



**CHAIR OF  
ORGANIZATION THEORY  
PROF. DR. PETER-J. JOST**

**ACTIVITY REPORT  
SEPTEMBER 1ST 2014 – AUGUST 31TH 2015**

**Professor Dr. Peter-J. Jost**  
**Assistant Professor Dr. Stefanie Schubert**  
**Post-Doc Assistant Dr. Miriam Zschoche**  
**Research Assistant Anna Frese**  
**Research Assistant Theresa Süsser**  
**Personal Assistant Karin Senfleben**

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**ANNUAL CONFERENCE OF THE GERMAN ECONOMIC ASSOCIATION OF BUSINESS**

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## TEAM



*Professor Dr. Peter-J. Jost*

Peter-J. Jost has been Professor for Organization Theory at WHU since 1995, and visiting professor at the Free University of Bolzano, Italy, from 2001 to 2011. He got his diploma degrees in mathematics and informatics and his doctoral degree in economics at the University of Bonn and his habilitation degree at the University of Basel. Professor Jost's research interests are Managerial Economics, Theory of the Firm, Labor Economics, Industrial Organization, and Law & Economics. He is the author of textbooks on Strategic Conflict Management, Organization and Coordination and Motivation. He is also founder and chairman of the "German Economic Association of Business Administration" (GEABA e.V.). From 2004 to 2005 he has been dean of WHU.



*Assistant Professor Dr. Stefanie Schubert*

Stefanie Schubert has been an Assistant Professor for Organization Theory and Management since September 2009. Her research focuses on industrial economics, particularly the use of game theoretic models to analyze the strategic behavior of firms. She studied Economics at the University of Heidelberg. From 2003 to 2008, she has been a research and teaching assistant at the University of Duisburg-Essen and visiting researcher at the research department "Labour Markets, Human

Resources and Social Policy" of the Centre of European Economic Research (ZEW) at Mannheim. Stefanie Schubert completed her PhD in 2009 with a thesis titled "Analysis of the German Social Security System Using Applied General Equilibrium Models". From May 2008 to July 2009, she has been a research assistant at the Chair of Organization Theory at WHU. She published in international journals such as the Journal of Health Economics and Economic Modelling.



*Research Assistant Dr. Miriam Zschoche*

Miriam Zschoche has been a post-doctoral researcher at the chair since May 1st, 2011. She studied Economics at the Universities of Leipzig, Potsdam, and Sydney before she worked for Fraunhofer headquarters in Munich. From 2007 to 2010 she was a research assistant and Ph.D. student at the Chair of Innovation and International Management, University of Augsburg. Between February 2013 and January 2014 she received a research scholarship from Fritz Thyssen Foundation. During this time she was a visiting researcher at Kellogg School of Management (Northwestern University). Her research interests are Strategic and International Management.



*Research Assistant Anna Frese*

Anna Frese joined the team as a research assistant at the Chair of Organization Theory in June 2012. She studied Business Administration

at WHU (B.Sc. and M.Sc.) and finished her studies in 2012. During that time, she spent two semesters abroad, namely at Stockholm School of Economics and Instituto Tecnológico Autónomo de México in Mexico City. Her majors were Strategy & Organization as well as Economics. She wrote her Bachelor Thesis on "Corporate Social Responsibility as Competitive Advantage" and her Master Thesis on "Optimal Group Size and the Role of Social Preferences". On May 30, 2015 she left the chair to concentrate on the completion of her dissertation project about price discrimination and quality uncertainty.



*Research Assistant  
Theresa Süsler*

Theresa Süsler joined the Chair of Organization Theory as a research assistant and Ph.D. student in March 2014. Before, she studied Business Administration with majors in Economics and Finance at WHU – Otto Beisheim School of Management (BSc and MSc). During her studies, she spent two semester abroad, namely at Olin Business School at Washington University in St. Louis and Università Commerciale Luigi Bocconi. She wrote her Bachelor Thesis on "Profit Maximizing Positioning in the Certification Industry: An Investigation of the Optimal Screening Process for Restaurant Guides" and her Master Thesis on "The Financial Crisis in the European Economy: A DSGE Model-based Analysis of Diverse Impacts in the North and South". Since May 2015 she has been receiving a doctoral scholarship from the Konrad-Adenauer-Stiftung. Currently, she is working on her dissertation project about company-customer interaction in mass customization.



