Positioning of the MSc and Ph.D. seminar

Few years ago, the economics of organization arose in response to perceived limitations in the neoclassical economics (price and information mechanisms, equilibrium, signaling…). Since major contributors won Nobel Prize in economics (Prof. R. Coase in 1991, Prof. D. North in 1993, and Prof. E. Ostrom and Prof. O.E. Williamson in 2009).

This research seminar covers some prominent economic theories of the firm and organizations related to strategic management and business administration. It is entirely devoted to the assessment of five different economic theories that are interested in the strategy of firm as well organizational forms. 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 (e.g., franchising, alliances, partnerships, NGO, associations and network).

Objectives

This seminar is intended to bring to the MSc and Ph.D. students' advanced knowledge in the economics of strategy and organization (ESO), whatever their background and their specialization. It is also devoted to the most recent theoretical issues. It points to the research tasks in management in overall (marketing, human resources, finance, strategic management, and accounting and operation management).

This seminar covers dimensions which one finds in the modern economic analysis of the firm like the coordination between agents, delegation and authority, vertical integration and hybrid forms of organization, contracts and competences.

The theories are approached through their theoretical background, and the authors, concepts and analytical categories and tools. The seminar is about the internal coherence of each field or theory. The assessment of each theory is also undertaken in order to offer consequent control of analytical tools. This is done for understanding well the different cornerstones of each selected economic theory of the firm.

The selected theories 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 management. This seminar is also interested in the way through the contributions of the studied economic theories are integrated into the most recent research in 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. Two articles...
have to be read and studied 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
critical discussion of works, analysis of articles and research tasks. In complement, the seminar is devoted to
the development of the economic theories of the firm and organizations and, with the assessment of their
potential contribution to research in management.

Organization and Frame of the seminar
Each session will follow the below format (break included):
- **Student presentation (30 mn):**
  - **Two students’ presentations** for each session, limited to 10 minutes each one, will introduce
    and analyze the two articles selected for the class; one student will ensure a discussion of one
    article (10 mn each);
  - These two presentations, in didactic matter, will be followed by Q&A and discussion; this
    general discussion of the two articles will be limited to 10 minutes.
- **Analysis (120 mn):** 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 (30 mn):** the last half 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; it will rest on an interaction and exchanges on the
  problems being able to mobilize such or such part of the studied economic theory.

Grading
The grades will be:
- Student presentation: 30%
- Oral participation: 20%
- Final written work (term paper): 50%

1. The evaluation of the student's presentations 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
to quelin@hec.fr the day before 10:00 p.m.).

2. 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.

3. The term paper 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 term paper will have to be structured in the following way: after the discussion and comparison of
   topics and analyses supported by the authors (a third to half of the term paper), the term paper will have to
   necessarily stress the analysis of the issues offered by the economic literature and the development for new
   tracks for research in management (half to two thirds).
   For this purpose, a rigorous step is necessary resulting writing proposals for a research project 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 and comprehensive
   understanding 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 August 2013 (no later).
Main Topics & Classes (5)

Session #1 – 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 (Internet, free access, and wiki-world).

Session #1 - Articles to be read and prepared

Complementary readings (not mandatory):

Session #2 - Agency Theories: delegation and monitoring
• Managerial behavior and Agency costs,
• 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 (Corporate governance, governance of networks and communities, multiple principals…).

Session #2 - Articles to be read and prepared

Complementary readings (not mandatory):
Session #3 - 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, forms of organization,
- Attributes of the transactions,
- Vertical integration and hybrid organizational forms,
- Incentives and coordination: Holdup and opportunism of the agents,
- Organizational arrangements and institutional environment,
- Authority in the firm and Bureaucratic costs,
- Limits of the efficiency of the organizations,
- Is the Transaction Cost Economics useful for management?

Session #3 - Articles to be read and prepared

Complementary readings (not mandatory):

Session #4 - 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,
- The tragedy of commons,
- Genesis of the regulation and creation of new markets (public goods, NGO),
- Social costs and common pool.

Session #4 - Articles to be read and prepared

Complementary readings (not mandatory):
Session #5 – New Institutional Economics and Sustainable Growth

- 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 #5 - Articles to be read and prepared

Complementary readings (not mandatory):

Textbook

Recommended Complementary Readings

Schedule
Prof. Bertrand Quélin - The Economics of Strategy and Organization
July 15th to 19th: 9:00 to 12:00 AM
FGV – EBAPE – Rio de Janeiro