

Five Lectures on Internal Organization (Focusing on Politics, Authority, Culture, and Management)

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Lecture 1: Organizational Economics—Past, Present, and Future?

Gibbons, R., and J. Roberts (2015). "Organizational Economics." Forthcoming in R. Scott and S. Kosslyn (eds.), *Emerging Trends in the Social and Behavioral Sciences*, Wiley.

<http://web.mit.edu/rgibbons/www/index.html>

Gibbons, R. (2010). "Transaction-Cost Economics: Past, Present, and Future?" *Scandinavian Journal of Economics* 112: 263-88. (esp. Sections I and II)

Gibbons, R. (2013). "Cyert and March (1963) at Fifty: A Perspective from Organizational Economics." <http://web.mit.edu/rgibbons/www/index.html> (esp. pp. 1-4)

Lecture 2: Politics and Influence

Survey:

Gibbons, R., N. Matouschek, and J. Roberts (2013). "Decisions in Organizations." Chapter 10 in *Hndbk. Org. Econ.* (Sections 1 through 4)

Papers:

March, J. (1962). "The Business Firm as a Political Coalition." *Journal of Politics* 24: 662-78.

Milgrom, P. and J. Roberts (1988). "An Economic Approach to Influence Activities in Organizations." *American Journal of Sociology* 94: S154-S179.

Kamenica, Emir and Matthew Gentzkow. 2011. "Bayesian Persuasion." *American Economic Review* 101: 2590-615.

Caillaud, Bernard and Jean Tirole. 2007. "Consensus Building: How to Persuade a Group." *American Economic Review* 97: 1877-1900.

Rajan, Raghuram and Luigi Zingales. 2000. "The Tyranny of Inequality." *Journal of Public Economics* 76: 521-58.

Landier, Augustin, David Sraer, and David Thesmar. 2009. "Optimal Dissent in Organizations." *Review of Economic Studies* 76: 761-94.

Powell, Michael. 2015. "An Influence-Cost Model of Organizational Practices and Firm Boundaries." Forthcoming in *Journal of Law, Economics, and Organization*.

Lecture 3: Formal & Informal Authority

Surveys:

Bolton, P. and M. Dewatripont (2013). "Authority in Organizations." Chapter 9 in *Hndbk. Org. Econ.*

Gibbons, R., N. Matouschek, and J. Roberts (2013). "Decisions in Organizations." Chapter 10 in *Hndbk. Org. Econ.* (Section 5)

Formal Authority

Aghion, P. and J. Tirole. 1997. "Formal and Real Authority in Organizations." *Journal of Political Economy* 105:1-29.

Rantakari, Heikki. 2012. "Employee Initiative and Managerial Control." *American Economic Journal: Microeconomics* 4: 171-211.

Van den Steen, Eric. 2010. "Interpersonal Authority in a Theory of the Firm." *American Economic Review* 100: 466-90.

Fehr, Ernst, Holger Herz, and Tom Wilkening. 2013. "The Lure of Authority: Motivation and Incentive Effects of Power." *American Economic Review* 103: 1325-59.

Informal Authority

Baker, G., R. Gibbons, and K. J. Murphy. 1999. "Informal Authority in Organizations." *Journal of Law, Economics, and Organization* 15: 56-73.

Eisenhardt, Kathleen and L.J. Bourgeois. 1988. "Politics of Strategic Decision Making in High-Velocity Environments: Toward a Midrange Theory." *Academy of Management Journal* 31: 737-70.

Campbell, Dennis, Marc Epstein, and Asis Martinez-Jerez. 2011. "The Learning Effects of Monitoring." *The Accounting Review* 86: 1909-34.

Foss, N. (2003). "Selective Intervention and Internal Hybrids: Interpreting and Learning from the Rise and Decline of the Oticon Spaghetti Organization." *Organization Science* 14: 331-49.

Li, Jin, Niko Matouschek, and Michael Powell. 2015. "Power Dynamics in Organizations." Working paper, Northwestern University.