*Personal Assistant  
Karin Senfleben*

Karin Senfleben joined WHU in 1988. She started as a secretary at the Chair of Finance of Prof. Dr. Adolf-Friedrich Jacob. Since 1995 she has been supporting Prof. Dr. Peter-J. Jost as his personal assistant at the Chair of Organization Theory.

## TEACHING

FALL TERM 2014

BACHELOR OF SCIENCE

### *Fun and Games*

Suppose you are playing tennis. Your rival is at the net and had just volleyed to you on the baseline. You are about to hit a passing shot. Should you play down-the-line or crosscourt? Conventional wisdom favours the down-the-line shot, because the ball has a shorter distance to travel to the net and so your rival has less time to react. However, if you would use this shot all the time, your rival would confidently come to expect it and prepare for it. So the shot would not be so successful. To improve the success of the down-the-line passing shot, you have to use the crosscourt shot often enough to keep your rival guessing on any single instance.

This course on Fun and Games will teach you how to think strategically in situations in which you interact with others. Strategic thinking, however, is not only important in playing tennis; it is prevalent in daily life at work and at home. Managers and corporations must use competitive strategies to survive in the market. Parents and kids bargain for pocket money or the assignment of house work. In all these situations it is better to be a good strategist than a bad one. This course aims to help you to improve your skills at discovering and using effective strategies. Good strategic thinking is an art and the science of strategic thinking is called Game Theory. In this course the basics of Game Theory are outlined with a good amount of fun. That means we will illustrate the theoretical insights with movies, case studies, applications and behavioural experiments:

- Movies we will see and interpret during this course are, for example, 'Indiana Jones and the last Crusade', 'Memento', 'Princess Bride', Stanley Kubrik's 'Dr. Strangelove', Woody Allen's 'Manhattan Murder Mystery', or 'A Rebel without Cause'.

- Case studies come from sport, culture, philosophy, and history such as Lance Armstrong and doping in professional sport, Galileo Galilei and the interrogation by the inquisition, Tosca and the bargain with Scarpia, Pascal's wager and the existence of God, the Invasion of Normandy, Sherlock Holmes and his final problem, the Monday Demonstrations in Leipzig, or Hernán Cortés' burning bridges.

- Applications to which we apply our insights are, for example, moral courage and the problem of helping, the parable and dilemma of the Good Samaritan, drug dealers and patrols on the beat, couples and their relationships, the war of attrition and the timing of capitulation, or civil unrest and the coordination for revolution.

- Experiments as an instrument to test and illuminate the validity of our theoretical predictions range from the sound of silence over tolerating laziness to why gambling the night away.

### *Interdependent Decision Making and Coordination*

Organizations are one of the few things we take for granted in our lives: Most people see the light of the day in a hospital, grow up in a family, start nursery at the age of three, school at the age of six and later, spend the twilight years of our life in an old people's home and are buried with the blessing of the church. We normally do not ask any questions about these organizations: how the hospital manages to get the gynaecologist to the place of our birth or how the undertaker organizes

our funeral is seldom of any interest to us. We only ever really take an interest in organizations when they go wrong; at the doctor's, for example, when we have to wait too long or at the post office when the queue is too long just before closing time, or when we are buying the latest make of car and the delivery time is three years.

This course on Interdependent Decision Making and Coordination will teach you how to identify those coordination problems and how to design the appropriate organizational structures for its solutions. As the introductory examples suggests, our discussions are not restricted to the analysis of the organizational design of firms. Instead, the aim of the course is to present a comprehensive unified approach suitable also for the analysis of other organizations such as marriage, family, church or hospitals. Regardless of how different these organizations are, they all have one characteristic in common: They are systems in which several individuals interact with each other in order to achieve certain common goal. The main focus of this course then is on the question, how the interactions between these individuals can be structured in such a way that their individual activities actually serve the common goal and their cooperation runs as smoothly as possible.

We will illustrate the theoretical insights with several practical case studies and behavioural experiments:

- Case studies come from firms such as McDonalds, Uber, Facebook or Amazon, industries such as the US motion-picture industry or the US aerospace production industry in the 20th century or from other organizations, for example, the German Parliament and its vote for Bonn versus Berlin, conservative churches and its growth, or the market for prisoners of war in the 17th century.
- Experiments as an instrument to test and illuminate the validity of our theoretical predictions range from the dark side of

friendship over women's ability to multitask to how to price Apple Maps.

### *Individual Decision Making and Motivation*

Imagine young children play a game under the supervision of adults. If the adults leave the room, would children keep on playing the game according to the rules or do anything else? How would you expect the behaviour of children to change if they were told that an invisible ghost is watching them? Clearly, many aspects – rational or irrational ones – have an impact on our motivation to do certain tasks, sometimes even ghosts!

