

**MGT 791: Strategic Management  
Spring 2014**

**Glenn Hoetker**

Room BA 323E, Thursday, 9:00—11:45

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## Overview and Objectives

This course is a doctoral level seminar on the major theoretical approaches to the field of strategic management (hereafter strategy). The main objective of the course is to familiarize students with the basic assumptions, concepts and theories underlying the field. Because strategy is an evolving subject area and undergoing continual change, be forewarned: the boundaries of the field are fuzzy, subjective, and open to interpretation and reinterpretation. In addition, students should realize that in 15 weeks the topics and readings chosen are inevitably a subset of those with which doctoral students need to be familiar. The idea of the course, then, is to provide you with an exposure to some of the major theoretical 'lenses' underpinning the field. Further exploration on the part of the student is not just a good idea; it is essential. In this sense, the course is an important building block for the major milestones ahead in the Ph.D. program at ASU: comprehensive examinations, dissertation proposal, and, ultimately, the dissertation itself. In addition, the seminar will emphasize the following objectives:

1. Each student should develop a mental model of the literature in Strategic Management and show an understanding of and appreciation for the key concepts and theories in Strategy.
2. Each student should be able to critically review academic, practitioner, and peer research and develop constructive reviews of such literature.
3. Each student should develop new ideas and/or approaches that advance some portion of the theory/research in Strategic Management.
4. Each student should be able to communicate both verbally and in writing, current knowledge, critical evaluations and new ideas in strategic management topics developed in this seminar.

## Course structure

This seminar is intended to develop you as a contributor to the scholarly community. As such, you are expected to be an active participant in not only your learning, but also that of your peers. The class is discussion-oriented. My role is not to lecture, but rather to guide

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· Version history: Jan 20, Original release; Feb 19, Change of procedure for Session 7 (shaded).

and facilitate the discussion. Obviously, this only works if we are all well prepared for thoughtful discussion.

Since this is a foundations course, we need to balance depth and breadth. Depth requires that are able to discuss a common set of papers, which works against breadth.

## Structure of the class and each session

These factors drive the design of this course. Within each topic, there is a set of foundational/introductory papers that we will all read. I will lead the discussion of these papers. You don't need to be turn any thing in for these papers, but you are expected to have read them carefully and be ready to discuss them. In particular, bring questions. This is the *depth* part.

Each topic will also include a set of papers of which which students will be assigned responsibility to prepare and present one or two. See below for specifics. You are *not* expected to read the papers assigned to other students, although you are certainly welcome to. This is the *breadth* part.

Depending on the topic, specific sessions may be all common papers, all individual papers, or a mix.

We will also spend time each session discussing reviewing, writing and publishing.

## Discussion of common readings

While I will lead the discussion of these readings, I don't want to just lecture. So, please come prepared with questions, concerns and ideas. In particular, think about

- The assumptions the article makes about people, firms and markets, as well as the tenability of those assumptions.
- Questions and circumstances for which the paper is particularly relevant or irrelevant.
- The relationship of the paper to the related papers we've read
- The relationship of the theory at the heart of the paper to other papers we've read.

## Discussion of individual papers

For individually assigned papers, you will prepare a 1-3 page summary/analysis. Each write-up will be distributed to all class participants, meaning that at the end of the semester students will have a large collection of article summaries – an excellent way to prepare for comprehensive exams. These summaries will be based on the “Paper summary template.docx” document found in P:\Mgt\PhD Readings\Hoetker\Session\_1 (that's smb://wpcfas02.wpcarey.ad.asu.edu/shares/Mgt/PhD Readings/Hoetker/Session\_1 for Mac users). You'll also find a copy of the template with instructive comments, as well as a completed sample. The complete summary should be about two to three pages in length (single spaced).

The purpose of this segment is to combine our efforts in order to acquaint each of us with a broad swath of research. In order to do that, it is necessary for each of us to provide a

Careful, concise write-up. Long sloppy “summaries” of a paper are easier to produce, but are not useful and will be evaluated accordingly.

Please complete your summary by 9:00 a.m. the day of class. Name it “Author-Year-summary.docx” (e.g., Hoetker-2005-summary.docx) and place it in the appropriate folder in P:\Mgt\PhD Readings\Hoetker\.

Depending how many papers we have to review, you’ll have between 5 and 15 minutes to present each paper (10 is ideal, so we’re splitting the difference). Please remember (a) your classmates have probably *not* read the paper, but (b) they have access to your detailed summary. So, you shouldn’t just read your summary to us. Hit the key points, connect the paper to the other papers we’ve been discussing, and be ready to answer questions. You are expected to be an active participant when your fellow students are presenting. In particular, help us explore questions like what I listed above.

## Reviewing and publishing

Our long-term success in the professions depends on our ability to navigate the publication process as authors. To a degree many do not appreciate, our ability to contribute to that process as referees also influences our success. In sessions one and two, we will discuss deciding where to publish. In sessions three through eight, we’ll discuss the review process both as an author and a reviewer, culminating in your writing a review of an article I will provide. In the last half of the course, we will focus on the scholarly writing process, working towards the research paper you will turn in at the end of the semester.

## Research Paper

Your goal for the research paper is to prepare a draft of (at least the front end of) a publication-quality article. The focus of the paper, within the general area of strategy, is up to you. You may choose, for example, to develop an in-depth critique of a particular point of view; expose critical and non-obvious inconsistencies between the approaches; pursue in-depth development of testable hypotheses concerning a theory or confluence of theories; develop an empirical research design aimed at theory development or testing; or conduct empirical research using real data. In evaluating your paper, my central criterion will be that of significance: how important are the ideas or empirical results that you generate for advancing the state of the art in strategic management research? The work must advance well beyond a simple literature review. You must use this paper as an opportunity to push the thinking within the field forward in a significant way. In general, a paper of 15-25 pages is sufficient to accomplish this purpose.

The paper will be due 5:00 p.m., May 12.

