Introduction

In this course, on the *Economics of Organization*, we focus on five prominent theories of organizations:

- Behavioral Theory of The Firm
- Transaction Costs Theory
- Property Rights Theory
- Agency Theory (Principal-Agent Model)
- Dynamic Resource-Based Theory

The course will be taught at a high level of rigor. We will emphasize case applications that highlight the relevance of these theories of organization in practice. There will be a focus on pragmatic and action-oriented skills. The course will emphasize both cases and lecture/discussion sessions.

**CASE ANALYSIS**

A key component of the course is case analysis, which is designed to provide you with data on real-life managerial problems, and case analysis is useful as a simulation of actual managerial activity. The success of the case method depends on your preparation and active participation.
Objectives of Case Analysis:

[1] Increase your understanding of what managers should and should not do in guiding business to success;

[2] Build your skills in conducting strategic analysis and in gaining in-depth experience in a variety of industries, competitive situations, and company circumstances;

[3] Get valuable practice in diagnosing strategic issues, evaluating strategic alternatives, and formulating workable plans of action; and


COURSE ORGANIZATION

Your class assignments are shown in the syllabus attached, and while subject to change, this syllabus should guide your work planning for the course. There will be no announcements in class concerning assignments, except those infrequent ones that may alter those in the attached syllabus.

TEACHING MATERIALS

TEXTS


Both books can be obtained from the TIS Bookstore only

CASES (available only from TIS Bookstore):


Case #1 Wal-mart 9-794-024
Case #2 Google 9-910-036
Case #3 Innovation at Progressive (A) 9-602-175
Case #4 Pepsi Restaurants 9-794-078
Case #5 Yum China 9-701-035
Case #6 Philips v. Matsushita 9-910-410
COURSE POLICIES

1. Be on time: Class begins at 8:00AM sharp.

2. Do not disrupt the class with side conversations during class.

3. Be respectful of others in the class: Listen, give attention, let other people talk, don’t shout, and above all else do not sneer at others.

4. All cell phones and pagers should be turned off during class. Please do not leave and re-enter the class.

5. Using laptops in the classroom is a privilege, not a right. Laptops are to be used for class activities only. If you are seen net surfing or e-mailing during a class session you lose laptop privileges for the remainder of the course.

Course grade: Your class grade is a function of these elements:

<table>
<thead>
<tr>
<th>Element</th>
<th>Grade Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Ten Individual Assignments (10 points each)</td>
<td>100 points</td>
</tr>
<tr>
<td>II. Nucor Cash Flow Group Assignment</td>
<td>50 points</td>
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<tr>
<td>III. You miss no more than 4 sessions Or, you can write a ten-page paper.</td>
<td>25 points</td>
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<td>IV. Class Participation (Beyond Showing Up)</td>
<td>50 points</td>
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<tr>
<td>V. Group Presentation</td>
<td>50 points</td>
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<tr>
<td>VI. In-class exam #1 (closed-book)</td>
<td>100 points</td>
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<tr>
<td>VII. In-class exam #2 (closed book)</td>
<td>125 points</td>
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<td>500 points</td>
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I. (Ten) Individual One-page Assignments. (100 points)

You are expected to do all ten assignments based on the schedule shown on the attached syllabus. Assignments are due before class begins on the day of the case. One purpose of the assignment is to enhance class discussion. **There is no credit provided for late assignments.** The assignment should be single-spaced, typed (with Times New Roman 11-point font or larger). Please analyze the case and do not bring in outside material in your 1-page assignment. **Note you do not do a 1-page paper for the case that you are presenting.** Criteria for the ten 1-page assignments are:

1. **Problem Statement:** A short paragraph that states the question (*in the form of a question*). Explain briefly in this paragraph WHY this question is important. (2 points)

2. **Analysis.** In order to answer your question, you need to:

   • Explain what variables are important for answering your question.

   • Define each of these variables clearly.

   • Explain the interrelationships among the variables.

   (E.g., higher advertising intensity (defined as advertising expenditures to sales) is predicted to lead to higher market share in the national brewing industry that is predicted to lead to economies of scale, which is predicted to lead to lower costs and a source of competitive advantage.) In other words, make your chain of reasoning explicit to the reader.

   • Use data in the case to support your ideas. (5 points)
(3) **Recommendation(s).** You should make *specific* recommendations of courses of action.

- These recommendations must follow logically from the analysis! It helps if you explain why they follow from the analysis.

- As a final “reality check,” the suggested recommendations should be answers to the question raised in your first paragraph. (3 points)

**II. Nucor Group Assignment.** (50 points)

A template will be provided for this assignment, based on the numbers provided in the case. You should provide:

(a) Cash flow Analysis (10 points)
(b) Scenario Analysis (changes within the model) (20 points)
(c) Strategic Analysis (changes outside the model) (20 points)

**III.** Missing no more than 5 sessions  
Or writing a 10-page paper  
(25 points)

**IV.** (Meaningful) Class Participation. (50 points)

Active participation in the class is an essential part of the learning experience. We will be using cases and you must be prepared to discuss these cases. Meaningful participation means making a contribution to our discussion, not merely talking, and it does not mean repeating case facts or simply agreeing with what others have already said. Our interest is not "right" or "wrong," it is whether you have made a contribution to the development of the issues under study by the class, and whether you have moved the class forward. One clear way of making a contribution is to disagree with the comments of your classmates where needed; it is not the instructor's duty alone to decide whether a remark is of value. Failure to participate and disagree where needed penalizes you and the class in these ways:

- You lose incentive to prepare the case properly.
- You lose the chance to develop communication skills.
- You deprive all of us from your insights into the case.
- Your ideas go unevaluated by others.
V. **Group Presentation.** (50 points)

*Presentation Evaluation:*

- Substance of Presentation (15 points)
- Clarity: Audibility, wording, flow of ideas (05 points)
- Persuasiveness: Credibility, eye contact (05 points)
- Use of visual aids: Clarity and readability (05 points)
- Information clearly organized (05 points)
- Management of time (05 points)
- Equal division of time (05 points)
- Ability to think on feet (05 points)

VI. **Mid-term Exam #1** (100 points)

VII. **Mid-term Exam #2** (125 points)

These exams will be in-class, closed books exams. *Please be aware that the two exams measure different skills than case analysis.* The exams will test your understanding of the material provided.
<table>
<thead>
<tr>
<th>SESSION #1</th>
<th>Tuesday, August 23</th>
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<tr>
<th>SESSION #2</th>
<th>Thursday, August 25</th>
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<tbody>
<tr>
<td>Read:</td>
<td>Mahoney (2005) Chapter 1 Behavioral Theory of the Firm</td>
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<tr>
<th>SESSION #3</th>
<th>Tuesday, August 30</th>
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<tbody>
<tr>
<td>Read:</td>
<td>Wal-mart Case</td>
</tr>
<tr>
<td>Write:</td>
<td>One-page assignment: Activity Map of Wal-mart</td>
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<td>Presentation by Instructor</td>
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<thead>
<tr>
<th>SESSION #4</th>
<th>Thursday, September 1</th>
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<tr>
<td>Read:</td>
<td>Mahoney (2005) Chapter 2 Transaction Costs Theory</td>
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<tr>
<th>SESSION #5</th>
<th>Tuesday, September 6</th>
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<tr>
<td>Read:</td>
<td>Google Case</td>
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<tr>
<td>Write:</td>
<td>One-page individual assignment</td>
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<td>Presentation by Instructor</td>
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<tr>
<th>SESSION #6</th>
<th>Thursday, September 8</th>
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<tbody>
<tr>
<td>Read:</td>
<td>Milgrom and Roberts (1992) Chapter 1 “Does Organization Matter?”</td>
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<tr>
<th>SESSION #7</th>
<th>Tuesday, September 13</th>
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<tr>
<td>Read:</td>
<td>Progressive Case</td>
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<tr>
<td>Write:</td>
<td>One-page individual assignment</td>
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<td>Presentation for Group #2</td>
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Thursday, September 15 (no class session)
SESSION #8  Tuesday, September 20

- Read: Milgrom and Roberts (1992) Chapter 3 “Using Prices for Coordination and Control”

- Read: Milgrom and Roberts (1992) Chapter 4 “Coordinating Plans and Actions”

SESSION #9  Thursday, September 22

- Read: Pepsi Restaurant Case
- Write: One-page individual assignment
- Presentation by Instructor

SESSION #10  Tuesday, September 27


SESSION #11  Thursday, September 29

- Read: Yum China Case
- Write: One-page individual assignment
- Presentation for Group #3

SESSION #12  Tuesday, October 4

- Read: Milgrom and Roberts (1992) Chapter 6 “Moral Hazard and Performance Incentives”

SESSION #13  Thursday, October 6

- Read: Philips v. Matsushita Case
- Write: One-page individual assignment
- Presentation for Group #4

SESSION #14  Tuesday October 11

- Read: Milgrom and Roberts (1992) Chapter 7 “Risk Sharing and Incentive Contracts”
SESSION #15    Thursday, October 13

MID-TERM EXAM #1

SESSION #16    Tuesday, October 18

- Read: Haier Case
- Write: One-page individual assignment
- Presentation for Group #5

SESSION #17    Thursday, October 20

- Read: Mahoney (2005) Chapter 3 Property Rights Theory

SESSION #18    Tuesday, October 25

- Read: WorldCom Case
- Write: One-page individual assignment
- Presentation for Group #6

SESSION #19    Thursday, October 27

- Read: Milgrom and Roberts (1992) Chapter 9 “Ownership and Property Rights”

SESSION #20    Tuesday, November 1

- Read: Andersen v. Andersen Case
- Write: One-page individual assignment
- Presentation for Group #7

SESSION #21    Thursday, November 3

- Chapter 12: “Compensation and Motivation” and
- Chapter 13: “Executive and Management Compensation”

Tuesday, November 8 (no class session)
SESSION #22  Thursday, November 10
- **Read:** Life, Death and Property Rights Case
- **Write:** One-page individual assignment
- Presentation for Group #8

SESSION #23  Tuesday, November 15
- **Read:** Mahoney (2005) Chapter 5 Resource-based Theory and Dynamic Capabilities

SESSION #24  Thursday, November 17
- **Read:** Columbia’s Final Mission Case
- **Write:** One-page individual assignment
- Presentation by Instructor

SESSION #25  Tuesday, November 29
- **Read:** Mahoney (2005) Chapter 5 Real Options

SESSION #26  Thursday, December 1
- **Read:** Nucor Case
- **Write:** *Group Case Assignment*
- Presentation by Instructor

SESSION #27  Tuesday, December 6

**EXAM #2**