What other aspects, besides ghosts, affect our behaviour? Do we act rationally? And how can we motivate others to do things we want to be done? In this course, you will learn important things about the behaviour of others, but also how you act – in business situations as well as in everyday life!

The course provides an economic-psychological approach for successfully interacting with others and managing employees. We concentrate on the employee as an individual member of an organization and deal with the different psychological influences on human behaviour in the work context. The course integrates important insights from psychological and sociological research into the management perspective on leadership. In particular, we will analyse differences between individual employees, their needs and their actions. Another important topic will be the limitations to rational behaviour, since cognitive and motivational effects distort the individual's actions. Given these conditions, we will work out requirements for the appropriate motivation of employees and analyse important problems that might arise in the work relationship.

We will illustrate the theoretical insights with several practical case studies and behavioural experiments:

- Case studies come from firms such as Lincoln Electric, Du Pont, or JP Morgan, from occupational groups such as the US air traffic controllers, or the English miners, from sociology with topics about Baby boomers, Gen X & Me, from psychology about how we play Blackjack, or how mood influences the choice of our luggage, from biology about the rationality of chimpanzees, or the primacy effect of turtles, from history about Hebrew slaves in ancient Egypt, book printing in 16th century Korea, or leaders in the American Civil War.

- Experiments as an instrument to test and illuminate the validity of our theoretical predictions range from the influence of emotions over the relation between overconfidence and success to why real leisure matters.

## MASTER OF SCIENCE

### *Game Theory*

Suppose your son asks for visiting a fast food restaurant to eat a hamburger. You are nutrition-conscious but your son threatens to run away from home if he gets no hamburger. Suppose you and your son are both rational and he asks you only once. What would you do? And does your decision change, if you believe that your son is self-destructive with some small possibility so that he actually would run away if he gets no hamburger although he is actually rational? And does your decision change, if, in addition, this interaction with your possibly self-destructive son is repeated every day, say for the next two years?

What has all this to do with your studies in management? What can you learn from this hamburger game? Take, for example, a situation where you as the manager of the only supermarket in town are facing potential entrants. To discourage entry you make your market look unattractive by pricing below marginal costs. The logic of such a predatory

pricing strategy then is similar to your son's reputation building strategy: If potential entrants are unsure about your profits in the market you can build up a reputation for being a tough incumbent by fighting entry through predatory pricing although you are a soft incumbent who loses with this strategy.

This course on Game Theory aims to help you to improve your skills at discovering and using effective strategies. We do that by introducing game theory with a good amount of fun. That means we will illustrate the theoretical insights with movies, case studies, and applications:

- Movies we will see and interpret during this course are, for example, 'A Beautiful Mind', 'The Dark Knight', 'The Good, the Bad, and the Ugly', 'Ransom', Marx's Brothers 'Go West', 'Swingers', or 'Pretty Woman'.

- Case studies come from politics, science, and history such as the extinction of the woolly mammoth; Operation Overlord and the D-Day, 6 June 1944; Trench Warfare in World War I; EU's immigration politics; or the Greek Crisis, 2015.

- Applications to which we apply our insights are, for example, the tragedy of the commons; exploiting first-mover advantages; selling ice cream on a beach; being first in tournaments; couples that mistake each other mutually; entrepreneurship and capital structure; or studying at WHU.

### *Contract Theory*

Suppose you are the CEO of a German bank. Since Josef Ackerman is your archetype of a successful banker you also want to achieve a 25% return on equity as Deutsche Bank some years ago. Although you know that such a high Return on Equity usually comes with more external financing this does not bother you: You remember your corporate finance lecture at university and Modigliani and Miller's Theorem that the way a firm is

financed is absolutely irrelevant as long as capital markets are competitive and efficient, and when there are no taxes and bankruptcy costs. Unfortunately, a colleague of you suggested to read the “Bankers’ New Clothes” by Hellwig and Admati. Their core message is that banks should be required to have more equity, a view which stands in direct contrast to become Mr. 25%. So what should you do? What happens, if Modigliani and Miller’s assumptions are not met in reality?

This course on Contract Theory aims to help you to improve your skills at discovering the essential economic drivers not only for answering this question but similar ones in a variety of different situations: How should government agencies set rules and regulations towards the purpose of reducing environmental pollution or avoiding tax evasion? What is the optimal design of contracts with suppliers to ensure high quality pre-products? How should parents incentivize their children to tidy up their room?