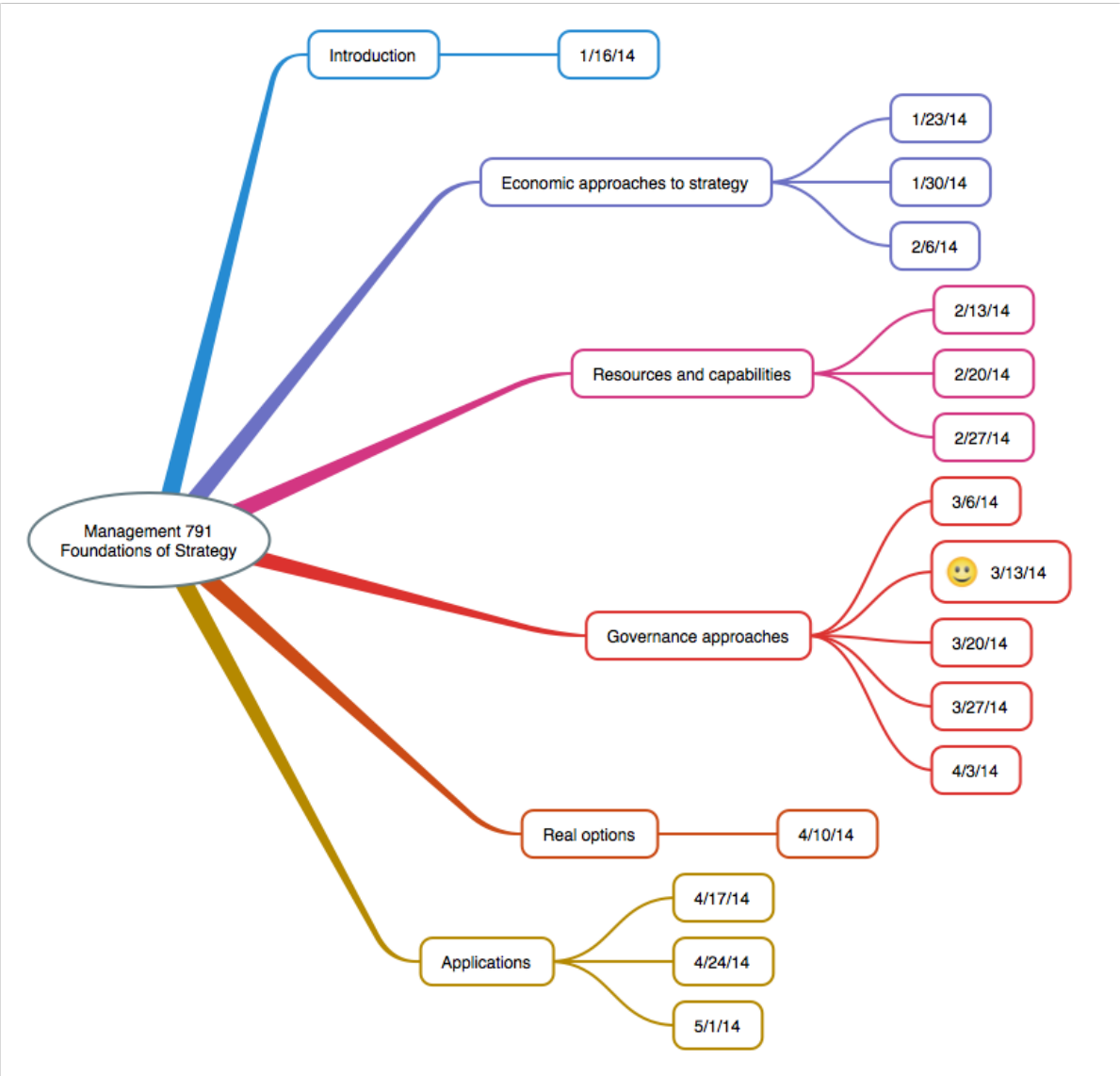
## Course Evaluation

Grading reflects the primary ‘outcome objective’ of the class, namely to prepare students with a foundation of knowledge needed to succeed as scholars in the strategy field. Final grades will be based on

- Classroom contribution, including discussion and weekly article summaries (40%)

- Reviewing and publishing activities (20%)
- Research paper (40%)

# Overview of Class Topics



## Introduction

1/16/14

### *The history, scope and methods of strategic management research*

Depending on one's definition, the field of business policy and strategy is somewhere between "under 40" and "over 100" years old. Over that lifespan, its scope, methods and relationship to other disciplines within and beyond the business school have evolved significantly. This week's readings are meant to introduce you to where the field stands today, as a function of that history.

We'll discuss each of the following papers as a class. No written assignment is due, but please read the papers thoughtfully in preparation. Here is the order I would recommend, as well as some points on which to focus.

Start with the two "history of the field" papers.

Ghemawat (2002) - Great introduction to the history and scope of strategy, if a bit heavy on the early contributions of Harvard and Boston Consulting Group. Don't get hung up on the details of the various literatures, as we'll be revisiting most of them throughout the semester. Note more generally the questions strategy has sought to address and the literatures upon which it has drawn to do so.

Hambrick and Chen (2008), pages 38-48 only. Good more recent history of the development of strategy as a field in the more sociological sense.

Then read Montgomery et al (1989). Although several decades old, this is a classic paper on what it means to develop useful theory and apply theory usefully in strategy research. It also serves as a nice transition between the history and the current state of the field, as reflected in the last two papers.

Nag et al (2007), start with "Study II" on page 49. Good discussion of strategy's relationship with itself and with adjacent fields. Think about what this means for you as a student and for an author.

Agarwal and Hoetker (2007) uses bibliometric techniques to examine AMJs role as receiver, conduit and transmitter of ideas amongst the disciplines of management, economics, sociology and psychology. You can move pretty quickly through the methods sections (although I'm happy to discuss them) in order to focus on the findings. Please think about our findings implications for the relationship between micro and macro in management, whether the lack of strong paradigm development is a positive or negative for management research, and the importance/feasibility/desirability of "multi-" or "cross-" disciplinary work in management research.

I've also included two optional papers which we will not discuss in class. You are not expected to read them in advance (or ever). However, they are important papers that I wanted to be sure

you had. Porter (1991) overlaps heavily with Ghemawat (2002). But, since Porter was the original popularizer of several key ideas in strategy, his take on them is sort of interesting. Mintzberg and Waters (1985) is particularly useful background for teaching and a useful corrective to the “strategy as the development of plans that will be perfectly executed” and the “the world is changing too fast for strategy—just follow your gut!” extremes.

Also, please be prepared to briefly introduce yourself and your research interests.

Agarwal R, Hoetker G. 2007. A Faustian bargain? The growth of management and its relationship with related disciplines. *Academy of Management Journal* 50(6): 1304-1322

Ghemawat, P. 2002. Competition and business strategy in historical perspective. *Business History Review*, 76(1): 37-74.

Hambrick DC, Chen MJ. 2008. New academic fields as admittance-seeking social movements: The case of strategic management. *Academy of Management Review* 33(1): 32-54

Mintzberg, H., & Waters, J. A. 1985. Of strategies, deliberate and emergent. *Strategic Management Journal*, 6(3): 257-272.

Montgomery, C. A., Wernerfelt, B., & Balakrishnan, S. 1989. Strategy content and the research process - a critique and commentary. *Strategic Management Journal*, 10(2): 189-197.

Nag R, Hambrick DC, Chen MJ. 2007. What is strategic management, really? Inductive derivation of a consensus definition of the field. *Strategic Management Journal* 28(9): 935-955

Porter, M. E. 1991. Towards a dynamic theory of strategy. *Strategic Management Journal*, 12(S2): 95-117.

### ***Professional development: How does the review and publication process work?***

Some of you have already experienced the joy that is the journal review and publication process. Others of you haven't. Just to get us all on the same page for our semester-long discussions of reviewing and writing, I'll briefly introduce the process from the viewpoints of an author, reviewer and editor. Please bring questions, concerns and experiences for us to discuss. No other preparation is necessary.

## Economic approaches to strategy

1/23/14

Sessions/Session 2/Strategy 2 economics

### *Economic approaches to strategy*

Today's class is dedicated to understanding the traditions of economic analysis that are most relevant to strategic management and to observe some efforts to apply them. I've included two papers that provide commentary and history of the economics/strategy interface: Porter (1981) and Spulber (1992: sections 1 to 4 only). I would start with those. I'd then move to Demsetz (1973), as an example of the Chicago schools approach to explaining superior firm performance. I would next read Caves and Porter (1977), which provides a good overview of both barriers to entry and barriers to mobility—the latter of which is the basis for thinking about strategic groups. Turn then to Rumelt (1991) and Cool and Schendel (1988).

For all of these papers, don't worry too much about the methodology. Given the papers' age, it's not surprising that the methods fall short of what we'd do today. Focus, rather, on

- What is the central take away of the paper?
- What assumptions are being made and do you find them credible?
- What questions relevant to strategy do they answer and what questions do they leave unanswered?

I have included one optional reading for your future reference, Camerer (1991). Despite its age, it remains a valid, fairly straight-forward introduction to game theory and its potential application to strategy. Since any of us who are likely to use game theory will probably take it over in Economics, I decided we could skip it. But, I wanted you to have it at hand.

