

B ADM 547: Research in Strategy Process

Monday 1:00-3:50

Room 4001 BIF

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OVERVIEW

The course studies the processes behind strategy formulation and implementation, as opposed to the content of strategy decisions. Because strategy process is intimately tied to the behavior of individuals and groups, we will take a behavioral approach to the study of firm strategy. As McGuire (1964) described it:

The behavioral frame of reference [for studying firms] usually consists of concepts which have the following features in common: (1) The assumption that it is actors within the firm, rather than the firm itself, that act; (2) That behavior is conditioned by personality as well as environmental factors; (3) That, as a minimum, behavioral processes examined must take into account the cognition, perception, beliefs, and knowledge of the actor(s); and (4) That rewards, or goals, are oftentimes complex.

We will also work from what McGuire termed the “organizational” view:

Organizational concepts of the firm...vary considerably in their details. The majority of these, however, appear to possess at least three features in common: (1) The concept of the firm as a complex pattern of personal relationships rather than a framework in which actors perform; (2) The omission of the traditional assumption of strict rationality, and its replacement with any one of several types of qualified assumptions of rationality; (3) The assumption, often only implicit, that the firm is a homeostatic socio-economic organization with the underlying goal of survival.¹

Thus, we will draw upon the rich research literature in the behavioral sciences to study the cognitive, social, cultural, and political aspects of strategy formulation and implementation in complex organizations. The course objective is threefold:

- Read and critically analyze current behavioral research that addresses the strategic processes operating at different levels within and among organizations.
- Examine diverse research models and types of data that exist within the behavioral tradition.
- Identify and evaluate possible directions for future research.

CLASS FORMAT

Most class sessions will consist of two segments.

1. Presentation and discussion of required readings
2. Discussion of the writing process

Required readings: A pair of students will be designated to lead discussion of the required papers. *All* students are expected to have read each of these papers. Your preparation should be detailed and thorough, so as to form the basis for meaningful discussion in class. The purpose of this segment is to provide a deep understanding of fundamental issues.

Discussion of the writing process: Our long-term success in the professions depends on our ability to publish. Rather than producing a term paper, we will focus deeply on several critical steps of the writing process: the research question, hypotheses development, and the introduction. I will ask you to envision a paper you would like to write (or are writing) and develop these sections of it over the semester.

¹ Cited verbatim from Joseph McGuire. *Theories of firm behavior*. New York: Prentice-Hall. 1964, pages 27 & 30. Although old, McGuire's overview is one of the best I've ever seen.

EVALUATION

I will base grading for the course on the following criteria. Note that I will base your final grade on the material that you hand in by the due date. Grades of Incomplete or deadline extensions will only be considered in the most extreme of situations.

- Contribution to class discussion (40%)
- Discussion leadership (30%)
- Exercises on the writing process (30%).

MATERIALS

Materials will be distributed via my website

<http://public.me.com/ghoetker>

You will be asked to log in. The password is *2010_ba547*. Capitalization matters.

There is no required textbook, although there are two books that I strongly encourage you to buy. Neither, however, is required.

Williams, Joseph M. (1997). *Style: Ten lessons in clarity and grace*. New York: Longman.

No matter how good your ideas are, the clarity of your exposition will play an important role in readers' understanding of your arguments and contributions. Some academic writing provides a wonderful example of good writing. Most, unfortunately, does not. In ten simple rules, Williams provides a wonderful guide to becoming a more persuasive, interesting, and graceful writer.

Baum, Joel A.C. (2002). *The Blackwell Companion to Organizations*. NY: Blackwell.

Okay, it's 957 pages long and over \$100 in hardback. I still think it's worth the cost and the weight. 38 essays cover a huge range of organization-related fields of research. As a starting place to identify key literature and current issues, it's hard to do better.

SESSION OUTLINE

Session 1: Overview of Behavioral Research in Strategy and Introduction to the "Carnegie School"

Background and key questions

This session has two separate goals. First, we will gain an overview of strategy process research, as distinct from strategy *content* research. Second, we will touch on some foundational issues underlying strategy process research.