The common element of all these situations is that there are at least two actors involved, a principal and an agent. The principal has a project but no time, and the agent has time but no project. To generate the project's surplus they both cooperate and the principal delegates the project to the agent, who then acts on behalf the principal. If the agent is motivated to act in his own best interests rather than those of the principal, the principal then has to design a "contract" that motivates the agent to act in her interests. Contract Theory then is concerned with the optimal contract design by the principal. In this sense, this course is about inducing others to behave properly.

SPRING TERM 2015

BACHELOR OF SCIENCE

*Interdependent Decision Making and Coordination*

*Individual Decision Making and Motivation*

For descriptions, see Fall Term 2014, pp. 5-7.

*Seminar Strategic Vertical Integration*

A long-standing issue in economic theory concerns the determinants of the boundaries of firms. Why does it matter if a particular transaction is carried out inside a firm or through the market or via a long-term contract? From the neoclassical perspective the role of the firm cannot be determined.

In this seminar, students will get to know, compare, and discuss different economic approaches to answer this question.

DOCTORAL PROGRAM

*Selected Topics on Organization Theory*

Objective of the course was to introduce postgraduate and advanced students into a selected problem of organizational theory and to give an overview of existing literature in this research field. This year’s subject "Mass customization vs. mass production" was addressed by the following papers:

Dewan, R., Jing, B., & Seidmann, A. (2000). Adoption of Internet-based product customization and pricing strategies. *Journal of Management Information Systems*, 17(2), 9-28.

Loginova, O., & Wang, X. H. (2011). Customization with vertically differentiated products. *Journal of Economics & Management Strategy*, 20(2), 475-515.



Syam, N. B., Ruan, R., & Hess, J. D. (2005). Customized products: A competitive analysis. *Marketing Science*, 24(4), 569-584.

Syam, N. B., & Kumar, N. (2006). On customized goods, standard goods, and competition. *Marketing Science*, 25(5), 525-537.

Wong, H., & Lesmono, D. (2013). On the evaluation of product customization strategies in a vertically differentiated market. *International Journal of Production Economics*, 144(1), 105-117.

#### BACHELOR THESIS

*Francisca Fei: "Gender Differences in Leadership Behavior"*.

Modern corporations still face difficulties in ensuring gender equality, especially in high power positions. This thesis aims at analyzing implicit attitudes of women towards other women or men. Through game theoretical studies, we attempt to examine whether the lack of females in power positions could possibly be attributed to differences in how women and men treat each other once in leadership positions. We want to verify whether previously reported demeaning behavior of especially women towards women can be supported through economic games, namely the Ultimatum Game, the Public Goods Game and the First-Price Sealed Auction. We find men to be

more willing to lead than women. Leaders generally offer higher contributions towards an organizational goal than non-leaders. As predicted, we find differences in discriminatory behavior depending on employment status and gender combinations. Females in leadership positions tend to treat female subordinates less favorably than females who are mere colleagues to members of their own sex. For males, the effect was reversed: Males received a slightly more generous treatment in the leadership alternatives and were treated less favorably by colleagues. In light of these results, we suggest researchers to correctly identify and comprehend inter- and intra-sexual dynamics to put forth recommendations on how to adapt organizational setups. Topics such as 'solidarity amongst females' could and should be explored more vicariously.

## RESEARCH

### DISSERTATION PROJECTS

*Camilla Boschetti: Strategic Interactions within Multinational Companies: A Game-theoretical Analysis*

Thanks to the globalization process, which has invested the world economy in the last 40 years, firms have begun to evolve in order to respond to changed environmental conditions. The multinational company is nowadays a common organizational form. All the companies listed in the German stock exchange DAX 30 are multinational companies: they have their headquarters in the home country and several subsidiaries all over the world. Usually the strategic, administrative and personnel department are located in the home country whereas production as well as research & development are in the foreign market in order to respond quickly to market needs. The crucial feature of the multinational company is the ability to transfer knowledge from the unit owning it to those units, which can make best use of it. Moreover, some units have begun to distinguish themselves from other units due to the production, deployment and transfer of knowledge of use for the entire multinational company, the so called centers of excellence.

Aim of the work is that of shedding light on the structural and information interactions, which take place within the multinational company, within a theoretical model. For simplicity, the multinational company object of analysis has two subsidiaries. The headquarters, located in the home country and pursuing strategic as well as administrative tasks, has two subsidiaries in two different foreign markets.