Camerer CF. 1991. Does strategy research need game theory? *Strategic Management Journal* 12: 137-152

Caves RE, Porter ME. 1977. From entry barriers to mobility barriers: Conjectural decisions and contrived deterrence to new competition\*. *The Quarterly Journal of Economics*: 241-261

Cool K, Schendel D. 1988. Performance differences among strategic group members. *Strategic Management Journal* 9(3): 207-223

Demsetz H. 1973. Industry structure, market rivalry, and public policy. *Journal of Law and Economics* 16(1): 1-9

Porter ME. 1981. The contributions of industrial organization to strategic management. *Academy of management review*: 609-620

Rumelt R. 1991. How much does industry matter. *Strategic Management Journal* 12(3): 167-185

Spulber DF. 1992. Economic analysis and management strategy: A survey. *Journal of Economics & Management Strategy* 1(3): 535-574



**Professional development: What affects where we should publish—fit, rank, audience, “hue”, editorial process, etc.**

As the heading suggests, there are many considerations for where we should submit our work. Today, we’ll discuss them. In preparation, please do the following. Feel free to work as a group or groups.

1. Visit each of the following two:

- the Journal Citations Reports database on the ISI Web of Science site. Examine the rankings data for the category Management (for now, ignore the “Business” category”).
- SCImago Journal & Country Ranking. <http://www.scimagojr.com>. Within the journal rankings, examine the subject category “Strategy and Management” within the subject area “Business, Management, and Accounting”.

2. Be ready to discuss the following questions. I don’t expect you to have solid answers, but at least come with thoughtful opinions and questions of your own.

- What are the metrics presented on these sites actually measuring? Which of the metrics provided on these two sites seem the most/least useful to you as an indication of journal quality? What are the advantages and disadvantages of these datasources?
- What are the best strategy journals based on these metrics? Does this accord with your impressions so far? What, if anything, is over- or under-rated?
- How else could you judge the quality of a journal?
- What else should we consider in determining where to publish? What relative importance should we give the various factors?

1/30/14

**Economic approaches to strategy 2**

Today we will read a variety of papers that extend, apply or modify the basic economic approach to strategy we studied last week. Each student will be responsible for a pair of related papers.

- The life-cycle: Klepper and Simons (1997) for an introduction to the theories of the product life cycle and Agarwal and Gort (2001) for how that connects to the industry structure issues we considered last time.
- Hyper-competition or just hype? Thomas and D’Aveni (2009), “prebutted” by McNamara et al (2003)
- How much does industry really, really matter and when: McGahan and Porter (1997) as an extension of Rumelt (1991), which we read last week, and Karniouchina et al (2013) as a study of how the decomposition of profit varies over the life-cycle.
- Stigler (1951) as an exploration of why the division of labor changes over the life-cycle and Lenox et al (2007) on how inter-dependence changes industry dynamics
- Adner and Zemsky (2006) who look to the nature of demand to explain competitive advantage and Bridoux & Stoelhorst (2014), who look the other way (more or less), towards stakeholders.
- Leask & Parker (2007) on strategic groups and Porac et al (1995) on a non-economic approach to defining strategic groups.

- Guedri & McGuire (2011) combining strategic groups and multi-market contact and Mas-Ruiz & Ruiz-Moreno on the effect of firm size within strategic groups

Adner R, Zemsky P. 2006. A demand-based perspective on sustainable competitive advantage. *Strategic Management Journal* 27(3): 215-239

Agarwal R, Gort M. 1996. The evolution of markets and entry, exit and survival of firms. *The review of Economics and Statistics*: 489-498

Bridoux, F., & Stoelhorst, J. W. 2014. Microfoundations for stakeholder theory: Managing stakeholders with heterogeneous motives. *Strategic Management Journal*, 35(1): 107-125.

Guedri Z, McGuire J. 2011. Multimarket competition, mobility barriers, and firm performance. *Journal of Management Studies* 48(4): 857-890

Karniouchina EV, Carson SJ, Short JC, Ketchen DJ. 2013. Extending the firm vs. Industry debate: Does industry life cycle stage matter? *Strategic Management Journal* 34(8): 1010-1018

Klepper S, Simons KL. 1997. Technological extinctions of industrial firms: An inquiry into their nature and causes. *Industrial and Corporate Change* 6(2): 379-460

Lenox MJ, Rockart SF, Lewin AY. 2007. Interdependency, competition, and industry dynamics. *Management Science* 53(4): 599-615

Leask G, Parker D. 2007. Strategic groups, competitive groups and performance within the U.K. Pharmaceutical industry: Improving our understanding of the competitive process. *Strategic Management Journal* 28(7): 723-745

Mas-Ruiz F, Ruiz-Moreno F. 2011. Rivalry within strategic groups and consequences for performance: The firm-size effects. *Strategic Management Journal* 32(12): 1286-1308

McGahan AM, Porter ME. 1997. How much does industry matter, really? *Strategic Management Journal* 18(Summer): 15-30

McNamara G, Vaaler PM, Devers C. 2003. Same as it ever was: The search for evidence of increasing hypercompetition. *Strategic Management Journal* 24(3): 261-278

Porac JF, Thomas H, Wilson F, Paton D, Kanfer A. 1995. Rivalry and the industry model of scottish knitwear producers. *Administrative Science Quarterly*: 203-227

Stigler GJ. 1951. The division of labor is limited by the extent of the market. *Journal of Political Economy* 59(3): 185-193

Thomas LG, D'Aveni R. 2009. The changing nature of competition in the us manufacturing sector, 1950--2002. *Strategic Organization* 7(4): 387-431

### ***Professional development: Reviewing a review***

I have included the reviews I received from AMJ on a paper with Will Mitchell and Anand Swaminathan. Please read through them. Since you've not read the paper, I don't expect you to

have any comments on the accuracy of the comments, but please think about the following issues:

- Are the comments substantive?
- Are the comments actionable?
- Any thoughts about tone?
- Do any comments seem inappropriate to you?
- Before sending the article off to another journal, how much would you revise it? In your mind, what determines what you should revise?

2/6/14

### *Competitive dynamics and multimarket contact*

This week, we move beyond the idea of competition within markets or groups to focus on firms' competitive interactions with other specific firms. Two major strands of literature intertwine here. The first is literature on competitive dynamics, aka, competitive action-reaction. The second is the literature on multi-market contact, which looks at a possible suppressor of how intensely firms compete. Both literatures owe a great deal to IO economics in general, particularly oligopoly theory and the literature on strategic groups, but move it forward by focusing on (a) dyadic level interactions and (b) a broader range of strategic actions.

Start by reading Chen and Miller (2012), which is a good background, history, and précis of the competitive dynamics literature by two of its leading lights. Then read Yu and Cannella (2012), which does the same for the multimarket competition literature.

Each student will also be responsible for presenting one of the additional papers listed.