Lecture 4: Culture and Language

Surveys

Hermalin, Benjamin. 2013. "Leadership and Corporate Culture." Chapter 11 in *Hndbk. Org. Econ.* (Section 3)

Camerer, Colin and Roberto Weber. 2013. "Experimental Organizational Economics." Chapter 6 in *Hndbk. Org. Econ.* (Section 5)

Culture

- Kreps, David. 1990. "Corporate Culture and Economic Theory." In J. Alt and K. Shepsle, eds. *Perspectives on Positive Political Economy*. Cambridge University Press..
- Ichino, Andrea and Giovanni Maggi. 2000. "Work Environment and Individual Background: Explaining Regional Shirking Differentials in a Large Italian Firm." *Quarterly Journal of Economics* 115: 1057-90.
- Weber, Roberto. 2006. "Managing Growth to Achieve Efficient Coordination in Large Groups." *American Economic Review* 96: 114-26.
- Van den Steen, Eric. 2010. "On the Origin of Shared Beliefs (and Corporate Culture)." *RAND Journal of Economics* 41: 617-48.
- Guiso, Luigi, Paola Sapienza, and Luigi Zingales. 2015. "The Value of Corporate Culture." Forthcoming in *Journal of Financial Economics*.
- Martinez, Elizabeth, Nancy Beaulieu, Robert Gibbons, Peter Pronovost, and Thomas Wang. 2015. "Organizational Culture and Performance." Forthcoming in *American Economic Review Papers & Proceedings*.
- Gibbons, Robert and Robert Kaplan. 2015. "Formal Measures in Informal Management: Can a Balanced Scorecard Change a Culture?" Forthcoming in *American Economic Review Papers & Proceedings*.

Language

- Cremer, Jacques, Luis Garicano, Andrea Prat. 2007. "Language and the Theory of the Firm." *Quarterly Journal of Economics* 122: 373-407.
- Weber, Roberto and Colin Camerer. 2003. "Cultural Conflict and Merger Failure: An Experimental Approach." *Management Science* 49: 400-15.
- Selten, Reinhard and Massimo Warglien. 2007. "The emergence of simple languages in an experimental coordination game." *Proceedings of the National Academy of Sciences* 104: 7361-66.

Lecture 5: Management and Leadership

Surveys

- Ichniowski, Casey and Kathryn Shaw. 2013. "Insider Econometrics: Empirical Studies of How Management Matters." Chapter 7 in *Hndbk. Org. Econ*.
- Bloom, Nicholas, Renata Lemos, Raffaella Sadun, Daniela Scur, and John Van Reenen. 2014. "The New Empirical Economics of Management." *Journal of the European Economic Association* 12: 835-76.
- Gibbons, Robert and Rebecca Henderson. 2013. "What Do Managers Do? Exploring Persistent Performance Differences among Seemingly Similar Enterprises." Chapter 17 in *Hndbk. Org. Econ*.

Management

Henderson, Rebecca and Kim Clark. 1990. "Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms." *Administrative Science Quarterly* 35: 9-30.

Milgrom, P. and J. Roberts. 1990. "The Economics of Modern Manufacturing: Technology, Strategy and Organization." *The American Economic Review* 80: 511-528.

Kreps, D. (1996). "Markets and Hierarchies and (Mathematical) Economic Theory." *Industrial and Corporate Change* 5: 561-95.

Chassang, Sylvain. 2010. "Building Routines: Learning, Cooperation, and the Dynamics of Incomplete Relational Contracts." *American Economic Review* 100: 448-65.

Li, Jin, and Niko Matouschek. 2013. "Managing Conflicts in Relational Contracts." *American Economic Review* 103: 2328-51.

Ellison, Glenn and Richard Holden. 2014. "A Theory of Rule Development." *Journal of Law, Economics, and Organization* 30: 649-82.

Leadership

Hermalin, Benjamin. 1998. "Toward an Economic Theory of Leadership: Leading By Example." *American Economic Review* 88: 1188-1206.

Weber, Roberto, Yuval Rottenstreich, Colin Camerer, and Marc Knez. 2001. "The Illusion of Leadership: Misattribution of Cause in Coordination Games." *Organizational Science* 12: 582-98.

Van den Steen, Eric. 2015. "A Formal Theory of Strategy." Forthcoming in *Management Science*.

Hermalin, Benjamin. 2013. "Leadership and Corporate Culture." Chapter 11 in *Hndbk. Org. Econ.* (Section 2)

Camerer, Colin and Roberto Weber. 2013. "Experimental Organizational Economics." Chapter 6 in *Hndbk. Org. Econ.* (Section 6)