Given the described organizational structure, the main research question leading the work may be subsumed as follows: should

the headquarters involve the subsidiaries in the knowledge development processes or should R&D be carried out centrally? These questions try to subsume two streams of literature, that is to say, the management literature as well as the economic literature. The role played by headquarter and subsidiaries within the R&D activities will be investigated, taken into consideration both the external competitors in the two markets of reference as well as the company-internal information flows.

Camilla Boschetti is Italian citizen. She studied Politics, Philosophy and Economics (PPE) as well as Economics and Management at the Free University of Bolzano (Italy) and received her Master of Science in Management from the University of Lugano (Switzerland). Since 2011 she has been an external PhD-student at the Chair of Organization Theory at WHU. Currently she is employed at Allianz Deutschland AG in Munich as a team leader in operations, commercial business fleet department.

*Anna Frese: A Strategic Analysis of Price Discrimination in the Presence of Quality Uncertainty*

This research project focuses on the widely used practice of price discrimination when consumers are ex-ante uncertain about the quality of a product. Contrary to suggestions of standard economic theory, consumers do not only care about their own material payoff, but might also compare themselves with other consumers. Past research has neglected the role of social preferences and thus may have over- or understated the optimality of price discrimination strategies. A firm can discriminate among consumers that are heterogeneous with respect to their tastes for quality. In this case, it might offer a higher

quality product to one segment, while selling a lower quality product at a reduced price to the other segment. When consumers compare the ratio of the price paid and the quality received with the price-quality ratio of the other segment, they will either feel disappointed if they have a higher price-quality ratio or happy if the difference is negative. This additional (dis-)utility obtained from the comparison with other consumers is a central element in the game-theoretical model. It does not only influence the purchase behavior of consumers, but does also alter the firm's incentives to sell and signal a particular quality level. The model will provide implications for strategic quality choices and the conditions under which price discrimination is the profit maximizing strategy.

Anna Frese has been a research assistant at the Chair of Organization Theory since June 2012 to May 2015. For more information, see page 4.

#### *Matthias Roedl: Index based insurance*

The concept of index based insurance is recognized as a promising developing aid tool to provide insurance, where such measures have not been applicable so far. It is said that an index based insurance is capable of handling the problems of transaction costs, adverse selection as well as moral hazard.

The overall objective and problem at the same time of the dissertation project is to develop a general insurance theoretical model of an Index based insurance, which helps to push the understanding of this concept forward. General in this context means that it is not intended to restrict the dissertation to the area of development aid, but instead aim to develop a universal model, which can be adapted to be applicable to the inherent issues of developing countries.

The dissertation shall consist of four main topics being discussed, the first topic being the demand side, via a general insurance

theoretical model. The second topic is the supply side, raising and discussing the question whether to offer an index or classic insurance from an insurer's point of view. Third, Matthias Roedl will discuss the impact of index insurance on the insured's willingness to undertake loss reducing efforts. And last, the possibilities in reducing observation costs, given correlated loss events on the insureds' sides will be discussed.

After finishing his studies of business administration at the FAU Erlangen-Nuremberg with a thesis about micro financing water supply systems in developing regions, Matthias Roedl spent some time abroad. Among others he worked for an NGO in South India fostering self-help groups providing several services to the beneficiaries, most prominent the support to establish micro finance groups. During this time, he also learnt about the idea of index based insurance. The particular pilot project he is referring to has the goal to provide flood insurance to stall holders on a market place. Therefore, a red dot was painted on a wall at the market place and insurance tickets, each reimbursing a fixed amount in case the water level exceeded the red point, were distributed. Currently, Matthias Roedl is working at Siemens HQ in Munich.

#### *Christof Schlindwein: Durable products, product improvements and secondary markets: A game-theoretic Analysis*

Used good markets are important transaction channels for durable products such as cars, mobile phones or books. It has been shown that such markets can increase profits for manufacturers under certain circumstances. For example, when a manufacturer introduces an improved version of his durable product, existing customers are more likely to buy the new version if they are able to sell their older product through a used good market. At the

same time, this can increase price competition for new customers.

The goal of the dissertation project is to develop a game-theoretic model to analyze different instruments that can be used by a strategic monopolist manufacturer to influence a used goods market. The model will provide implications depending on circumstances such as the level of product improvement and the knowledge of customers about future product improvements.

