

The Carnegie School



Herb Simon

- > B. 1916 in Wisconsin
- > U of Chicago PhD in political science (1943)
- > Contributions to economics (bounded rationality, "satisficing," near decomposability), cognitive psychology (decision-making, artificial intelligence)
- > 1978 Nobel Prize
- > Organizations (1958) and Administrative Behavior (1947), Sciences of the artificial (1969, 1996)



Richard Cyert

- > B. 1921 in Minnesota
- > Columbia PhD in economics (minor in statistics) in 1948
- > Contributions to Bayesian statistics, organization theory
- > President of Carnegie Mellon, 1972-1990.
- > Behavioral Theory of the Firm.



James March

- > BA from UW Madison
- > Professor emeritus at Stanford (1970-)
- > Decision-making contributions: Behavioral Theory of the Firm and "The Garbage Can Model of Organizational Choice"

Carnegie School Concepts

- > Models & empirical observations must be closely linked
- > Firms have multiple goals and usually focus on "satisfactory profits" not profit-maximization
- > Firms do not have perfect knowledge but rather face risk and uncertainty
 - > *Satisficing* – adequate, not optimal, solutions
- > *Cognitive limitations, bounded rationality* – people are unable to perform economic optimization, so they rely on *routines* and *heuristics*
- > *Problemistic search* – unmet aspirations creates perception of a problem, shift in attention to a particular goal, and search continues sequentially until a satisfactory solution is found
- > Constant conflict between coalitions within the organization create a system of side payments, or organizational slack that stabilizes the system.

Continuing Impact

Students	Theory		Methods
	Direct Impact	Influenced	
<ul style="list-style-type: none"> >Williamson >Prescott >Vroom >Nelson >Starbuck >Bromiley >Sarasvathy 	<ul style="list-style-type: none"> >Legitimization of process models >Decision-making >Evolutionary economics >Organizational learning >Behavioral economics 	<ul style="list-style-type: none"> >Institutional theory >Population ecology >Organizational economics >Agency theory 	<ul style="list-style-type: none"> >Qualitative research >Simulation