- Anand et al (2009)
- Toh & Polidoro (2013)
- Kannins (2004)
- Koçak & Özcan(2013)
- Clarkson & Toh (2010)
- Upson (2012)
- Ndofor et al (2011)

Anand J, Mesquita LF, Vassolo RS. 2009. The dynamics of multimarket competition in exploration and exploitation activities. *Academy of Management Journal* 52(4): 802-821

Chen M-J, Miller D. 2012. Competitive dynamics: Themes, trends, and a prospective research platform. *The Academy of Management Annals* 6(1): 135-210

Clarkson G, Toh PK. 2010. 'Keep out' signs: The role of deterrence in the competition for resources. *Strategic Management Journal* 31(11): 1202-1225

Kalnins A. 2004. Divisional multimarket contact within and between multiunit organizations. *The Academy of Management Journal* 47(1): 117-128

Ndofor HA, Sirmon DG, He X. 2011. Firm resources, competitive actions and performance: Investigating a mediated model with evidence from the in-vitro diagnostics industry. *Strategic Management Journal* 32(6): 640-657

Koçak Ö, Özcan S. 2013. How does rivals' presence affect firms' decision to enter new markets? Economic and sociological explanations. *Management Science* 59(11): 2586-2603

Toh PK, Polidoro F. 2013. A competition-based explanation of collaborative invention within the firm. *Strategic Management Journal* 34(10): 1186-1208

Upton JW, Ketchen DJ, Connelly BL, Ranft AL. 2012. Competitor analysis and foothold moves. *Academy of Management Journal* 55(1): 93-110

Yu T, Cannella AA. 2012. A comprehensive review of multimarket competition research. *Journal of Management* 39(1): 76-109

***Professional development: Okay, let's try again...***

After the paper was rejected at AMJ, we sent it to Management Science with certain revisions. I have included the reviews we received from Mgt. Science. In light of the questions from the prior session, be ready to compare and contrast the reviews from Management Science and AMJ. [I should note that I've received reviews of varying quality from each journal.]

- What makes a review “good”?
- How can you increase your chances of receiving a useful review?

## Resources and capabilities

2/13/14

### *Resources and capabilities*

This week, we'll begin to consider what could broadly be called the "resources and capabilities". There are several related formulations within this literature, The Resource Based View (RBV) being a dominant one. Penrose (1959) laid out many of the key ideas of what become the RBV. Start by skimming the selections of her book that I've provided.

In the mid-1980s, several scholars began to formalize Penrose's ideas into what became the RBV. Barney's formulation, described in Barney (1991), has become a touchstone, so I'd read it next. Next, read Dierickx and Cool (1989) for a discussion of how one gets the resources and capabilities one might desire. Turn then to Wernerfelt (1984) for a more economist-friendly way of considering the RBV, as well of a discussion of how to develop these capabilities.

Then, read Priem and Butler (2001) for a more skeptical view of the RBV. There was actually a multiple article back and forth between them and Barney. It's worth understanding what the debate was, as it retains some validity, but the field has moved on. So, we won't rehash the whole argument. Close the Miller and Shamsie (1996), as a representative application of the RBV. As you read, please think about the following questions.

- What is the fundamental logic of RBV?
- Do you find it credible? Is there a risk of tautology?
- What questions is it well equipped to answer?

I've included a recent review article by Barney, Ketchen and Wright (2011). It is an excellent reference, but we won't discuss it in class. I've also included a recent paper by Schmidt & Keil (2013), because I think it gets an important issue in the micro-foundations of RBV. We won't discuss it in class.

Barney JB. 1991. Firm resources and sustained competitive advantage. *Journal of Management* 17: 99-120

Barney JB, Ketchen DJ, Wright M. 2011. The future of resource-based theory: Revitalization or decline? *Journal of Management* 37(5): 1299-1315

Dierickx I, Cool K. 1989. Asset stock accumulation and sustainability of competitive advantage. *Management science* 35(12): 1504-1511

Miller D, Shamsie J. 1996. The resource-based view of the firm in two environments: The hollywood film studios from 1936 to 1965. *Academy of Management Journal* 39(3): 519-543

Penrose ET. 1959. *The theory of the growth of the firm*. John Wiley & Sons, Inc.: New York. pgs 8-41.

Priem R, Butler JE. 2001. Is the resource-based "view" a useful perspective for strategic management research? *Academy of Management Review* 26(1): 22-40

Schmidt J, Keil T. 2013. What makes a resource valuable? Identifying the drivers of firm-idiosyncratic resource value. *Academy of Management Review* 38(2): 206-228

Wernerfelt B. 1984. A resource-based view of the firm. *Strategic Management Journal* 5(2): 171-180

### *Professional development: Responding to the reviewers*

This week I've provided the response letter we wrote to *Management Science*. Please look it over in advance and we'll discuss it. A few things to think about:

- What is our goal in this revision?
- How important is it to agree with the reviewer?

Also, we will discuss the referee reports you turned in last week.

2/20/14

### *Dynamic capabilities*

By the late 1990s, an interesting problem in the RBV had become clear. Given that we know competitive environments change over time, resources could lose their VRIO qualities over time. Thus, the focus turned to "dynamic capabilities". Start by reading two foundational papers: Teece, Pisano and Shuen (1997) and Eisenhardt and Martin (2000). The validity and usefulness of the dynamic capabilities concept remains rather contentious, so you should next read Arend and Bromiley (2007), for a cogent statement of the shortcomings of DC, followed by Helfat & Peteraf's (2009) response. So we have something concrete to discuss, I've also asked you to read Stadler, Helfat, and Verona (2013).

I've also included a large number of articles for your optional reading and future reference.

Agarwal R, Helfat CE. 2009. Strategic renewal of organizations. *Organization Science* 20(2): 281-293

Arend RJ, Bromiley P. 2009. Assessing the dynamic capabilities view: Spare change, everyone? *Strategic Organization* 7(1): 75-90

Augier M, Teece DJ. 2009. Dynamic capabilities and the role of managers in business strategy and economic performance. *Organization Science* 20(2): 410-421

How do managers matter in the development and application of DC?

Eisenhardt KM, Martin JA. 2000. Dynamic capabilities: What are they? *Strategic management journal* 21(10-11): 1105-1121

Eisenhardt KM, Furr NR, Bingham CB. 2010. Microfoundations of performance: Balancing efficiency and flexibility in dynamic environments. *Organization Science* 21(6): 1263-1273

Helfat CE, Peteraf MA. 2009. Understanding dynamic capabilities: Progress along a developmental path. *Strategic Organization* 7(1): 91-102

Helfat CE, Winter SG. 2011. Untangling dynamic and operational capabilities: Strategy for the (n)ever-changing world. *Strategic Management Journal* 32(11): 1243-1250

A useful discussion of DC versus “regular” capabilities. Also provides discussion of integrative capabilities.

Hodgkinson GP, Healey MP. 2011. Psychological foundations of dynamic capabilities: Reflexion and reflection in strategic management. *Strategic Management Journal* 32(13): 1500-1516

Lavie D. 2006. Capability reconfiguration: An analysis of incumbent responses to technological change. *Academy of Management Review* 31(1): 153-174

Peteraf M, Di Stefano G, Verona G. 2013. The elephant in the room of dynamic capabilities: Bringing two diverging conversations together. *Strategic Management Journal* 34(12): 1389-1410

I'll make reference to this paper in our discussion.

Rothaermel FT, Hess AM. 2007. Building dynamic capabilities: Innovation driven by individual-, firm-, and network-level effects. *Organization Science* 18(6): 898-921

Romme AGL, Zollo M, Berends P. 2010. Dynamic capabilities, deliberate learning and environmental dynamism: A simulation model. *Industrial and Corporate Change* 19(4): 1271-1299

Schreyogg G, Sydow J. 2010. Organizing for fluidity? Dilemmas of new organizational forms. *Organization Science* 21(6): 1251-1262

Stadler C, Helfat CE, Verona G. 2013. The impact of dynamic capabilities on resource access and development. *Organization Science* 24(6): 1782-1804

Teece DJ. 2007. Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance. *Strategic management journal* 28(13): 1319-1350

Teece DJ, Pisano GP, Shuen A. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal* 18(7): 509-533

***Professional development: Crafting a good review and some thoughts on the role of theory***

In preparation for your writing a review, due next week, we'll discuss the mechanics of reviewing. Please bring any question and insights. No other preparation is necessary.