Christof Schlindwein earned his B.Sc. degree in Business Administration at WHU in 2008 and his M.Sc. in 2010 at the University of Mannheim. During his studies, he spent one semester at the University of Michigan. Since 2015 he has been an external PhD-student at the Chair of Organization Theory at WHU. Currently he is employed at the Boston Consulting Group in Munich.

*Theresa Süsser: Determining the optimal level of customization – A strategic analysis of costs and benefits in platform-based mass customization*

Highly transparent markets induced by the wider adoption of the internet and a shift in consumers' demand towards increased product variety mark the present competitive environment, leaving the established manufacturing concept of mass production as unsuitable behind. In the recent past, more and more firms started to maximize the value that their customers derive from a purchase by allowing them to individually customize a product that closely matches their ideal preferences in a cost efficient way. This increasingly adopted manufacturing concept of mass customization enables firms to counteract the painful race to the bottom of the cost curve and to regain their competitive advantages. Regardless of whether you want to pick the best-tasting toppings for your cereals, select your favorite laptop color, or configure your preferred pair of trainers – today there exists “a

high degree of customization across almost all industry segments”. Satisfying the broad scope of customer requirements comes, however, at the expense of increased costs and, thus, less profitability. In order to deliver highly differentiated products without forfeiting economies of scale, firms carefully consider how much customization, i.e. how many individually customizable options, to offer. Recent articles recognize the level of customization as critical strategic decision variable of firms. It is indeed observable that firms adopt different customization strategies, though operating in the same industry. While mi adidas offers custom-colored trainers and the option to imprint individual names and logos on the shoe, customers at NikeiD can additionally configure their optimal width and most comfortable insole. Despite the relevance for firms to strategically determine the optimal level of customization, extant work on product customization has not shed much light on this topic. In their quest to manage product variety and costs, firms increasingly consider integrated product development approaches. One such widespread approach is platform-based product development, defined as the collection of assets that are shared by a set of products, which provides the technical basis for accommodating customization, managing variety and leveraging existing capabilities.

This dissertation project aims to combine the existing research on mass customization and platform-based product development, focusing explicitly on the trade-off between economies of scale from commonality and product distinctiveness from customization. The monopolist firm, serving a horizontally differentiated market, has not only to decide whether to adopt mass production or mass customization, but also on the optimal level of customization.

Theresa Süsser has been a research assistant at the Chair of Organization Theory since March 2014. For more information, see page 4.

## DISSERTATIONS

*Sebastian Burchhardt: Identity driven Contests with Endogenous Entry - A Principal-Agent-Model on employee's positioning within Corporations and its impact on the success of Corporate Mergers and Acquisitions*

Since the middle of the 20th century, companies have increasingly responded to the challenges of a globalizing economy by making organizational changes. One of various options is to merge with other companies or to acquire organizational units or spin them off in order to integrate them in another organizational context. Although researchers generally agree on the advantages and targets of corporate mergers and acquisitions (M&A), practical experience has unfortunately shown high failure rates.

Up to the end of the past century, M&A-oriented research literature mainly focused on aspects of successful partner selection and evaluation. Since then, however, organizational research has been increasingly and selectively looking into the reasons for the observed high failure rates of M&A. One of the reasons mentioned is that the psychological impact of M&A activities on the employees involved and their motivation is underestimated right from the earliest stages of the change process. The M&A literature has therefore coined the catch-all phrase “merger syndrome” to describe the psychological symptoms employees might face during the preparation and realization of M&A activities. Among the possible consequences are frustration, hassle and depression, followed by internal dismissal and a turnover of talented employees, ultimately resulting in a loss of productivity and profitability.

In his dissertation, Sebastian Burchhardt develops a game theory model that analyzes the possible behavioral patterns of employees during M&A processes and the impact of such

patterns on the success of the transaction itself. Since current research into M&A failure rates focuses strongly on the “Social Identity Theory”, the approach taken by this new model is a combination of classic contest and identity models. The result is the development of a principal-multi-agent model that allows for endogenous contest entry driven by identity. Since no existing economic model describes a potential contestant's decision to participate as being “identity driven”, the thesis helps to close the respective research gap. In addition, the model proposes guidance for practical M&A management.

Dr. Sebastian Burchhardt studied Business Economics and Management at the Ludwig-Maximilians University in Munich. He has been an external PhD-student at the Chair of Organization Theory from September 2009 until April 2015. Currently he is assigned as the “Head of Financial Planning & Analysis” at Sivantos GmbH (former Siemens Audiology branch) in Erlangen.

