



Management 719: Organizational Economics and Strategy
Fall 2009

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Office hours: Tuesday and Thursday 3:15pm-4:15pm (or by appointment)

Course description

This course examines the economic factors underlying value creation in organizational strategy. We shall explore the role of incentives, learning, knowledge spillovers, complementary assets, tacit knowledge, and organizational rigidity in the context of growth strategy: vertical integration, horizontal diversification, market entry and scaling up. Students who take this course will develop a sophisticated basis for creating and evaluating organizational strategies. Classroom time is devoted primarily to lively discussion of the cases and assigned readings, while the main deliverable is an original research paper on organizational economics and strategy. Because this is an advanced course that moves at a very rapid pace and builds on material covered in a number of core courses it is primarily geared toward second year MBA students and is only appropriate for the most advanced first year graduate students.

Your grade

Class participation	30%
Midterm exam	30%
Final paper	40%

Class sessions and participation

Class participation grades will be determined based on the overall quality of your individual comments and questions in each class.

Midterm exam

The first half of this course will be devoted to studying the fundamental concepts of organizational strategy. On Tuesday November 17th we will have a midterm exam that will review all the course material covered during the first seven sessions.

Paper

Following the midterm we will turn our attention to applying the course concepts to real world contexts of your own choosing in the form of an original research paper. The research paper should be completed in groups of at least two and no more than four. The paper must examine an organizational economics issue using a framework or frameworks discussed this course in the context of a single firm or a group of firms in an industry. The paper should describe how a firm (or group of firms) use organizational economics to create value, or show how organizational economics concepts can be used to identify inefficiencies in a firm's organizational system. I expect that the paper will be deeply researched using both primary and secondary data and that assertions will be well documented.

To ensure that research projects proceed on pace your grade on the paper will be computed, in part, based on achieving certain milestones. The milestones, along with the overall grading rubric, for the paper are listed below. We will discuss the precise nature of each deliverable in class.

<u>Milestone</u>	<u>Due date</u>	<u>Grade</u>
Topic approved	Thursday November 12	10%
One page summary	Thursday November 17	10%
5-page draft	Tuesday November 24	10%
Comments	Thursday December 3	20%
Presentation	Tu/Th December 8/10	20%
Rough draft	Thursday December 10	10%
Final paper	Tuesday December 22	20%

Two person teams should submit papers that are at least 15 pages long double spaced 12 font, plus bibliography and exhibits. Larger teams are expected to produce longer papers. The maximum length for a paper is 30 pages.

Course plan

Class 1: Course Overview (Thursday October 29)

Read: Ch 1. *Strategy and Structure* (Chandler)
Read: The Nature of the Firm (Coase)

Class 2: Incentives (Tuesday November 3)

Case: Safelite Glass
Read: “The Cost of High Powered Incentives” (Larkin)

Class 3: Contracting, vertical integration and investment (Thursday November 5)

Case: Celulosa Arauco
Read: Williamson (Chapter 1)
Read: Switching Costs and Vertical Integration in the Automobile Industry (Monteverde and Teece)

Class 4: Learning, spillovers and complementary assets (Tuesday November 10)

Case: EMI and the CT Scanner (A) & (B)
Read: Argote (Chapter 1)
Read: Dominance by Birthright (Klepper and Simons)

Class 5: Diversification (I) (Thursday November 12)

Case: Newell Co.
Read: Beatrice (Baker)

Class 6: Midterm Exam (Tuesday November 17)

Read: Strategies for two-sided markets (Eisenmann, Parker and Van Alstyne)

Class 7: Diversification (II) (Thursday November 19)

Case: IMG
Guest speaker: Matt Cenedella, VP Corporate Finance IMG

Class 8: Reading Exchange (Tuesday November 24)

Class 9: The challenges of growth (Tuesday December 1)

Case: People Express (A)

Read: Diversification and Organizational Rigidity (Rawley)

Class 10: Exploiting organizational rigidity (Thursday December 3)

Case: TheLadders

Read: Christensen

Guest speaker: Marc Cenedella, CEO TheLadders

Class 11: Team presentations (Tuesday December 8)

Class 12: Team presentations (Thursday December 10)

Final paper due Tuesday December 22nd