

# Motivation and the Determinants of Firm Boundaries

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Room 41 via Sarfatti 25

# BOCCONI



Università Commerciale  
Luigi Bocconi

## Welcome Address

**Maurizio Zollo**  
Università Bocconi

## Guest Speaker

**Oliver Gottschalg**  
HEC Paris

## Paper Abstract

This paper offers novel insights into the determinants of firm boundaries.

Drawing on motivation theory as the primary analytical tool, we identify several sources of diseconomies of scale and scope that decrease the likelihood of task integration. The underlying model points to the role of motivational preferences of employees, motivational requirements of different sub-tasks, employees' tolerance for inequality and motivational capabilities of the organization as factors that influence the choice of firm boundaries. The corresponding arguments are complementary to the insights offered by transaction cost-based and competence-based approaches to the question of firm boundaries. Their joint consideration enables us to increase the accuracy and explanatory power of our predictions regarding make-or-buy decisions.