*Steffen Reik: The strategic Influence of Information in Credence Good Markets – A Game-theoretic Analysis*

Credence good markets, such as those for car repairs and medical treatments, are generally characterized by the ex ante and ex post information asymmetry between the uninformed buyers and the informed seller of a product. These markets are thus potential subject to fraud by the seller, either by overtreating, undertreating or overpricing customers. The FBI, for example, estimates that up to 10% of the US health care spending of about 3 trillion USD are due to existing fraud in the market. As major influences regarding the existence of fraud and overall social welfare, studies have identified four important attributes of a credence good market: the level of competition, the liability of sellers, the verifiability of the product and economies of scope between diagnosis and treatment.

In his dissertation, Steffen Reik identifies a fifth important influence: the heterogeneity of customers regarding their information towards the credence good. His findings show that informed customers may destroy efficient equilibria in monopolistic markets and thus influence social welfare negatively. His findings further highlight the importance of a liable seller for efficiency and level of fraud in credence good markets with only a single seller, while the verifiability of the product plays a crucial role regarding efficiency and level of fraud for markets under competition.

Dr. Steffen Reik has been a research assistant at the Chair of Organization from October 2009 to August 2014. His current position is Strategic Assistant to the CEO at PHOENIX group, Mannheim.

## RESEARCH PROJECTS

*Peter-J- Jost, Stefanie Schubert and Miriam Zschoche: Incumbent Positioning as Determinant for Strategic Response to Entry: Evidence from the High-Quality Restaurant Market*

Extant research has identified diverse firm characteristics that determine an incumbent's reaction towards market entrants. This study widens the perspective from a firm's absolute attributes to its relative positioning within its competitive environment. In doing so, the study integrates theoretical and empirical methods. First, we derive hypotheses from a game-theoretic analysis. On a vertical dimension, we predict a stronger quality and price reduction of firms positioned at the higher end of quality and price before entry, than at the lower end. On a horizontal dimension, we interpret firms' product varieties as attributes and argue for a non-monotonic relationship between a firm's positioning and its reaction towards entry. As a second step, an empirical analysis using a novel dataset of the

high-quality restaurant market in Germany verifies the theoretical assumptions.

*Peter-J- Jost and Miriam Zschoche: Efficient Organization of Dynamic Capabilities: Exploiting Complementarities by Organizational Bundling*

A firm's ability to change is decisive for sustaining its competitive advantage in a volatile business environment. This study complements extant research that emphasizes the importance of human resources as a key determinant of a firm's "dynamic capability" by applying an organizational viewpoint. Building theoretically on the interplay of strategy and structure, we argue for the following relationships between structure, strategy, and performance: First, the better the fit of strategic, coordinative, and motivational capabilities, the more successful are firms' change projects. Second, this fit of change capabilities will be higher when they are bundled in one organizational unit. Third, the establishment of an organizational unit that concentrates change capabilities is determined by the type of change projects and the dynamic of the business environment. A management survey involving German firms supports our hypotheses.

*Peter-J. Jost and Stefanie Schubert: The Effects of the Three-Point Victory Rule on a Soccer Team's Strategic Behaviour*

This paper analyses the impact of the three-point victory rule on contest incentives in soccer, which had the objective of more attractive competitions by a larger number of goals. A game-theoretic analysis is presented, where soccer is modeled as a two-stage contest between two heterogeneous teams. Teams choose their optimal number of attacking and defending players in both halves of the game, which determines the probability of scoring a goal and the outcome of the match. Using data from different seasons of the German Premier

League (1. Bundesliga), we find that the more defending and the less attacking players, the higher the probability of winning a match. Our data does not support the three-point victory rule with respect to an increase in the number of goals.

*Achim I. Czerny, J. van Ommeren and Peter-J. Jost: Why Pay for Jobs (and Not for Tasks)?*

We address the question whether a prize should be rewarded for tasks or whether one prize for jobs yields the better incentives to invest in efforts. We show that from the principal's perspective the ranking of tournament designs crucially depends on a prize diluting effect and a noise effect. The prize diluting effect captures that multiple tournaments require several winner prizes, so the agents' incentives to exert effort in each tournament diminish. This effect makes single tournaments more attractive. However, the noise effect which captures the size of the marginal winning probabilities under different tournament designs, may make a single tournament less attractive because the variance of random terms which determine the agents' incentives to invest in effort is affected by the type of tournament design. We analyze this trade-off in different setups. In particular, we find a clear advantage of a single tournament relative to multiple tournaments when random errors are identically normally distributed. This result also holds when errors are correlated between tasks and between agent's productivity."

