

Abstract

In the field of organization studies, two types of theories of the firm exist: "why" and "how" theories. "Why" theories use the instrument of comparative analysis to explain why firms exist despite various institutional alternatives. "How" theories, in contrast, employ intra-organizational perspectives to explore how firms meaningfully connect the actions of many interdependently operating individuals to collective outcomes. Since both theories are complements rather than substitutes, the field of organization studies would benefit from the development of a parsimonious theory that integrates "why" and "how" perspectives. It is argued that Max Weber's writings on bureaucracy, and especially his focus on the organization as a set of decision rules (*Urteilsgründe*), provide an exceptionally meaningful conceptual background structure for such a theory. The paper demonstrates that a Neo-Weberian, decision rule-based theory of the firm can simultaneously provide reasons for the existence of the firm and explore the nature of coordination and cooperation within the firm itself.