Syllabus: MGMT 900 Economic Foundations of Management

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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. 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, particularly for organizations comprised of individuals with possibly divergent interests and distinct sub-goals. Further, we treat competitive processes as playing out over meaningful periods of calendar time and, in general, not equilibrating instantaneously. 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, a perspective which has important implications for understanding processes of organizational adaptation.

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.

Assignments

Reaction Papers

For 10 of the 13 class sessions, you are to prepare a brief (roughly three page) reaction paper. This note should convey some provocative reflections on your part on the readings. These reflections may take many forms. They may be organized around some degree of puzzlement at the argument that the author(s) are making. They may reflect on contrasts in the arguments of the various authors. The write-up, might identify gaps in the existing literature and, in turn, research opportunities that these gaps present. Alternatively, the note could focus on application and examine ways in which the conceptual material may provide insight into some important phenomena. Alternatively, it might be useful to consider how important empirical phenomena point 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.
session 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, your note may draw from a subset of the readings; however, it should be anchored in at least one of the articles.

Your reaction papers are to be submitted by **8 am the day of class**. Place an electronic copy on the course Canvass web site. **No reaction papers will be accepted subsequent to the associated class session.**

**In-Class Discussion**

In class, we will discuss the particular papers and explore the broader “conversations” in the field of which these papers are a part. To help seed these discussions for each class session, you are to choose an article for which you will serve as an opening discussant. This discussion will highlight what you view as the main contribution of the work, how it fits into the related literature, and particular strengths and limitations that you see in the work. A spreadsheet is posted in Canvass which lists the articles associated with each class session. There are two columns for student names as at most two students can choose the same piece. There is not a written component to this assignment and the article for which you serve as a discussant need not be featured in your reaction paper.

While students are responsible for a focal paper, all students are expected to have read carefully all papers. At various junctures in our discussions, I may select a student at random to serve as a catalyst to our conversation.

The course grade will be based on a 50% weight on your reaction papers, 50% class discussion.

**Materials**

The readings for the course are available on the course Canvas site: [https://canvas.upenn.edu/courses/1370991](https://canvas.upenn.edu/courses/1370991). 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 (9/6)**


2. **Problem of Goals (9/13)**


3. **Views of Production (9/20)**


4. **Resources and Rent** (9/27)


5. **Aggregation of Knowledge** (10/4)


6. **Firms as Interdependent Systems** (10/11)


7. **Organizational Form** (10/18)


8. **Exploration and Exploitation** (10/25)


9. **Capital Allocation within the Firm** (11/1)


10. **Economics of the Diversified Firm** (11/8)


11. Questions of Markets and Hierarchies (11/15)


12. Linking Firm and Industry Dynamics (11/29)


13. **Technological Change** (12/6)


