

Theories of the Firm

Code: 104676
ECTS Credits: 6

Degree	Type	Year	Semester
2501572 Business Administration and Management	OB	2	2
2501573 Economics	OT	3	2
2501573 Economics	OT	4	2

Contact

Name: Miguel Ángel Garcia Cestona
Email: miguel.garcia.cestona@uab.cat

Use of Languages

Principal working language: catalan (cat)
Some groups entirely in English: Yes
Some groups entirely in Catalan: Yes
Some groups entirely in Spanish: Yes

Teachers

Carles Gispert Pellicer
Pere Ortin Angel
Juan Lloret Villota
Yulia Ponomareva

Prerequisites

There are no specific prerequisites, but it is recommended to have previously taken "Economia de l'Empresa I" or similar.

Objectives and Contextualisation

This course presents the vision that economists have about the organizations and, in particular, the main theories related to the firm and normally identified in English under the term "theories of the firm" and that in the course we will denominate "Teories de l'empresa". The course initially develops an analytical framework, as simple as possible, which allows to present the research question(s) for each theory concerning the firms. Later, we compare the main ideas contained in the different theories presented during the course. The analysis of different investments, the contracts between the various participants and their effects on the creation of value will be detailed throughout the course, also including numerous examples from real companies and contained in the media.

Competences

- Business Administration and Management
- Capacity for adapting to changing environments.

- Capacity for independent learning in the future, gaining more profound knowledge of previous areas or learning new topics.
- Capacity for oral and written communication in Catalan, Spanish and English, which enables synthesis and oral and written presentation of the work carried out.
- Delegate decision making to the workers and provide them with the necessary incentives so that those decisions are taken in the interest of the company as a whole.
- Demonstrate initiative and work individually when the situation requires it.
- Identify company competition, how they interact among themselves and the optimum strategies that can be drawn up in each case to stimulate competitiveness.
- Identify the positive contributions that companies make to society, developing socially responsible management and encouraging the development of objective instruments that allow for the measurement and valuation of such contributions.
- Lead multidisciplinary and multicultural teams, implementing new projects and coordinating, negotiating and managing conflicts.
- Organise the work in terms of good time management, organisation and planning.
- Select and generate the information necessary for each problem, analyse it and take decisions based on that information.
- Take decisions in situations of uncertainty, demonstrating an entrepreneurial and innovative attitude.

Learning Outcomes

1. A capacity of oral and written communication in Catalan, Spanish and English, which allows them to summarise and present the work conducted both orally and in writing.
2. Analyse the main motivation systems in companies.
3. Apply knowledge about market structures to identify companies' possible competitors and the ways in which they can compete with each other.
4. Assess the interaction between strategic formulation and the internal organisation of companies.
5. Capacity to adapt to changing environments.
6. Capacity to continue future learning independently, acquiring further knowledge and exploring new areas of knowledge.
7. Demonstrate initiative and work independently when required.
8. Design effective motivation policies.
9. Explain the origin and assess companies' contribution to social welfare.
10. Lead multidisciplinary and multicultural teams, implement new projects, coordinate, negotiate and manage conflicts.
11. Make decisions in situations of uncertainty and show an enterprising and innovative spirit.
12. Organise work, in terms of good time management and organisation and planning.
13. Perform a critical assessment of the economic efficiency and distribution of wealth problems generated by companies.
14. Select and generate the information needed for each problem, analyse it and make decisions based on this information.

Content

Unit 1. Theories of the Firm: Investments, contracts and value.

1. Motivation. The problem of the Organization.
2. Firm versus Market
Advantages and costs of the market solution
3. Economic theories of the firm
 - The firm as a nexus of contracts
 - The Agency theory
 - The Firm according to the Theory of Transaction Costs
 - Property Rights
 - Other Theories
4. Cases and examples

Unit 2: The presence of Specific Investments.

1. Specific investments and the related problems
2. Consequences of specific investments and possible solutions
Vertical integration, long-term contracts, outsourcing
3. The GM-Fisher Body case
4. The Iberdrola and BASF cases
5. Some numerical exercises and examples.

Unit 3: The presence of uncertainty in the firm, and risk assessment.

1. Motivation
2. Basic concepts and tools
Risk and lotteries
Variance, covariance, certainty equivalent
3. Examples of insurance contracts
4. Diversification of risk and the entrepreneur
5. Wealth, ownership structure and risk distribution.
6. Numerical exercises.

Unit 4: The presence of Information Asymmetries.

1. The concept of adverse selection, moral hazard and contracts.
2. Some common cases and the relevance of the problem.
3. Solutions to the adverse selection and moral hazard problem.
4. Numerical exercises.

Unit 5. The company, the entrepreneur and strategic decisions.

1. The founding entrepreneur and his challenges
2. Ownership and financing: Entrepreneur, workers and new organizational forms

Methodology

The type of teaching planned for this course is a face-to-face teaching. Throughout the course the different sections of the program will be developed. There are materials and activities that students should work prior to the lecture sessions. They will serve to motivate and improve the student's understanding. Also for each topic a series of exercises and activities is proposed to reinforce the contents. A few hours per week (tutorials) will be offered to meet students on an individual basis and answer the questions and doubts students may have. The proposed teaching methodology may undergo some modifications according to the restrictions imposed by the health authorities on on-campus courses.

Annotation: Within the schedule set by the centre or degree programme, 15 minutes of one class will be reserved for students to evaluate their lecturers and their courses or modules through questionnaires.