### Applications

Lurking in the background of all questions about resources is how firms gain and modify resources and capabilities and what makes it difficult for others to imitate a resource. The ideas of absorptive capacity (Cohen and Levinthal 1989, 1990) and organizational routines (Nelson and Winter, 1982) speak to these questions.

Given time limitations, I'd made the (painful) decision to have us all read Lewin, Massini and Peeters (2011), which does a very nice job of exploring both ideas. I've included the original papers also and encourage you to read them on your own time.

Closely related to the RBV is the Knowledge-Based View of the firm (KBV). I would like us all to read one of the foundational papers for the KBV, Kogut and Zander (1992).

Additionally, each student will report on one pair of papers. We will discuss the bolded papers as a class. Please provide a written report for your papers by Wednesday a.m. Everyone is responsible for reviewing all of the summaries before class, so we can take turns as "discussion leaders", rather than "presenters" for the papers.

- **Ahuja and Katila (2004)** and Sorenson, McEvily, Ren, and Roy (2006)
- **Ganco and Agarwal (2009)** and Haas and Hansen (2005)
- Karim and Mitchell (2000) and **Karim and Williams (2012)**
- **Fortune and Mitchell (2013)** and Somaya et al (2007)
- Hoetker and Agarwal (2007) and **Gittelman (2007)**
- **Danneels (2008)** and Hsu & Ziedonis (2013)
- Miller & Shamsie (1996) and **Costa et al (2013)**

Ahuja G, Katila R. 2004. Where do resources come from? The role of idiosyncratic situations. *Strategic Management Journal* 25(8-9): 887-907

Cohen WM, Levinthal DA. 1989. Innovation and learning: The two faces of R&D. *The economic journal* 99(397): 569-596

Cohen WM, Levinthal DA. 1990. Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly* 35: 128-152

Costa LA, Cool K, Dierickx I. 2013. The competitive implications of the deployment of unique resources. *Strategic Management Journal* 34(4): 445-463

Danneels E. 2008. Organizational antecedents of second-order competences. *Strategic Management Journal* 29(5): 519-543

Fortune A, Mitchell W. 2012. Unpacking firm exit at the firm and industry levels: The adaptation and selection of firm capabilities. *Strategic Management Journal* 33(7): 794-819



- Ganco M, Agarwal R. 2009. Performance differentials between diversifying entrants and entrepreneurial start-ups: A complexity approach. *Academy of Management Journal* 34(2): 228-252
- Gittelman M. 2007. Does geography matter for science-based firms? Epistemic communities and the geography of research and patenting in biotechnology. *Organization Science* 18(4): 724-741
- Haas MR, Hansen MT. 2005. When using knowledge can hurt performance: The value of organizational capabilities in a management consulting company. *Strategic Management Journal* 26(1): 1-24
- Hoetker G, Agarwal R. 2007. Death hurts, but it isn't fatal: The postexit diffusion of knowledge created by innovative companies. *Academy of Management Journal* 50(2): 446-467
- Hsu DH, Ziedonis RH. 2013. Resources as dual sources of advantage: Implications for valuing entrepreneurial-firm patents. *Strategic Management Journal* 34(7): 761-781
- Karim S, Mitchell W. 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): 1061-1081
- Karim S, Williams C. 2012. Structural knowledge: How executive experience with structural composition affects intrafirm mobility and unit reconfiguration. *Strategic Management Journal* 33(6): 681-709
- Jansen JJP, Bosch FAJVD, Volberda HW. 2005. Managing potential and realized absorptive capacity: How do organizational antecedents matter? *The Academy of Management Journal* 48(6): 999-1015
- Kogut B, Zander U. 1992. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science* 3(3): 383-397
- Lewin AY, Massini S, Peeters C. 2011. Microfoundations of internal and external absorptive capacity routines. *Organization Science* 22(1): 81-98
- Miller D, Shamsie J. 1996. The resource-based view of the firm in two environments: The hollywood film studios from 1936 to 1965. *Academy of Management Journal* 39(3): 519-543
- Nelson RR, Winter SG. 1982. *An evolutionary theory of economic change*. Belknap Press of Harvard University Press: Cambridge, Mass.
- Somaya D, Williamson IO, Zhang X. 2007. Combining patent law expertise with R&D for patenting performance. *Organization Science* 18(6): 922-937
- Sorenson O, McEvily S, Ren CR, Roy R. 2006. Niche width revisited: Organizational scope, behavior and performance. *Strategic Management Journal* 27(10): 915-936
- Volberda HW, Foss NJ, Lyles MA. 2010. Absorbing the concept of absorptive capacity: How to realize its potential in the organization field. *Organization Science* 21(4): 931-951

Additional thoughts about how absorptive capacity can be incorporated into our research.

Miller D, Shamsie J. 1996. The resource-based view of the firm in two environments: The hollywood film studios from 1936 to 1965. *Academy of Management Journal* 39(3): 519-543

***Professional development: Submit referee report***

Now it's your turn to write a referee report. For the provided working paper, please provide a referee report, including notes to the author and notes to the editor. Please provide a brief, focused review of no more than three pages. For planning purposes, please note that I find writing a good referee report normally takes me between 5 and 8 hours of solid effort. We'll discuss these next week.

## Governance approaches

3/6/14

### *Transaction cost economics*

We know turn to issues of governance. The genesis of this set of literatures is Coase (1937), for which he received the Nobel price in economics. Read it first.

Coase's insights lead to two distinct literatures, property rights economics and transaction cost economics. While their adherents make much of their differences, they share many insights. Initially, both PRE and TCE focused on the questions of a firm boundaries—what activities should it undertake internally and which should it have others do? Both have since been applied to many other questions.

Start with PRE. Read Alchian and Demsetz (1972) and Hart (1988).

Then turn to TCE. Read Klein, Crawford and Alchian (1978) and Williamson (1991). Then read Oxley (1999) as an empirical application of TCE.

TCE has its critics, particularly those who object to the focus on opportunism. One of the best known is Ghoshal and Moran (1996), which you should read next.

As your read, please think about the following:

- What are the underlying assumptions of PRE and TCE and do you find them credible?
- What are similarities and differences between PRE and TCE?
- What are bounded rationality, asset specificity, and opportunism? Why do they matter?
- Are these appropriate base concepts for a theory of strategy?

I've included a host of optional readings, with notes for why you might be interested in them.

Alchian AA, Demsetz H. 1972. Production, information costs, and economic organization. *American Economic Review* 62(5): 777-795

Coase RH. 1937. The nature of the firm. *Economica* 4(16): 386-405

David RJ, Han SK. 2004. A systematic assessment of the empirical support for transaction cost economics. *Strategic Management Journal* 25(1): 39-58

Foss NJ. 2009. Property rights economics  
<http://organizationsandmarkets.files.wordpress.com/2009/09/foss-n-property-rights-economics.pdf>.

A working paper from the Organizations and Markets website, which is really fascinating. Does a nice job of exploring the differences between PRE and TCE.

