

The First Lecture on

## **The Economics of Organizations and Human Resources (LEOH)**

Prof. Robert Gibbons, MIT and NBER

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

APPLICATION DEADLINE: July 15

Goethe University Frankfurt, Campus Westend, RuW 4.201

21<sup>st</sup> to 23<sup>rd</sup> September, 2015

This is the first of a series of annual lectures for graduate students and faculty in economics and management science, jointly organized by Florian Englmaier, LMU, München, Guido Friebel, Goethe University, and Dirk Sliwka, University of Cologne. Each year, we will host an internationally renowned scholar who has contributed substantially to the economics of organizations and human resources. The event will rotate across the organizing institutions starting with Goethe University (2015), LMU (2016) and Cologne (2017).

The 2015 workshop covers three days. In the morning of each day, Robert Gibbons (MIT and NBER) will hold his lectures. In the afternoon, there will be workshops in which advanced PhD students or junior faculty (up to 2 years after PhD completion) will be given the opportunity to present their work. We expect a total of 60 participants, including senior faculty, allowing intensive discussions.

There is very limited space. To apply, please send an email to Sascha Wilhelm ([wilhelm@econ.uni-frankfurt.de](mailto:wilhelm@econ.uni-frankfurt.de)) including

- a short letter of motivation of up to 200 words
- for PhD students: a short letter of support of the academic supervisor (can be sent by separate mail)
- a CV
- and in case, you would like to present, a pdf of the paper or extended summary

Selected candidates will be notified by July 31.

We will charge a contribution of 300 Euro for the event for the cost of the study center, three lunches, refreshments, and one dinner. Accommodation and travel costs are not included.

Attached please find a bio of Robert Gibbons and the syllabus of the course. Further information will be available on <http://leoh.eu>.

## Biography: Robert Gibbons

*Sloan Distinguished Professor of Management, MIT Sloan School of Management and Professor of Organizational Economics, MIT Department of Economics*

May, 2015



Robert Gibbons's research and teaching concern the design and performance of organized activities, especially "relational contracts" (informal agreements so rooted in the parties' circumstances that they cannot be adjudicated by courts). Naturally, organized activities may occur within firms, but they may also occur between firms (e.g., supply relationships, alliances, joint ventures, and more) or beyond firms (such as in hospitals, schools, government agencies, communities, and more). He is a faculty member in MIT's Sloan School and MIT's Department of Economics, where he teaches management and PhD courses (respectively) and has received teaching awards from each. Since 2002, he has been co-principal investigator of MIT Sloan's Program on Innovation in Markets and Organizations (PIMO).

Outside of MIT, Gibbons has given short doctoral courses in organizational economics at Bergen, Zurich, EUI, Pompeu Fabra, Nanterre, Tinbergen Institute, Shanghai Jiao Tong, Sorbonne, Hitotsubashi, UNSW, and Chicago. He is a fellow of the American Academy of Arts and Sciences, the Econometric Society, and the Society of Labor Economists, founding director of the NBER working group in organizational economics, and a former board member at the Center for Advanced Study in the Behavioral Sciences and the Citicorp Behavioral Science Research Council.

In addition to writing papers, Gibbons has written one book, co-edited another, and is writing a third. His text *Game Theory for Applied Economists* (Princeton University Press, 1992) has been translated into Chinese, Greek, Hungarian, Italian, Japanese, and Spanish, he co-edited *The Handbook of Organizational Economics* with J. Roberts (Princeton University Press, 2013), and his forthcoming *Introduction to Organizational Economics* (Princeton University Press, 2017) is intended to make the field accessible to a broad set of theoretical and empirical economists and other researchers.

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

R. Gibbons, MIT and NBER  
September 21-23, 2015

### **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)