1. What is the scope and purpose of process and behavioral research in strategy?
2. How can/does/should the study of strategy process differ from the study of strategy content?
3. What is bounded rationality and why does it matter in the study of strategy process?

Required readings

The study of strategy process research

1. Huff, A. S. & Reger, R. K. 1987. "A review of strategy process research." *Journal of Management*, 13(2): 211-236.
2. Van de Ven, A. H. 1992. "Suggestions for studying strategy process: A research note". *Strategic Management Journal*, 13(Summer Special Issue): 169-188.

The foundations of the behavioral view of the firm (a.k.a. "the Carnegie School" for the most part)

1. March, James G. (1978) Bounded rationality, ambiguity, and the engineering of choice. *Bell Journal of Economics* 9: 587-608.
2. McGuire, Joseph W. (1964) *Theories of Business Behavior*. Englewood Cliffs, NJ: Prentice-Hall, Inc. Chapter 2
3. Simon, Herbert A. (1959) "Theories of decision making in economics and behavioral science." *American Economic Review*, 49:253-283.

Session 2: Organizational evolution and the development of capabilities

Background and key questions

This week's readings discuss how organizations evolve over time, with the related ideas of *routine* and *capabilities* taking a leading role. These concepts, in one form or another, are foundations for the knowledge-based and resource-based views of the firm.

1. What is a working definition of a "routine"?
2. How might we measure routines and capabilities?
3. What are the positive and negative impacts of routines?

Required readings

1. Nelson, R. and S. G. Winter (1982). An evolutionary theory of economic change. Cambridge, Mass: Harvard University Press. Chapters 3-5.
2. Kogut, B., and U. Zander. 1993. Knowledge of the Firm and the Evolutionary-Theory of the Multinational-Corporation. *Journal of International Business Studies* 24(4): 625-45.
3. Leonard-Barton, Dorothy (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, 13 (Summer): 111-125.
4. Teece, D.J., G. Pisano, and A. Shuen. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal* 18(7): 509-33.

The writing process

Write a research question that would motivate a paper you want to write. Bring two copies to class, one to submit and one to discuss.

Session 3: Organization evolution continued. The possibility of non-evolution.

Background and key questions

The degree to which firms can evolve in response to changing environmental conditions is the topic of debate. *Organizational ecology* or *population ecology* is a sub-field of organization theory that draws on concepts of natural evolution, in particular, selection forces, to model the evolution of populations of firms. Organizational ecology covers a diverse range of topics, with much of the most exciting recent work being done on the birth of new industries and new organizational forms. Given the purpose of this class, I've focused on more traditional org. ecology papers that directly address organizational (non)change. Please consider the following questions.

1. Does organizational ecology argue that firms can't change?
2. Why do you think strategic management has resisted organizational ecology?
3. What is the connection between Nelson and Winter and organizational ecology?
4. Even if one isn't willing to adopt organizational ecology wholesale, what does organizational ecology have to offer to the strategy literature?

Required readings

1. Amburgey, T.L., Kelly, D. & Barnett, W.P., 1993. Resetting the clock: The dynamics of organizational change and failure, *Administrative Science Quarterly* 38 (1): 51-73

2. Barnett, William P. and Glenn R. Carroll. 1995. "Modeling internal organizational change." *Annual Review of Sociology* 21:217-236.
3. Hannan, M.T. & Freeman, J., 1984. Structural inertia and organizational change, *American Sociological Review* 49 (April): 149-164
4. Henderson, Andrew D. 1999. "Firm strategy and age dependence: A contingent view of the liabilities of newness, adolescence, and obsolescence." *Administrative Science Quarterly*, 44:281-314
5. Mitchell, W. 1989. Whether and when? Probability and timing of incumbents' entry into emerging industrial subfields. *Administrative Science Quarterly* 34: 208-30.
6. Swaminathan, A. 2001. Resource partitioning and the evolution of specialist organizations: The role of location and identity in the US wine industry. *Academy Of Management Journal* 44 (6): 1169-1185.