Ghoshal S, Moran P. 1996. Bad for practice: A critique of the transaction cost theory. *Academy of Management Review* 21(1): 13-47

Hart OD. 1988. Incomplete contracts and the theory of the firm. *Journal of Law, Economics, & Organization* 4(1): 119-139

Hart OD. 1989. An economist's perspective on the theory of the firm. *Columbia Law Review* 89(7): 1757-1774

Hart O, Moore J. 1990. Property rights and the nature of the firm. *Journal of political economy*: 1119-1158

Grossman SJ, Hart OD. 1986. The costs and benefits of ownership: A theory of vertical and lateral integration. *Journal of Political Economy* 94(4): 691

Klein B, Crawford RG, Alchian AA. 1978. Vertical integration, appropriable rents, and the competitive contracting process. *Journal of Law and Economics* 21(2): 297-326

Williamson OE. 1991. Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly* 36(2): 269-296

Williamson OE. 1991. Strategizing, economizing, and economic organization. *Strategic Management Journal* 12: 75-94

Williamson OE. 2010. Transaction cost economics: The natural progression. *American Economic Review* 100(3): 673-690

Oxley JE. 1999. Institutional environment and the mechanisms of governance: The impact of intellectual property protection on the structure of inter-firm alliances. *Journal of Economic Behavior and Organization* 38(3): 283-309

Zajac EJ, Olsen CP. 1993. From transaction cost to transactional value analysis: Implications for the study of interorganizational strategies. *Journal of Management Studies* 30: 131-145

### ***Professional development: Reviewing the process of reviewing***

I'll return your reviews and we'll discuss my impressions, your experience and any questions you have.

**3/13/14**

### ***Spring Break!!***

**3/20/14**

### ***Transaction cost economics 2***

This week we'll look at more application of TCE. We'll also examine some papers in the extensive overlap between TCE and the capabilities view of the firm.

Each student will present two papers.

- Masten et al (1991) and Leiblein et al (2002)
- Balakrishnan & Wernerfelt (1986) and Sampson (2004)
- Parmigiani (2007) and Puranum et al (2013)
- Argyres (1996) and Leiblein & Miller (2003)
- Crocker & Masten (1991) and Lumineau & Malhotra (2011)
- Ahmadjian & Oxley (2013) and Kang et al (2009)
- Nickerson et al (2001) and Nickerson & Zenger (2004)

Ahmadjian CL, Oxley JE. 2013. Vertical relationships, hostages, and supplier performance: Evidence from the Japanese automotive industry. *Journal of Law, Economics, and Organization* 29(3): 485-512

Argyres N. 1996. Evidence on the role of firm capabilities in vertical integration decisions. *Strategic Management Journal* 17: 129-150

Balakrishnan S, Wernerfelt B. 1986. Technical change, competition and vertical integration. *Strategic Management Journal* 7(4): 347-359

Crocker KJ, Masten SE. 1991. Pretia ex machina? Prices and process in long-term contracts. *Journal of Law and Economics* 34(1): 69-99

Kang M-P, Mahoney JT, Tan D. 2009. Why firms make unilateral investments specific to other firms: The case of oem suppliers. *Strategic Management Journal* 30(2): 117-135

Leiblein MJ, Miller DJ. 2003. An empirical examination of transaction- and firm-level influences on the vertical boundaries of the firm. *Strategic Management Journal* 24(9): 839-859

Lumineau F, Malhotra D. 2011. Shadow of the contract: How contract structure shapes interfirm dispute resolution. *Strategic Management Journal* 32(5): 532-555

Leiblein MJ, Reuer JJ, Dalsace F. 2002. Do make or buy decisions matter? The influence of organizational governance on technological performance. *Strategic Management Journal* 23(9): 817-833

Masten SE, Meehan JW, Snyder EA. 1991. The costs of organization. *Journal of Law, Economics and Organization* 7(1): 1-25

Nickerson J, Hamilton B, Wada T. 2001. Market position, resource profile, and governance: Linking Porter and Williamson in the context of international courier and small package services in Japan. *Strategic Management Journal* 22(3): 251-273

Nickerson JA, Zenger TR. 2004. A knowledge-based theory of the firm: The problem-solving perspective. *Organization Science* 15(6): 617-632

Parmigiani A. 2007. Why do firms both make and buy? An investigation of concurrent sourcing. *Strategic Management Journal* 28(3): 285-311

Puranam P, Gulati R, Bhattacharya S. 2013. How much to make and how much to buy? An analysis of optimal plural sourcing strategies. *Strategic Management Journal* 34(10): 1145-1161

Sampson R. 2004. The cost of misaligned governance in R&D alliance. *Journal of Law, Economics and Organization* 20(2): 484-526

Weber L, Mayer KJ, Macher J. 2011. An analysis of extendibility and early termination provisions: The importance of framing duration safeguards. *Academy of Management Journal* 54(1): 182 - 202

### *Professional development: First draft of the research question*

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.

3/27/14

### *Agency and resource dependence*

Both agency and resource dependence focus on how some aspect of the firm relate to dependencies across the firm boundary and how firms and managers respond to these. For our common readings, start with agency theory: Jensen and Meckling (1976) is a foundational piece, while Eisenhardt (1989) really introduced agency theory into management research.

Then turn to resource dependence, pages 39-54 of Pfeffer and Salancik (1978) and then skim Hillman et al (2009), which is an excellent and fairly current review.

Each student will be responsible for one additional paper.

- Reuer & Ragozzino (2006)
- Gulati & Sytch (2007)
- Zenger (1994)
- Santos & Eisenhardt (2009)
- Dushnitsky & Shapira (2010)
- Katila et al (2008)
- Dietre and Rajagopalan (2012)

Diestre L, Rajagopalan N. 2012. Are all sharks' dangerous? New biotechnology ventures and partner selection in R&D alliances. *Strategic Management Journal* 33(10): 1115-1134

Dushnitsky G, Shapira Z. 2010. Entrepreneurial finance meets organizational reality: Comparing investment practices and performance of corporate and independent venture capitalists. *Strategic Management Journal* 31(9): 990-1017

Eisenhardt KM. 1989. Agency theory: An assessment and review. *Academy of Management Review*: 57-74

Fama E, Jensen M. 1983. Agency problems and residual claims. *Journal of Law & Economics* 26(2): 327-349

Fama E, Jensen M. 1983. Separation of ownership and control. *Journal of Law & Economics* 26(2): 301-325

Gulati R, Sytch M. 2007. Dependence asymmetry and joint dependence in interorganizational relationships: Effects of embeddedness on a manufacturer's performance in procurement relationships. *Administrative Science Quarterly* 52(1): 32-69

Hillman AJ, Withers MC, Collins BJ. 2009. Resource dependence theory: A review. *Journal of Management* 35(6): 1404-1427

Jensen MC, Meckling WH. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics* 3(4): 305-360

Katila R, Rosenberger JD, Eisenhardt KM. 2008. Swimming with sharks: Technology ventures, defense mechanisms and corporate relationships 53.2 (2008): 295-332. *Administrative Science Quarterly* 53(2): 295-332

Pfeffer J, Salancik GR. 1978. *The external control of organizations: A resource dependence perspective*. Harper and Row Publishers: New York

Reuer JJ, Ragozzino R. 2006. Agency hazards and alliance portfolios. *Strategic Management Journal* 27(1): 27-43

Santos FM, Eisenhardt KM. 2009. Constructing markets and shaping boundaries: Entrepreneurial power in nascent fields. *Academy of Management Journal* 52(4): 643-671

Zenger TR. 1994. Explaining organizational diseconomies of scale in research- and-development - agency problems and the allocation of engineering talent, ideas, and effort by firm size. *Management Science* 40(6): 708-729

### ***Professional development: Revised research question and hypothesis***

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.

4/3/14

### ***TMT and upper echelons***

A firm's top management has a decisive effect on the quality and nature of a firm's strategy. Thus, it is important to understand how the nature of the firm's TMT shapes its ability to formulate and execute strategy. The WPC management department is, as you've probably figured out, incredibly strong in this area.

Please start by reading three review articles. Carpenter et al (2004) covers mostly the upper echelons of the firm, Johnson et al (2012) focused on the board, and Hillman & Dalziel (2003) bring together agency and RDT. Since we've already looked at those theories, you should skim the latter, focusing on the intersection of those theories.

