Overview

This course examines some of the central questions in management with economic approaches as a starting point, but with an eye to links to behavioral perspectives on these same questions. It is not a substitute for a traditional microeconomics course. Economics concerns itself with goal directed behavior of individuals interacting in a competitive context. We adopt that general orientation but recognize that goal directed action need not take the form of maximizing behavior and that competitive processes do not typically equilibrate instantaneously. The substantive focus is on the firm as a productive entity. Among the sorts of questions we explore are the following: What underlies a firm’s capabilities? How does individual knowledge aggregate to form collective capabilities? What do these perspectives on firms say about the scope of a firm’s activities, both horizontally (diversification) and vertically (buy-supply relationships)? We also explore what our understanding of firms says about market dynamics and industry evolution, particularly in the context of technological change.

A central property of firms, as with any organization, is the interdependent nature of activity within them. Thus, understanding firms as “systems” is quite important. Among the issues we explore in this regard are the following. Organizational “systems” have internal structure, in particular elements of hierarchy and modularity. Even putting aside the question of individual goals and objectives and how they may aggregate, the question of organizational goal is non-trivial. To say that a firm’s objective is to maximize profits is not terribly operational. How does such an overarching objective get decomposed to link to the actual operating activities of individual subunits, including individuals themselves. This issue of goals has links to some interesting recent work that links the valuation process of financial markets to firm behavior. Financial markets are not only a reflection of firm value, but may guide firms’ initiatives in systematic ways.

Assignments

For each class session, each student is to prepare a brief (roughly three pages) Puzzle & Gaps (P&G) note. This note conveys some provocative reflections on the part of the student on the readings. These reflections may take many forms. They make be organized around a student’s puzzlement at the argument that the author(s) are making. They may reflect on contrasts in the arguments of the various authors. It might identify gaps in the existing literature and, in turn, research opportunities. Alternatively, the note
could focus on application and examine ways in which the conceptual material may provide insight into some important business phenomena; or, alternatively, how an important business phenomena points to gaps and weaknesses in the theoretical ideas. These notes should not merely, or primarily, restate the arguments of the various authors. In writing these notes, you should assume that your audience (me and your fellow students) have read the articles associated with that class with some care and would not be interested in regurgitation of these ideas but would be stimulated by a fresh and provocative take on them. Furthermore, you note may draw from a subset of the readings; however, it should be anchored in at least one of the articles.

While the baseline requirement is that students submit one of these notes for every class session, you are entitled to two get out of Puzzlement & Gap notes “cards”. That is, you can select two class sessions for which you do not have to submit a note, possibly based on other demands on your time at that point, possibly based on fear or aversion to that particular material (however, fear and aversion may make a promising basis for a P&G note with emphasis on the “P”). One can submit more than 11 notes (13 class sessions minus two) and the 11 highest notes will count towards your course grade.

These reaction papers are due by 8am the day of class. Place an electronic copy on the course web café. No reaction papers will be accepted subsequent to the associated class session.

The course grade will be based on a 50% weight on your P&G papers and 50% class discussion.

Materials

The readings for the course are available on the course Canvas site: https://wharton.instructure.com/courses/1128268. The readings for each class session have an internal logical flow and are best read in the sequence suggested in the syllabus.
1. **Theories of Choice (9/4)**


2. **Views of Production (9/11)**


3. **Resources and Rents (9/18)**


4. **Aggregation of Knowledge** (9/25)


5. **Firms as Interdependent Systems** (10/2)


6. **Organizations as Evolvable Systems** (10/9)


7. **Economics of the Diversified Firm** (10/16)


8. **Questions of Markets and Hierarchies** (10/23)


9. **Neither Markets nor Hierarchy** (10/30)


10. **Linking Firm and Industry Dynamics** (11/6)


11. **Technological Change** (11/13)


12. **Problem of Goals** (11/20)


11/20 **Thanksgiving: No Class**


