

# A framework for the study of firms as constitutional orders

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**Abstract** Much of the literature on corporate performance focuses on institutional restructuring, and implicitly assumes that constitutional factors are determined exogenously. Existing theories of the firm—whether a “goal paradigm” or an “exchange paradigm”—provide useful insights; but we find them incomplete because they miss the extent to which companies build unique and meaningful constitutional orders. Building on Vanberg (Const Polit Econ 3(2):223–253, 1992), we investigate the extent to which the field of constitutional political economy (CPE) can improve our understanding of organisations, by providing a typology of CPE that can be applied to a study of firms. We make a distinction among (1) operational; (2) institutional; and (3) constitutional levels of management, and based on the CPE literature argue that “constitutional” considerations help us to define the boundaries of a firm and its operational environment.

**Keywords** Constitutional management · Theory of the firm · Institutions

**JEL Classification** B53 · D23 · L22 · P51

*The same exacting thought, rooted in the realities of human nature, that the framers of the US Constitution put into building a nation of entrepreneurs, Charles Koch (CEO of Koch Industries) has framed to build an enduring company of entrepreneurs.*

Verne Harnish (Quoted on dust jacket of Koch 2007).

## 1 Introduction

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