Activities

Title	Hours	ECTS	Learning Outcomes
Type: Directed			
Case discussions and problem sets solving	17	0.68	5, 1, 6, 7, 10, 12, 11, 14
Lectures	32.5	1.3	2, 3, 8, 9, 13, 4
Type: Supervised			
Tutorials and planned Activities	6	0.24	7, 10, 12, 14

Study course material, readings, exercises and suggested questions	88	3.52	2, 3, 5, 1, 6, 7, 8, 9, 10, 12, 11, 14, 13, 4
--	----	------	---

Assessment

There will be two elements in the final grade:

1) A continuous assessment of the activities suggested during the course. This ongoing evaluation will include a midterm exam (with a weight of 30%), problems sets, and an active participation in class discussions of the cases, small tests, news and exercises with a weight of 25%. Regular class attendance is required. The student must have participated / delivered / completed a minimum of 60% of the activities delivered during the course to be able to average participation with the other evaluation components.

2) A final examination (individual assessment and 45% of grade). This exam will have both a practical part (problems) and a theoretical part. The student needs a minimum grade of 3.5 /10 in the final exam. If this mark is not reached, the student will not be able to take a second-chance exam.

All students are required to perform the evaluation activities. If the student's grade is 5 or higher, the student passes the course and it cannot be subject to further evaluation. If the student grade is less than 3.5, the student will have to repeat the course the following year. Students who have obtained a grade that is equal to or greater than 3.5 and less than 5 can take a second-chance exam. The lecturers will decide the type of the second-chance exam. When the second exam's grade is greater than 5, the final grade will be a PASS with a maximum numerical grade of 5. When the second exam's grade is less than 5, the final grade will be a FAIL with a numerical grade equal to the grade achieved in the course grade (not the second-chance exam's grade).

A student who does not perform any evaluative task is considered "not evaluable", therefore, a student who performs a continuous assessment component can no longer be qualified with a "not evaluable".

Calendar of evaluation activities: The dates of the evaluation activities (midterm exams, exercises in the classroom, assignments, ...) will be announced well in advance during the semester. The date of the final exam is scheduled in the assessment calendar of the Faculty. *"The dates of evaluation activities cannot be modified, unless there is an exceptional and duly justified reason why an evaluation activity cannot be carried out. In this case, the degree coordinator will contact both the teaching staff and the affected student, and a new date will be scheduled within the same academic period to make up for the missed evaluation activity."* **Section 1 of Article 115. Calendar of evaluation activities (Academic Regulations UAB)**. Students of the Faculty of Economics and Business, who in accordance with the previous paragraph need to change an evaluation activity date must process the request by filling out an Application for exams' reschedule https://eformularis.uab.cat/group/deganat_feie/application-for-exams-reschedule

Grade revision process: After all grading activities have ended, students will be informed of the date and way in which the course grades will be published. Students will be also be informed of the procedure, place, date and time of grade revision following University regulations.

Retake Process: *"To be eligible to participate in the retake process, it is required for students to have been previously been evaluated for at least two thirds of the total evaluation activities of the subject."* Section 3 of Article 112 ter. The recovery (UAB Academic Regulations). Additionally, it is required that the student to have achieved an average grade of the subject between 3.5 and 4.9. The date of the retake exam will be posted in the calendar of evaluation activities of the Faculty. Students who take this exam and pass, will get a grade of 5 for the subject. If the student does not pass the retake, the grade will remain unchanged, and hence, student will fail the course.

Irregularities in evaluation activities: In spite of other disciplinary measures deemed appropriate, and in accordance with current academic regulations, *"in the case that the student makes any irregularity that could lead to a significant variation in the grade of an evaluation activity, it will be graded with a 0, regardless of the*

disciplinary process that can be instructed. In case of various irregularities occur in the evaluation of the same subject, the final grade of this subject will be 0". **Section 10 of Article 116. Results of the evaluation. (UAB Academic Regulations).**

The proposed evaluation activities may undergo some changes according to the restrictions imposed by the health authorities on on-campus courses.

Assessment Activities

Title	Weighting	Hours	ECTS	Learning Outcomes
Final exam	45%	2	0.08	5, 7, 12, 11, 14
Midterm exam	30%	2	0.08	5, 7, 12, 11, 14
Problem sets delivery, case presentations, in-class debates	25%	2.5	0.1	2, 3, 5, 1, 6, 7, 8, 9, 10, 12, 11, 14, 13, 4

Bibliography

The teaching team has prepared some materials for each unit. They will be available on "campus virtual". These notes also contain additional exercises and activities for each unit. In addition the following books will be used:

BIBLIOGRAPHY: (revised June 2022, editions updated to the latest availability)

DOUMA, Sytse and Hein SCHROUDER (2017): Economic Approaches to Organizations. Ed. Pearson, 6th edition.

FURTHER READING:

GIBBONS, Bob (2006): Four Formal(izable) Theories of the Firm, *JEBO*, 2005.

<https://www.sciencedirect.com/science/journal/01672681>

MILGROM, Paul y John ROBERTS (1993): Economía, Organización y Gestión de la Empresa. Ed. Ariel.

SALAS, Vicente (2007): El siglo de la empresa. Fundación BBVA.

<https://elibro.net/es/lc/uab/titulos/60301>

SERRA, Antoni (2003): Mercados, contratos y empresa. 2ª edición Servei de Publicacions de la UAB.

Software

No special software is needed to follow the course. It is sufficient to have a basic package that includes a spreadsheet, a text editor and a program for presentations.