Each student will also be responsible for one individual paper. I've chosen a mix of classics and

non-yet-classics to give you a sense of the many question that can be approached from the TMT perspective.

- Chen et al (2010), reaching back to the competitive dynamics literature
- Hayward & Hambrick (1997) on why top managers persist in the face of negative signals. I've included as an optional reading another related classic, Haunschild et al (1994).
- Martin et al (2012) on the role of stock options
- Reuer and Ragozzino (2006) on how agency drives alliance behavior.
- Beckman & Burton (2008) on the evolution of TMTs
- Hambrick et al (2005) on the role of job demands
- Garg (2012) on how venture boards are different than public company boards

I've also included optional readings that are either good review articles or classics. As you read, please consider:

1. What aspects of a TMT are most important in shaping a firm's strategy and performance?
2. What are the critical contingencies to be considered?

Hambrick D. 2007. Upper echelons theory: An update. *Academy of management review*

Beckman CM, Burton MD. 2008. Founding the future: Path dependence in the evolution of top management teams from founding to IPO. *Organization Science* 19(1): 3-24

Carpenter M, Sanders W, Geletkanycz M. 2004. Upper echelons research revisited: Antecedents, elements, and consequences of top management team composition. *Journal of Management*

Chen M-J, Lin H-C, Michel JG. 2010. Navigating in a hypercompetitive environment: The roles of action aggressiveness and tmt integration. *Strategic Management Journal* 31(13): 1410-1430

Haunschild PR, Davis-Blake A, Fichman M. 1994. Managerial overcommitment in corporate acquisition processes. *Organization Science* 5(4): 528-540

Hillman AJ, Dalziel T. 2003. Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *Academy of Management Review* 28(3): 383-396

Walsh JP, Seward JK. 1990. On the efficiency of internal and external corporate control mechanisms. *The Academy of Management Review* 15(3): 421-458

Hayward M, Hambrick D. 1997. Explaining the premiums paid for large acquisitions: Evidence of ceo hubris. *Administrative Science Quarterly*

Finkelstein S, Hambrick D. 1990. Top-management-team tenure and organizational outcomes: The moderating role of managerial discretion. *Administrative Science Quarterly*

Garg S. 2012. Venture boards: Distinctive monitoring and implications for firm performance. *Academy of Management Review* 38(1): 90-108

Johnson SG, Schnatterly K, Hill AD. 2012. Board composition beyond independence: Social capital, human capital, and demographics. *Journal of Management* 39(1): 232-262



Hambrick D, Finkelstein S, Mooney A. 2005. Executive job demands: New insights for explaining strategic decisions and leader behaviors. *Academy of Management Review*

Martin GP, Gomez-Mejia LR, Wiseman RM. 2012. Executive stock options as mixed gambles: Revisiting the behavioral agency model. *Academy of Management Journal* 56(2): 451-472

Wiersma MF, Bantel KA. 1992. Top management team demography and corporate strategic change. *Academy of Management Journal* 35: 91-121

***Professional development: Research question, revised hypotheses, and the logical development leading to one of those hypotheses.***

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

## Real options

4/10/14

### *Real options*

Real options apply the logic of financial options to strategic decision making. Real options thinking has had some great successes, but remains somewhat hindered by the difficulties involved in moving from the world of finance to that of management.

Start by reading Adner & Levinthal (2004) and McGrath, Ferrier and Mednelow (2004), which each do a good job of introducing RO thinking, as well as suggesting its limits. Then read an early and influential empirical work, Folta (1998).

With that as a base, each student will be responsible for two papers:

- Benson & Ziedonis (2009) CVC and Keil et al (2009)
- McGrath & Nerkar (2004) and Oriani & Sobero (2008)
- Reuer & Leiblein (2000) and Tong et al (2008)
- Folta et al (2006) and Li & Chi (2013)
- Santoro & McGill (2005) and Ziedonis (2007)
- Krzeminska et al (2013) and Steensma & Corley (2001)
- O'Brien & Folta (2009) and Vassolo et al (2004)

Adner R, Levinthal DA. 2004. What is not a real option: Considering boundaries for the application of real options to business strategy. *Academy of Management Review* 29(1): 74-85

Benson D, Ziedonis RH. 2009. Corporate venture capital as a window on new technologies: Implications for the performance of corporate investors when acquiring startups. *Organization Science* 20(2): 329-351

Folta TB, Johnson DR, O'Brien J. 2006. Uncertainty, irreversibility, and the likelihood of entry: An empirical assessment of the option to defer. *Journal of Economic Behavior & Organization* 61(3): 432-452

Folta TB. 1998. Governance and uncertainty: The trade-off between administrative control and commitment. *Strategic Management Journal* 19(11): 1007-1028

Keil T, McGrath RG, Tukiainen T. 2009. Gems from the ashes: Capability creation and transformation in internal corporate venturing. *Organization Science* 20(3): 601-620

Li Y, Chi T. 2013. Venture capitalists' decision to withdraw: The role of portfolio configuration from a real options lens. *Strategic Management Journal* 34(11): 1351-1366

McGrath RG, Ferrier WJ, Mendelow AL. 2004. Response: Real options as engines of choice and heterogeneity. *The Academy of Management Review* 29(1): 86-101

McGrath RG, Nerkar A. 2004. Real options reasoning and a new look at the R&D investment strategies of pharmaceutical firms. *Strategic Management Journal* 25(1): 1-21

O'Brien J, Folta T. 2009. Sunk costs, uncertainty and market exit: A real options perspective. *Industrial and Corporate Change* 18(5): 807-833

Oriani R, Sobrero M. 2008. Uncertainty and the market valuation of R&D within a real options logic. *Strategic Management Journal* 29(4): 343-361

Santoro MD, McGill JP. 2005. The effect of uncertainty and asset co-specialization on governance in biotechnology alliances. *Strategic Management Journal* 26(13): 1261-1266

Steensma HK, Corley KG. 2001. Organizational context as a moderator of theories on firm boundaries for technology sourcing. *Academy of Management Journal* 44(2): 271-291

Tong TW, Reuer JJ, Peng MW. 2008. International joint ventures and the value of growth options. *Academy of Management Journal* 51(5): 1014-1029

Vassolo RS, Anand J, Folta TB. 2004. Non additivity in portfolios of exploration activities: A real options based analysis of equity alliances in biotechnology. *Strategic Management Journal* 25(11): 1045-1061

Ziedonis AA. 2007. Real options in technology licensing. *Management Science* 53(10): 1618-1633

***Professional development: Research questions, hypotheses, and the revised logical development leading to one of those hypotheses.***

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

## Applications

4/17/14

### *The relational view: Inter-organizational relationships*

Background and key questions

This is a massive research area. My goal is to acquaint you with some of the key measures, issues, debates and applications in the literature. As you'll see, the level of analysis ranges from dyads to networks. Not all parts of the literature talk to each other on a regular basis.

Looking for a place to start, I've chosen Gulati (1998) as our common reading. It provides a decent introduction.

Additionally, each student will be responsible for two papers.

- The effect of repeated ties: Lee (2013), Uzzi (1996), Uzzi (1997)
- Formal and informal governance of alliances: Ryall & Sampson (2009), Poppo & Zenger (2002)
- Structural embeddedness: Polidoro et al (2011), Rowley et al (2000)
- Network evolution and formation: Ahuja (2000, SMJ), Gimeno (2004)
- Structural holes: Ahuja (2000, ASQ), McKeivily et al (2012)
- Status: Hoetker et al (2007), Rider (2009)
- Power and over-embeddedness: Ma et al (2012) and Gargiulo & Benassi (2000)

I've also included several review papers for your convenience.