Exemplar papers

1. Afuah, A. 2001. Dynamic boundaries of the firm: are firms better off being vertically integrated in the face of a technological change? *Academy of Management Journal* 44(6): 1211-28.
2. Amburgey, T.L., and A.S. Miner. 1992. Strategic Momentum - the Effects of Repetitive, Positional, and Contextual Momentum on Merger Activity. *Strategic Management Journal* 13(5): 335-48.
3. Baum, J.A.C., and J.V. Singh. 1996. Dynamics of organizational responses to competition. *Social Forces* 74(4): 1261-97.
4. Brown, Shona and Kathleen M. Eisenhardt. 1997. "The Art of Continuous Change: Linking Complexity Theory and Time-Paced Evolution in Relentlessly Shifting Organizations." *Administrative Science Quarterly* 42:1-34.
5. Dowell, G; Swaminathan, A. 2000. Racing and back-peddaling into the future: New product introduction and organizational mortality in the US bicycle industry, 1880-1918. *Organization Studies* 21 (2): 405-431.
6. Haveman, H.A., 1992. Between a rock and a hard place: Organizational change and performance under conditions fundamental environmental transformation, *Administrative Science Quarterly* 37(1): 48-75
7. Karim, S., and W. Mitchell. 2000. Path-Dependent and Path-Breaking Change: Reconfiguring Business Resources Following Acquisitions in the US Medical Sector, 1978-1995. *Strategic Management Journal* 21 (10-11): 1061-81.
8. Miner, A.S., T.L. Amburgey, and T.M. Stearns . 1990. Interorganizational linkages and population dynamics: Buffering and transformational shields. *Administrative Science Quarterly* 35: 689-713.
9. Tripsas, Mary and Giovanni Gavetti. 2000. "Capabilities, cognition, and inertia: Evidence from digital imaging." *Strategic Management Journal* 21:1147-1161.

The writing process

Submit as one document your revised research question and one or more hypotheses you would test as part of this paper. Again, bring two copies.

Session 4: Intra- and inter-organizational learning

One page term paper proposal due today.

Background and key questions

We know that individual can learn and forget. Can organizations? A note: The 1991 special issue of *Organization Science* (vol. 2, no. 1) is a tremendous collection of papers of organizational learning. It is worth perusing the entire issue.

1. How are individual learning and organizational capability related to each other?
2. What criteria are proposed in the learning literature to test whether an organizational unit is "learning" rather than just changing?

Required readings

1. Argote, L., Beckman, S.L., & Epple, D. 1990. The persistence and transfer of learning in industrial settings. *Management Science*, 36: 146-154.
2. Cohen, W.M. & Levinthal, D.A., 1990. Absorptive capacity: A new perspective on learning and innovation, *Administrative Science Quarterly* 35: 128-152
3. Hansen, Morten T. 1999. "The search-transfer problem: The role of weak ties in sharing knowledge across organizational subunits." *Administrative Science Quarterly*, 44: 82-111.
4. Levinthal, D.A., & March, J.G. 1993. The myopia of learning. *Strategic Management Journal*, 14(S2): 95-112.
5. Lippman, S.A., and R.P. Rumelt. 1982. Uncertain imitability: an analysis of interfirm differences in efficiency under competition. *Bell Journal of Economics* 13(2): 418-38.
6. Powell, W. W.; Koput, K. W., and Smith-Doerr, L. 1996. Interorganizational collaboration and the locus of innovation: Networks of learning in biotechnology. *Administrative Science Quarterly*. 41(1):116-145.

Exemplar papers

1. Cohen, M.D. 1991 Individual learning and organizational routines: Emerging connections. *Organization Science* 2(1): 135-139.
2. Darr, E.D., Argote, L., and Epple, D. 1995. The acquisition, transfer and depreciation of knowledge in service organizations: Productivity in franchises. *Management Science*, 42: 1750-1762.
3. Dyer, J. H. and Nobeoka, K. Creating and Managing a High-Performance Knowledge-Sharing Network: the Toyota Case. *Strategic Management Journal*. 2000 Mar; 21(3):345-367.
4. Hamel, Gary. Competition for competence and inter-partner learning within international strategic alliances. *Strategic Management Journal*. 1991; 12(Summer supplement):83-103.
5. Hoetker, G. and R. Agarwal. 2007. Death hurts, but it isn't fatal: The post-exit diffusion of innovative knowledge. *Academy of Management Journal*.
6. March, J.G., Sproull, L.S., & Tamuz, M. 1991. Learning from samples of one or fewer. *Organization Science*, 2 (1): 1-13.
7. Sampson, R. C. Experience Effects and Collaborative Returns in R&D Alliances. *Strategic Management Journal*. 2005 Nov; 26(11):1009-1031.
8. Schulz, M. 2001. The uncertain relevance of newness: Organizational learning and knowledge flows. *Academy Of Management Journal* 44 (4): 661-681.
9. Szulanski, G. 1996. Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic Management Journal* 17: 27-43.
10. Vermeulen, F., and H. Barkema. 2001. Learning Through Acquisitions. *Academy of Management Journal* 44(3): 457-76.