*Anna-Rohlfing-Bastian and Peter-J. Jost: Benefits of Delegating Decision Authority: An Incentive Contracting Perspective*

The paper analyzes the benefits of delegating decision authority to lower hierarchical levels in an environment with moral hazard and limited liability. A principal as firm-owner is confronted with a series of

projects which require the productive input of two agents. As projects differ with respect to their task-related issues, the coordination of the agents' activities is essential. We answer the question of whether the principal should be in charge of coordination (centralization) or one of the agents (decentralization)? We explain the existence of both organizational structures on the basis of pure incentive consideration and show that decentralization can be optimal for the principal. As an extension, we explain under which circumstances it is beneficial for the principal to also delegate the incentive contracting authority to the coordinating agent (contract decentralization).

#### PUBLICATIONS

- Jost, P.-J./Schubert, S./Zschoche, M. (2015): Incumbent Positioning as a Determinant of Strategic Response to Entry, *Small Business Economics*, 44: 577–596.
- Zschoche, M.: Performance Effects of Divesting Foreign Production Affiliates: A Network Perspective, Long Range Planning, *forthcoming*.
- Jost, P.-J./Zschoche, M.: Organizing Dynamic Capabilities: Exploiting Complementarities by Organizational Bundling, *Journal of Competence-Based Strategic Management*, *forthcoming*.
- Zschoche, M.: The Effects of Foreign Direct Investment Colocation: Differences Between Manufacturing and Service Firms, *Managerial and Decision Economics*, *forthcoming*.

#### PRESENTATIONS

- M. Zschoche: Make-or-buy Decisions in Platform Markets (with M. Reisinger). Strategic Management Society Annual Conference, September 20-23, 2014, Madrid.

- Stefanie Schubert: Power to the People: The Success of Peer-to-Peer Services (with P.-J. Jost). VHB Annual Conference, May 27-29, 2015, Wien.
- Stefanie Schubert: Power to the People: The Success of Peer-to-Peer Services (with P.-J. Jost). DRUID15 Conference, June 15-18, 2015, Rom.
- Stefanie Schubert: Zero-Cost Imitation through 3D Printing - New Opportunities for Copycats. PET15 Conference, Association of Public Economic Theory, Talk and session chair, July 1-4, 2015, Luxemburg.
- M. Zschoche: Public and Family Firms' FDI: Patterns and Performance Implications of Legitimacy Seeking Behaviors (with S. Fourné). Academy of Management Annual Meeting, August 7-11, 2015, Vancouver.

#### REFEREE ACTIVITIES

- Referee and Scientific Advisor for the Regular Program of the German-Israeli Foundation (GIF).
- Comparative assessment for the „Wissenschaftspreis der Kurt und Felicitas Viermetz Stiftung 2014“ awarded by the University of Augsburg.
- Review of submissions to the XVI. Symposium zur ökonomischen Analyse der Unternehmung 2015.
- Report on submissions to the VHB Annual Conference 2015.
- Assessments for the admission of WHU students to the Studienstiftung des Deutschen Volkes.
- Journal article reviews for Journal of Institutional and Theoretical Economics (JITE) and Review of Managerial Science.



XV. SYMPOSIUM ZUR ÖKONOMISCHEN ANALYSE DER UNTERNEHMUNG  
ANNUAL CONFERENCE OF THE GERMAN ECONOMIC ASSOCIATION OF BUSINESS  
ADMINISTRATION, GEABA E.V.  
SEPTEMBER 22-24, 2014, UNIVERSITY OF REGENSBURG

As chairman of the German Economic Association of Business Administration, GEABA, e.V., Peter-J. Jost organized the 2014 annual conference. The location this time was the University of Regensburg.



The topic “Evidence-Based Management” was highlighted from different perspectives in three open sessions by the following guest speakers:

- Iwan Bananky, Wharton University of Pennsylvania:  
„Managing the Modern Workplace: Field Experimental Evidence on Employee Performance and Health Management“
- Guido Friebel, Goethe University Frankfurt:  
„The Internal Economics of the Modern Firm“
- Florian Englmaier, LMU München, and Dirk Sliwka, University of Köln: „From the Lab to the Field and Back – The Use of Complementary Methods“

During the three conference days, 36 researchers presented their papers. The best young researcher finally received the “Walther Rathenau-Award“ and a cheque of 500 Euro donated by GEABA. The “René Descartes-Award” together with a cheque of 250 Euro was awarded to the best referee report.

