted to the recent developments of these economic theories and to the research tasks in
strategic management and more generally in management. This seminar covers dimensions
which one finds in the modern economic analysis of the firm like the coordination between
agents, the delegation and the authority, vertical integration and the hybrid forms of
organization, the contracts and competences.

The theories are approached through the theoretical background, authors, concepts and tools.
The seminar is about the internal coherence of each stream or theories. The examination of the
theory of property rights, analysis of the growth of the firm, and the study of the institutional
environment are also undertaken in order to offer consequent control of tools and analyses. This
is done for understanding well the different cornerstones of a particular economic theory of the
firm.

This seminar is also interested in the way in which the contributions of the studied economic
theories are integrated into the most recent research in management.

The new theories of the economics of organization that have taken shape over the past 40
years have vastly expanded the research agenda in both economic theory and organization theory
as well as in strategic management, marketing, finance, human resources, decision science, and
management control.

This seminar is thus opened to all the disciplines of management.

Pedagogy:
Teaching is organized around the critical presentation of selected theories and the thought of
the authors. The preliminary reading by students of articles representative of the main topics is
mandate. In average, two articles have to be read and study in advance for each session. A
complementary bibliography is provided to deepen (not mandatory).

Each session is organized around an internal analysis of the coherence of the theory,
assumptions, hypotheses and contribution of each theory to both economics and management.
Teaching is thus based on discussions and critical of works, and analysis of articles and research
tasks. In complement, the seminar is devoted to the development of the economic analyzes of the
firm and organizations and, with the assessment of their contribution to research in management.
**Organization of the seminar:**

Each session will follow the following format, except for the first:

*Student presentation:* two presentations for each session, limited to 10 minutes each one, will introduce and analyze one of the two texts selected for the meeting; each talk and discussion of one article will be ensured by one student; these two presentations, in didactic matter, will be followed of a discussion and questions and answers; this general discussion of the two articles will be limited to 10 minutes.

*Analysis:* each seminar will be then devoted to a deep analysis to understand internal coherence and the contributions of the studied theory; this analysis developed by the professor will be limited to 1 hour.

*New trends and further developments:* the last half an hour will be devoted to the recent developments of the theory, the bonds with problems and questions of research anchored in management, with a specific focus on strategy and business policy; it will rest on an interaction and exchanges on the problems being able to mobilize such or such part of the studied economic theory.

**Evaluation:**

The evaluation will be:

- Student presentation: 30%
- Oral participation: 20%
- Final written work: 50%

The evaluation of the student’s presentation will rest on the clearness of the oral presentation and the capacity to answer the questions.

It requires the preliminary handing-over of a hard copy of the notes or transparencies (to be sent by email the day before).

The oral participation will take account of the relevance of lightings, analysis and standpoint representing a thorough reading of the two texts subjected for the preparation of the meeting.

The final written note will consist of a work of drafting of an analysis relating to an economic topic chosen by the professor in accordance with each student.

This written note will have to be structured in the following way: After the discussion and the comparison of topics and analyses supported by the authors (of a third to less than half of the written note), written work will have to necessarily stress the analysis of the prospects offered by the economic literature and the development for new tracks of research in management.

For this purpose, a rigorous step is necessary resulting writing proposals for a research, and in proposing an adequate framework to examine them (half to two thirds of written work).

The evaluation of the written work will concern the demonstration of a good comprehension of the mobilized articles and the quality of the developed prospects for research.

This written work will have to be given to more at the end of January 2007.
Main Topics of the seminar:

Session #1 - Introduction
- Short history of the economic thought
- Preliminary presentation of the main streams, schools and authors in economics of organization
- Methodological bases: methodological individualism, rationality, data processing, and coordination of the actions
- Why economic theories of the organization?
- Is an economic theory of the firm possible?
- Prospects on the economic theories of the firm

Session 1 - Articles to be read before the session

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Session #2 – Theory of Property Rights
- Law and economy: is the definition of the Property Rights possible?
- Sharing the value created in the organizations and through the contracts
- Team production and information costs
- The functions of contracting and taking risk
- Difficulties of metering outputs and monitoring workers
- Property Rights and the institutional environment

Session 2 - Articles to be read and prepared

Complementary readings (not mandatory)

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Session #3 - Agency Theories: delegation and monitoring
- Managerial behavior and Agency costs
- Going inside the ‘black box’
- Normative approach and positive approach
- Training of the teams and the division of the income: fixed payment and residual claims
• The question of the monitoring and the evaluation of the efforts
• Costs of monitoring and motivating agents
• Compromise design of the firm and the risk
• Renewal of the Agency Theory

Session 3 - Articles to be read and prepared


Complementary readings (not mandatory)

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Session #4 - Theory of the incentives and the incomplete contracts
• A contract-based theory of the firm
• Effectiveness of contracts and markets: mechanisms and devices
• Mechanisms of incentive
• Contracts and clauses of self-enforcement
• Can the economic organization be understood through the drafting of a contract between its members?
• Contracts or courts of justice?

Session 4 - Articles to be read and prepared


Complementary readings (not mandatory)


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**Session #5 - Frontiers of the firm and Transaction Cost Economics: the approaches of R. Coase and O.E. Williamson**

- Explaining the existence and scope of the firm
- Firm as a consequence of the costs of market transactions
- Market and organization: the Market/Hierarchy dichotomy
- Determining the governance: ownership and direction
- Attributes of the transactions
- Vertical integration and hybrid organizational forms
- Holdup and opportunism of the agents
- Organizational arrangements and institutional environment
- Is the Transaction Cost Economics useful for management?

**Session 5 - Articles to be read and prepared**


**Complementary readings (not mandatory)**

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**Session #6 - Organizational forms and Bureaucratic costs: questions of coordination and efficiency**

- Forms of organization
- Authority in the firm
- Incentives and coordination
- Bureaucratic costs
- Limits of the efficiency of the organizations

**Session 6 - Articles to be read and prepared**

Complementary readings (not mandatory)

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Session #7 - Game theory and contractual approach of the firm: the contribution of M. Aoki

- The interpenetration of firm and market
- Internal coordination and co-operation of groups of actors
- Incentive mechanisms and creation of value
- The sharing of the surplus created between shareholders and employees
- Social incentives and groups

Session 7 - Articles to be read and prepared


Complementary readings (not mandatory)
> AOKI Masahiko, GUSTAFSSON Bo & WILLIAMSON Oliver E. (1990), The Firm as a Nexus of Treaties, SAGE Publications.

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Session #8 - Private Costs, Social Costs and Transaction Costs: The Coase Theorem

- Market and firm: their respective functions
- Private costs, social costs: the theorem of Coase
- Property Rights as basis of the exchange
- Genesis of the regulation and creation of new markets

Session 8 - Articles to be read and prepared
Complementary readings (not mandatory)

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Session #9 – New institutional Economics
- Institutional environment and private contracts
- The transactional sector and the "visible hand"
- The incompleteness of contracts and their opposable character with the common right
- Transactions and economic development: privatizations, regulations
- Economic growth and institutions

Session 9 - Articles to be read and prepared


Complementary readings (not mandatory)

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Session #10 - The theory of growth of the firm and its contributions to the Resource-based view: the contribution of E. Penrose
- Contributions of E Penrose to strategic management
- Bonds between Penrose and the Resource-based View
- A basic resource-based conceptualization of the firm
- Respective roles of the leader and the environment in the growth of the firm
- A dynamic approach of the development of the firm

Session 9 - Articles to be read and prepared

Complementary readings (not mandatory)

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**Recommended Complementary Readings:**

*In English*


*In French*

