Syllabus: MGMT 900 Economic Foundations of Management

Fall 2019

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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. An additional alternative might be 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. Finally, take a point of view and develop a specific argument. Write-ups that consist of a series of brief, undeveloped thoughts and ideas are not a useful engagement with the exercise; in contrast, write-ups that develop a reasonably linear argument in which you put forth some original ideas are.

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.** The papers will receive substantive comments and an overall assessment. That assessment will take the form of a mark of “-“, “√”, “√+”, “+”.

*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. Students are expected to participate actively in these discussion. Further, participation should not be restricted to [passively] responding to direct questions, but students are encouraged to come to class with their own questions and issues in mind that they wish to share and jointly explore. Students will also be expected to be able to provide a succinct summary and overview of each of the assigned papers should they be called on to do so.

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

*Materials*

The readings for the course are available on the course Canvas site: [https://canvas.upenn.edu/courses/1470413](https://canvas.upenn.edu/courses/1470413). 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** (8/28)


2. **Problem of Goals** (9/4)


3. **Views of Production Capabilities** (9/11)


4. **Resources and Rent** (9/18)


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


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


**October 9th**  Yom Kippur (no class)

7. **Exploration and Exploitation (10/16)**


8. Capital Allocation (10/23)


9. Economics of the Diversified Firm (10/30)


10. **Questions of Markets and Hierarchies** (11/6)


11. **Organizational Forms and Collective Action** (11/13)


12. **Linking Firm and Industry Dynamics (11/20)**


**Thanksgiving Break (11/27)**

13. **Technological Change (12/4)**