Ahuja G. 2000. Collaboration networks, structural holes, and innovation: A longitudinal study. *Administrative Science Quarterly* 45(3): 425-455

Ahuja G. 2000. The duality of collaboration: Inducements and opportunities in the formation of interfirm linkages. *Strategic Management Journal* 21(3): 317-343

Burt RS. 1992. *Structural holes: The social structure of competition*. Harvard University Press: Cambridge, MA

Dyer J, Singh H. 1998. The relational view: Cooperative strategy and sources of interorganizational competitive advantage. *Academy of Management Review* 23(4): 660-679

Gargiulo M, Benassi M. 2000. Trapped in your own net? Network cohesion, structural holes, and the adaptation of social capital. *Organization Science* 11(2): 183-196

Gimeno J. 2004. Competition within and between networks: The contingent effect of competitive embeddedness on alliance formation. *Academy of Management Journal* 47(6): 820-842

Gulati R. 1998. Alliances and networks. *Strategic Management Journal* 19(4): 293-317

Hoetker G, Swaminathan A, Mitchell W. 2007. The impact of buyer-supplier relationships on the survival of modular and architectural component suppliers. *Management Science* 53(2): 178-191

- Lee J. 2013. Dancing with the enemy? Relational hazards and the contingent value of repeat exchanges in m&a markets. *Organization Science* 24(4): 1237-1256
- Ma D, Rhee M, Yang D. 2012. Power source mismatch and the effectiveness of interorganizational relations: The case of venture capital syndication. *Academy of Management Journal* 56(3): 711-734
- McEvily B, Jaffee J, Tortoriello M. 2012. Not all bridging ties are equal: Network imprinting and firm growth in the nashville legal industry, 1933-1978. *Organization Science* 23(2): 547-563
- Mizruchi MS, Galaskiewicz J. 1993. Networks of interorganizational relations. *Sociological Methods & Research* 22(1): 46-70
- Polidoro F, Ahuja G, Mitchell W. 2011. When the social structure overshadows competitive incentives: The effects of network embeddedness on joint venture dissolution. *Academy of Management Journal* 54(1): 203-223
- Poppo L, Zenger T. 2002. Do formal contracts and relational governance function as substitutes or complements? *Strategic Management Journal* 23(8): 707-725
- Provan KG. 1993. Embeddedness, interdependence, and opportunism in organizational supplier-buyer networks. *Journal of Management* 19(4): 841-856
- Rider CI. 2009. Constraints on the control benefits of brokerage: A study of placement agents in u.S. Venture capital fundraising. *Administrative Science Quarterly* 54(4): 575-601
- Rowley T, Behrens D, Krackhardt D. 2000. Redundant governance structures: An analysis of structural and relational embeddedness in the steel and semiconductor industries. *Strategic Management Journal* 21(3): 369-386
- Ryall MD, Sampson RC. 2009. Formal contracts in the presence of relational enforcement mechanisms: Evidence from technology development projects. *Management Science* 55(6): 906-925
- Uzzi B. 1996. The sources and consequences of embeddedness for the economic performance of organizations: The network effect. *American Sociological Review* 61(4): 674-698
- Uzzi B. 1997. Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly* 42(1): 35-67

### ***Professional development: Informal outline of the introduction***

Submit an informal outline of your introduction. We'll discuss what that means.

4/24/14

### ***Diversification***

A critical strategic question for any firm is in which market or sets of markets it should compete. The study of diversification, the expansion of the firm into multiple markets, draws on many of the concepts we've studied to date, so it make a nice application in addition to its own

importance. There is surprisingly little agreement as to even the basic facts regarding the relationship of diversification and performance.

There is a huge literature starting in the 1970s about the performance effects of diversification. Please begin with an early theoretical exploration of diversification, Teece (1980). Then skim Montgomery (1994), which will give us a common foundation to work from.

Each student will then be responsible for a pair of papers.

- Rotemberg & Salong (1994) and Teece et al (1994) Benefits of scope and anti-scope
- Weigelt & Miller (2013) and Williams & Mitchell (2004) Internal structure
- Miller (2006) and Zahavi and Lavie (2013) on “relatedness”
- Carroll et al (2007) and Qian et al (2013) on de alio versus de novo
- Rawley (2010) and Zhou (2011) on coordination costs & “synergy”
- Kumar (2013) and Wu (2013) on other factors
- Lu & Beamish (2004) and Shaver (2011) on international diversification

Carroll GR, Bigelow LS, Seidel M-DL, Tsai LB. 2007. The fates of de novo and de alio producers in the american automobile industry 1885-1981. *Strategic Management Journal* 17(S1): 117-137

Chen PL, Williams C, Agarwal R. 2012. Growing pains: Pre-entry experience and the challenge of transition to incumbency. *Strategic Management Journal* 33(3): 252-276

Chatterjee S, Wernerfelt B. 1991. The link between resources and type of diversification - theory and evidence. *Strategic Management Journal* 12(1): 33-48

Christensen HK, Montgomery CA. 1981. Corporate economic performance: Diversification strategy versus market structure. *Strategic Management Journal* 2(4): 327-343

Helfat CE, Eisenhardt KM. 2004. Inter-temporal economies of scope, organizational modularity, and the dynamics of diversification. *Strategic Management Journal* 25(13): 1217-1232

Hoskisson RE, Hitt MA. 1990. Antecedents and performance outcomes of diversification: A review and critique of theoretical perspectives. *Journal of Management* 16(2): 461-509

Kumar MVS. 2013. The costs of related diversification: The impact of the core business on the productivity of related segments. *Organization Science* 24(6): 1827-1846

Lu JW, Beamish PW. 2004. International diversification and firm performance: The s-curve hypothesis. *Academy of Management Journal* 47(4): 598-609

Miller DJ. 2004. Firms' technological resources and the performance effects of diversification: A longitudinal study. *Strategic Management Journal* 25(11): 1097-1119

Miller DJ. 2006. Technological diversity, related diversification, and firm performance. *Strategic Management Journal* 27(7): 601-619

- Miller DJ, Fern MJ, Cardinal LB. 2007. The use of knowledge for technological innovation within diversified firms. *Academy of Management Journal* 50(2): 308-326
- Montgomery CA, Wernerfelt B. 1988. Diversification, ricardian rents, and tobin's q. *RAND Journal of Economics* 19(4): 623-632
- Montgomery CA. 1994. Corporate diversification. *The Journal of Economic Perspectives* 8(3): 163-178
- Qian L, Agarwal R, Hoetker GP. 2012. Configuration of value chain activities: The effect of pre-entry capabilities, transaction hazard and industry evolution on the decision to internalize. *Organization Science* 23(5): 1330-1349
- Rawley E. 2010. Diversification, coordination costs, and organizational rigidity: Evidence from microdata. *Strategic Management Journal*: n/a-n/a
- Rotemberg JJ, Saloner G. 1994. Benefits of narrow business strategies. *American Economic Review* 84(5): 1330-1349
- Shaver JM. 2011. The benefits of geographic sales diversification: How exporting facilitates capital investment. *Strategic Management Journal* 32(10): 1046-1060
- Silverman BS. 1999. Technological resources and the direction of corporate diversification: Toward an integration of the resource-based view and transaction cost economics. *Management Science* 45(8): 1109-1124
- Teece DJ, Rumelt R, Dosi G, Winter S. 1994. Understanding corporate coherence - theory and evidence. *Journal of Economic Behavior & Organization* 23(1): 1-30
- Teece D. 1980. Economies of scope and the scope of the enterprise. *Journal of Economic Behavior and Organization* 1: 223-247
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