The writing process

Submit, as one document, your research questions, revised hypotheses, and the logical development leading to *one* of those hypotheses.

Session 5: Decision making (Cognitive & organizational design aspects)

Background and key questions

Understanding how organizations make decision is even more complicated than understanding how individuals do. This week's readings omit one key factor—organizational politics—that clearly impact decision making. We will address organizational politics in the context of strategy implementation and top management teams next session.

1. What are the critical influences on strategic decision making?

2. What models of strategic decision making exist in the literature? How do they compare and contrast to each other? Which are the most convincing and why?

Required reading

1. Galbraith, J.R. 1974. Organization design: An information processing view. Chapters 1-5.
2. Cohen, M. D., J. G. March & J. P. Olsen. 1972. A garbage can model of organizational choice. *Administrative Science Quarterly*, 17: 1-25.
3. Greve, H. R. 1998. Managerial cognition and the mimetic adoption of market positions: What you see is what you do. *Strategic Management Journal*, 19(10): 967-988.
4. Lindblom, C. E. 1959. The science of 'muddling through'. *Public Administration Review*, 19: 79-88.
5. Porac, J.F., H. Thomas, F. Wilson, D. Paton, and A. Kanfer. 1995. Rivalry and the industry model of Scottish knitwear producers. *Administrative Science Quarterly* 40: 203-27.
6. Weick, Karl E. and Karlene H. Roberts. 1993. "Collective mind in organizations: Heedful interrelating on flight decks." *Administrative Science Quarterly* 38:357-381.

Exemplar papers

1. Allison, G.T. 1969. Conceptual models and the Cuban missile crisis. *The American Political Science Review*, LXIII: 689-718.
2. Anderson, P. A. 1983. Decision making by objection and the Cuban missile crisis. *Administrative Science Quarterly*, 28: 201-222.
3. Barnes, J. H., Jr. 1984. Cognitive biases and their impact on strategic planning. *Strategic Management Journal*, 5: 129-137.
4. Dean, Jr., J.W., & Sharfman, M.P. 1996. Does decision process matter? A study of strategic decision-making effectiveness. *Academy of Management Journal*, 39(2): 368-396.
5. Eisenhardt, K. M. & Zbaracki, M. J. 1992. Strategic decision making, *Strategic Management Journal*, 13 (Winter Special Issue): 17-37.
6. Forbes, D. P. & Milliken, F. J. 1999. Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups. *Academy of Management Review*, 24(3): 489-505.
7. Fredrickson, J.W. 1986. The strategic decision process and organizational structure. *Academy of Management Review*, 11(2): 280-297.
8. Lindblom, C. E. 1979. Still muddling, not yet through. *Public Administration Review*, November-December, 1979: 517-525.
9. Sutcliffe, K.M., & Huber, G.P. 1998. Firm and industry as determinants of executive perceptions of the environment. *Strategic Management Journal*, 19(8): 793-807.
10. Stevenson, W. B. & Gilly, M. C. 1991. Information processing and problem solving: The migration of problems through formal positions and networks of ties. *Academy of Management Journal*, 34 (4): 918-928.
11. Tushman, M. L. and E. Romanelli. 1983. "Uncertainty, social location and influence in decision-making - a sociometric analysis." *Management Science* 29:12-23.
12. Zajac, E. J. & Bazerman, M. H. 1991. Blind spots in industry and competitor analysis: implications of interfirm (mis)perceptions for strategic decisions. *Academy of Management Review*, 16: 37-56.

