MAN 393.2, Spring 2012 Contemporary Issues in Strategic Management

Professor Violina Rindova, Ralph B. Thomas Professor of Business
Department of Manaegment, CBA 4.228
McCombs School of Business

Class Meeting/Location: Thursday, 10 am -1 pm
Office Hours: Thursday 3:30-5:30 or by appointment
violina.rindova@mccombs.utexas.edu

COURSE DESCRIPTION

This doctoral seminar has five primary objectives: (1) survey the major theoretical perspectives and issues studied in strategic management (or strategy) research; (2) provide an interdisciplinary perspective on contemporary issues in strategic management; (3) develop students' skills in critiquing academic research; (4) develop students' ability to identify original and testable research ideas; and (5) develop students' skills in presenting research ideas orally.

Because strategic management is an interdisciplinary field that draws on work in both basic social disciplines—especially economics, sociology and psychology—and in business fields like organization behavior, organization theory and finance, this seminar offers a broad survey of contemporary strategy research. Many of the issues examined, such as firm diversification, industry structure, interorganizational networks, are also common themes in other disciplines such as industrial organization economics, marketing, accounting, finance, and organizational and economic sociology. Accordingly, this course may be useful to students with research interests in these disciplines.

Although strategy is a very broad field, most scholars would agree that its unifying theme is the use of various performance measures and outcomes as dependent variables. From firm survival to sales to accounting measures, strategy research explanatory focuses on a particular kind of competitive interaction a mechanism that could explain performance. At the risk of oversimplifying, strategy research generally asks at least one of the following questions: "Can we identify the winning strategy in this game?" and "Can we explain why winning strategies work?"

Another unifying theme of strategy research is that competitors have at least some freedom to choose among different strategies. Although some researchers emphasize sources of constraints rather than decision opportunities, most strategy research treats competitive outcomes as the result of crucial decisions.

While the sessions will differ somewhat in their execution, each session will involve an in-depth discussion of the articles or chapters that have been assigned for that week. For empirical articles, our discussion will address each component of the research: theory, methods, results, and the author(s)' conclusions and discussion of implications. