

# 61765 - Organizational Design

## Syllabus Information

**Academic Year:** 2020/21

**Subject:** 61765 - Organizational Design

**Faculty / School:** 109 - Facultad de Economía y Empresa

**Degree:** 555 - Master's in Management, Strategy and Marketing

**ECTS:** 3.0

**Year:** 1

**Semester:** Second semester

**Subject Type:** Optional

**Module:** ---

## 1.General information

### 1.1.Aims of the course

### 1.2.Context and importance of this course in the degree

### 1.3.Recommendations to take this course

## 2.Learning goals

### 2.1.Competences

### 2.2.Learning goals

### 2.3.Importance of learning goals

## 3.Assessment (1st and 2nd call)

### 3.1.Assessment tasks (description of tasks, marking system and assessment criteria)

## 4.Methodology, learning tasks, syllabus and resources

### 4.1.Methodological overview

We understand that in a Master's Degree students must acquire advanced knowledge in the topic of the course and at the same time develop competencies on how to use this knowledge in solving complex and unstructured problems. The teaching methodology tries to adapt itself to these goals by combining lectures, the reading of academic papers, and the case method for the purpose of acquiring professional competencies.

### 4.2.Learning tasks

The course includes the following learning tasks:

- Lectures.
- Students will prepare and discuss case studies, diagnosed problems and proposed solutions altogether in class.
- Reading of basic academic papers on economic analysis of organization.
- The possibility that students work on their own on a project in topics of their interest.
- Seminars, conferences and workshops.

**Note:** It is expected that classes will take place at the Faculty (offline). However, classes would take place semi-on-site or online if it were necessary due to safety reasons.

### 4.3.Syllabus

The course will address the following topics:

#### Topic 1. Introduction to Organizational Economics

- Rational behavior in Economics and other Social Sciences. Expected utility theory and risk taking behavior. Organizational contexts and the corresponding design problems
- Reading: V. Salas, *El Siglo de la Empresa*. Fundación BBVA. Madrid, Capítulo 1

#### Topic 2. The nature of the firm in market economies

- Division of labor and the organization of society: coordination and motivation problems. Why do firms exist in market economies? Entrepreneurs versus firms
- Reading: Coase, R. ?The nature of the firm?. *Economica*, 4, 1937, 386-405. *Incomplete contracts: Early papers*
- Case study: Celulosa Arauco: Technical boundaries of the firm: costs and demand factors.

#### Topic 3. Organization design: Self-management or Hierarchy?

- Self-management as an organizational design. Incentives problems in team production technologies with self-management design. What do bosses do?
- Reading. Alchian, A. y H. Demsetz. ?Production, information and economic organization?. *American Economic Review*, 62, 1972, 777-795.
- Complementary reading. *Multi-agent- contracting: Moral hazard in teams*
- Case Study: Irizar: How the workers' cooperative solves the internal coordination and motivation problems?

#### Topic 4. The complex capitalist firm

- The transition from simple to complex capitalist firms. The function of capital in production and organization. Agency problems in the capitalist firm. The decision to go public.
- Reading. Jensen, M. y W. Meckling. ?Theory of the firm: managerial behavior, agency costs and ownership structure?. *Journal of Financial Economics* 3, 1976, 305-360.
- Complementary reading. *Contracts under asymmetric information: Moral hazard*
- Case study: Patagonia: Business model. How ownership of the firm condition the business model decision? Shareholders versus stakeholders oriented capitalist firms.

#### Topic 5. Culture and trust in organizations

- The concepts of culture and trust. How culture and trust contribute to wealth creation. The concept and relevance of incomplete contracts. The economic value of reputation
- Reading. Kandel, E. y E. Lazear. ?Peer pressure and partnerships?. *Journal of Political Economy*, 100, 1992, 801-817.
- Complementary reading. *Implicit contracts: reputation*
- Case study: Irizar: Culture and trust in Irizar. How Irizar manages culture and trust. Is the competitive advantage sustainable?

#### Topic 6. Complementarity: The fit between strategy and organizational structure

- Coordination problems in organizations. Business models as coordination devices. The transition from the traditional to the modern business firm
- Reading. Milgrom, J. y J. Roberts. ?Complementarities and fit: Strategy, structure and organizational change in manufacturing?. *Journal of Accounting and Economics*, 19, 1995, 179-208.
- Case study. How Irizar and Patagonia assure the proper fit between strategy and structure?

#### Topic 7. The contractual approach to the boundaries of firms

- Transaction costs economics. Implicit contracts. The transaction costs of firms and markets. The factors that determine institutional specialization
- Reading. Hart, O. *Firms, contracts and financial structure*. Oxford: Clarendon Press, 1995. Chapters 1 y 2.
- Complement with *Incomplete contracts except Early papers*
- Case study: Celulosa Arauco. Explain the vertical integration of Arauco from the theory of transaction costs economics.

#### Topic 8. The firm as a sub-economy

- An integrated view of organizational design as a solution to coordination and motivation problems in collective actions.
- Reading. Holmstrom, B. ?The firm as a sub-economy?. *Journal of Law Economics and Organization*, 1999, 74-102.
- Case study. Organizational innovation in the digital economy: More market or more organization?

#### **Topic 9. The firm and society**

- Students' presentation of the course project, with special attention to social problems that are particularly related to organizational decisions of firms: Size and growth; income inequality; entrepreneurship; organizational capital; business models and social externalities.

#### **4.4.Course planning and calendar**

The course lasts 15 weeks, one session of two hours per week. Topics 2, 6 and 8 are covered in one week each; the rest of the topics in two weeks. The schedule of special activities and events as well as the detailed timing of students' presentations will be posted in the virtual platform ADD of the course.

#### **4.5.Bibliography and recommended resources**

[http://biblos.unizar.es/br/br\\_citas.php?codigo=61765&year=2020](http://biblos.unizar.es/br/br_citas.php?codigo=61765&year=2020)