The writing process

Submit, as one document, your research questions, revised hypotheses, and the revised logical development leading to *one* of those hypotheses.

Session 6: Implementation—interfirm politics and top management

Background and key questions

Power and politics play an unmistakable role in organizational decision making. Since power tends to gravitate to the top of organizations, the study of power also invites consideration of the role of top managers in organizational decision making.

1. What determines who has power in an organization?
2. What can we gain by viewing organizational decision making as an explicitly political process? What do we lose in the process?

Required readings

1. Burt, R.S. 1997. The contingent value of social capital. *Administrative Science Quarterly* 42(2): 339-65.
2. Eisenhardt, K. & Bourgeois, L. J. 1988. Politics of strategic decision making in high-velocity environments: Towards a mid-range theory. *Academy of Management Journal*, 31(4): 737-770.
3. Haunschild, P. R., Davis-Blake, A. & M. Fichman. 1994. Managerial overcommitment in corporate acquisition processes. *Organization Science*, 5(4): 528-540.
4. Iaquinto, A.L., & Fredrickson, J.W. 1997. Top management team agreement about the strategic decision process: A test of some of its determinants and consequences. *Strategic Management Journal*, 18(1): 63-75.
5. Mizruchi, M.S., and L.B. Stearns. 2001. Getting deals done: the use of social networks in bank decision-making. *American Sociological Review* 66(5): 647-71.
6. Krackhardt, D. 1990. Assessing the political landscape: structure, cognition, and power in organizations. *Administrative Science Quarterly*, 35: 342-69.

Exemplar papers

1. Bower, J. L. & Doz, Y. L. 1979. Strategy formulation: A social and political process. Pp. 152-166 in Schendel, D. E. & Hofer, C. W. (eds.), *Strategic Management: A New View of Business Policy and Planning*. Boston: Little Brown.
2. Brass, D. J. & Burkhardt, M. E. 1993. Potential power and power use: An investigation of structure and behavior. *Academy of Management Journal*, 36 (June): 441-70.
3. Carroll, G. R. & Teo, A. C. 1996. On the social networks of managers. *Academy of Management Journal*, 39(2): 421-440.
4. Haunschild, P. R., Davis-Blake, A. & M. Fichman. 1994. Managerial overcommitment in corporate acquisition processes. *Organization Science*, 5(4): 528-540.
5. Kim, W. C. & Mauborgne, R. A. 1995. A procedural justice model of strategic decision making. *Organization Science*, 6(1): 44-75.
6. Klein, J. I. 1988. The myth of the corporate political jungle: Politicization as a political strategy. *Journal of Management Studies*, 25(1): 1-12.
7. Narayanan, V. K. & Fahey, L. 1982. The micro-politics of strategy formulation, *Academy of Management Review*, 7(1): 25-34.
8. Nutt, P. C. 1986. Tactics of Implementation. *Academy of Management Journal*, 29 (2): 230-261.
9. Papadakis, V. M., Lioukas, S. & Chambers, D. 1998. Strategic decision-making processes: The role of management and context. *Strategic Management Journal*, 19(2): 115-147.
10. Ross, J. & Staw, B. M. 1993. Organizational escalation and exit: Lessons from the Shoreham nuclear power plant. *Academy of Management Journal*, 36 (4): 701-732.
11. Salancik, G.R., & Pfeffer, J. 1977. Who gets power -- and how they hold on to it: A strategic-contingency model of power. *Organizational Dynamics*, 5: 3-21.

12. Wiersema, Margarethe F. and Karen A. Bantel. 1992. "Top Management Team Demography and Corporate Strategic Change." *Academy of Management Journal* 35:91-121.

The writing process

Submit, as one document, your research questions, *the introduction to your paper*, revised hypotheses, and the logical development leading to one of those hypotheses.

Session 7: Networks

Referee report due.

Background and key questions

Firm's are linked to their stakeholders—suppliers, customers, competitors, regulator, etc.—through complex networks of transactions, personal relationships, investments, etc. The literature of *social network theory* looks at the impact of a firm's position in the larger network of inter-organizational ties. Much of this literature is highly mathematical, with measures for degree, centrality, structural holes, cliques, etc. A broader related literature, which might be called the literature on “embeddedness”, is less technical and focuses on what happens to firms as the interact with each other over time. It is a less mathematical literature and is more likely to focus on dyadic relationships. I've included papers from both traditions.

