

Syllabus: Organizational Theory and Decision Making

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COVID-19: Exceptional Teaching Arrangements

In response to the currently ongoing COVID-19 pandemic the university has decided to put in place additional rules for teaching. The aim of these rules is to find a balance between giving students access to the campus and limiting the contamination of the student population with the virus as much as possible. The basic principle is that at most a third of the full student population should be on campus at a time.

As a consequence of these new conditions, it is impossible for me to teach the course in its usual format. However, I am convinced that we have the means and technologies that are necessary to deliver an interesting course to you. It is probably unavoidable that all of us must make an additional effort. But if we are willing to go the extra mile and to forge new paths jointly as a team, we can turn this semester into a big success. I count on you!

Description of the course content:

A large part of economic activity takes place within firms. In modern economies the total value of within-firm transactions is approximately equal to that of market transaction and the worldwide value of mergers and acquisitions is in the trillions. Understanding why firms exist, why they grow or shrink over time, and how they operate is essential. The course builds on prominent approaches in organizational economics and combines theoretical concepts with empirical data (experiments, field data) and managerial decision-making (case studies). The central topics are governance choices (vertical integration and outsourcing) and the internal organization of firms (incentives, hierarchies, and leadership).

Detailed description of the course content:

The course has two parts. In the first half of the course we focus on governance choices. In this part we are interested in understanding why firms sometimes decide to vertically integrate (e.g. Netflix's decision to produce their own original content) and sometimes decide to

outsource parts of their business (e.g. Acer's decision not to manufacture many of their products inhouse anymore). This discussion will lead us to some of the leading theories of the firm such as transaction cost economics and the property rights approach. Using a series of real-life case studies, we will examine how these theories can inform practical management decisions in the context of mergers and acquisitions and outsourcing. You will work on the case studies in groups. Your task will be to put yourself in the shoes of a consulting team that needs to prepare a presentation for the top management of a company.

The second half of the course concentrates on the internal organization of firms. A central problem in firms is that the natural incentives existing in pure market transactions are no longer present. We therefore discuss how managers can motivate their employees to operate in the interest of their firm. The principal-agent model delivers important insights on this issue. It illustrates how managers should structure compensation plans, which information they should use and how closely they should monitor their employees depending on the firm's technology, the characteristics of the work environment and the employee's preferences. Building on these basic principles for the provision of explicit incentives, we will extend the agency model and apply it to more complex and realistic environments where multi-tasking, teamwork and intertemporal spillovers make the motivation of workers difficult. We will see that in those contexts extrinsic motivation through rewards and sanctions alone will often not suffice to achieve the desired results. This leads us to a discussion of the role of social motives, norms and leadership. The case studies for the second part will be related to employee motivation problems in various industries and contexts. We will again rely on group work and simulate the task of a consulting team in charge of advising the managers of a company.

Organization of the Course:

The course will combine several different elements:

Live Introduction Session

We will do the first lecture all together online on Zoom. I understand that online lectures with many participants are less than ideal, but for the introductory session, this solution seems most productive. In this session I will explain the content and structure of the course in more detail and will also provide you with the opportunity to ask questions.

The Introduction Session will take place on September 17, 9-11.

Please use the following link and passcode to join the Zoom session:

<https://unil.zoom.us/j/99657548458>

Meeting ID: 996 5754 8458

Password: 332424

Theory

In "normal" times I would explain the theoretical part of the course in on-campus lectures. Unfortunately, this approach will not be feasible this year. Instead I will deliver the theoretical aspects in the form of short videos. I know that it is hard to watch long videos in front of a computer screen (in particular, if the video is not a movie, but a lecture about some theory). I

will therefore sequence the theory into short sections (10 to 20 minutes). In those videos I will focus on the core elements of the theory and I will provide you with further readings where you can find more details if you feel that you need them. All the videos will be accessible through the course webpage.

Empirical Studies

It is important to understand the extent to which the theories that we discuss are supported by empirical data. I usually discuss some empirical papers on each topic with the students in class. This year we will do it differently: you will read some empirical articles yourself. We will select articles that are adapted to your knowledge level and we will provide you with written guidance to help you focus on the most relevant aspects. For each research article that you read, we will also give you a document with questions. These questions will allow you to test yourself and check whether you understand how the results presented in the article support or contradict a certain theory. Of course, we will also provide you with the correct answers so that you can evaluate your own responses yourself.

Case Studies

For the case studies we will have presentation sessions. For the time being, we plan to have these sessions on campus. This should be totally unproblematic, because the number of people who need to be in the room at the same time will be very limited. In the presentation sessions, groups of students will participate in a role-play. The idea is that the students play the role of business consultants and, based on their previously acquired knowledge about theories and evidence, develop solutions to practical management problems (most often based on real issues that firms currently face or have faced in the past).

To keep the conditions comparable for all students, groups will be formed randomly in the first weeks of the course.

There will be several presentation sessions distributed over the semester. The consulting groups will prepare a strategy proposal that they present to a management team (played by the professor and the assistant).

Each group is allocated a total of 30 minutes. The presentation should take at most 15 minutes. The remaining time is used for discussion and feedback.

As a second task, each consulting group will also be present at the presentation of another group and will evaluate the presentation of this group. We will grade this peer-evaluation as well, so that the groups have incentives to provide detailed, honest and useful feedback. The peer-review will not affect the grade of the presenting group. All grades are determined by the professor and the assistant.

Q&A Sessions

To make sure that you have opportunities to ask questions and to create some more space for live interactions, we will also hold Q&A sessions. The format of these sessions is not yet entirely clear. We hope that we will find a solution to hold them on campus, but if this is not possible, we will hold them online (in smaller groups, so that real interaction is possible).

Course Evaluation: The final grade for this course is composed of two parts:

Written exam (75% of the final grade)

There is a written exam at the end of the course (2 hours). I will define the relevant material and the type of the exam questions during the course. The exam will either take place on campus or online, depending on the situation in January 2021.

Group work (25% of the final grade)

We will grade the group presentations and reports as explained above. The grades are assigned at the group level (all members get the same grade).

For those who need to retake the exam, there will be a possibility during the official retake-examination period (same conditions as the written exam). In this case, only the exam counts for the final grade. If somebody cannot participate in the first exam for medical reasons, the retake exam counts as the first attempt and the group work will be included in the grade.

Questions and Office Hours:

There will also be office hours with the assistant of the course. We will communicate the details on the webpage.

Homepage and Course Material:

There is an access-restricted website with information and materials for the course:

<https://moodle.unil.ch/course/view.php?id=18039>

On the webpage you will find all relevant materials for the course (the material will be uploaded when it is ready).

Due to copyright regulations we cannot provide free downloads of case studies on our webpage.

We have set up a course page on the servers of the Harvard Business Publishing Group. You can download all case studies there at an academic discount (up to 50%). We will communicate the link to this page in the first session of the course.