1. How does the firm's network of relationships with external stakeholders influence the strategy implementation process and visa-versa?
2. What research models are conceptually and empirically appropriate for addressing the impact of a firm's external ties?

Required papers

1. Ahuja, G. 2000. The duality of collaboration: Inducements and opportunities in the formation of interfirm linkages. *Strategic Management Journal* 21(3): 317-43.
2. Burt, Ronald S. 1992. *Structural Holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press. Chapter 1.
3. Galaskiewicz, J. and Burt, Ronald S. Interorganization contagion in corporate philanthropy. *Administrative Science Quarterly*. 1991 Mar; 36(1):88-105.
4. Granovetter, M.S. 1973. The strength of weak ties. *American Journal of Sociology* 78(6): 1360-1380.
5. Gulati, R. 1995. Does familiarity breed trust - the implications of repeated ties for contractual choice in alliances. *Academy of Management Journal* 38(1): 85-112.
6. Uzzi, Brian. 1997. "Social structure and competition in interfirm networks: The paradox of embeddedness." *Administrative Science Quarterly* 42:35-67.

Exemplar papers

1. Burt, Ronald S. Social contagion and innovation - cohesion versus structural equivalence. *American Journal of Sociology*. 1987; 92(6):1287-1335.
2. Davis, G.F. 1991. Agents without principles? The spread of the poison pill through the intercorporate network. *Administrative Science Quarterly* 36(4): 583-613.
3. Dyer, Jeffrey . Specialized supplier networks as a source of competitive advantage: Evidence from the auto industry. *Strategic Management Journal*. 1996; 17(4):271-291.
4. Gulati, R. 1999. Network location and learning: The influence of network resources and firm capabilities on alliance formation. *Strategic Management Journal* 20(5): 397-420.
5. Gulati, R. and Higgins, M. C. Which Ties Matter When? The Contingent Effects of Interorganizational Partnerships on IPO Success. *Strategic Management Journal*. 2003 Feb; 24(2):127-144.

6. Hillman, A. J., Zardookhi, A. & Bierman, L. 1999. Corporate political strategies and firm performance: Indications of firm-specific benefits from personal service in the U.S. government. *Strategic Management Journal*, 20(1): 67-81.
7. Hoetker, Glenn. How much you know versus how well I know you: selecting a supplier for a technically innovative component. *Strategic Management Journal*. 2005; 26(1):75-96.
8. Jackson, Matthew O. and Asher Wolinsky. 1996. "A Strategic Model of Social and Economic Networks." *Journal of Economic Theory* 71:44-74.
9. Koza, M.P., and A.Y. Lewin. 1999. The coevolution of network alliances: A longitudinal analysis of an international professional service network. *Organization Science* 10(5): 638-53.
10. Lorenzoni, G., and A. Lipparini. 1999. The leveraging of interfirm relationships as a distinctive organizational capability: A longitudinal study. *Strategic Management Journal* 20(4): 317-38.
11. Mcevily, B. and Marcus, A. Embedded Ties and the Acquisition of Competitive Capabilities. *Strategic Management Journal*. 2005 Nov; 26(11):1033-1055.
12. Moran, P. Structural Vs. Relational Embeddedness: Social Capital and Managerial Performance. *Strategic Management Journal*. 2005 Dec; 26(12):1129-1151.
13. Ryall, M. and R. Sampson. 2003. Do prior alliances influence contract structure? Evidence from technology alliance contracts. Working paper.
14. Uzzi, Brian. 1996. "The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect." *American Sociological Review* 61:674-698.
15. Zaheer, A. and Bell, G. G. Benefiting From Network Position: Firm Capabilities, Structural Holes, and Performance. *Strategic Management Journal*. 2005 Sep; 26(9):809-825.

The writing process

Submit, as one document, your research questions, *the revised introduction to your paper*, revised hypotheses, and the logical development leading to one of those hypotheses.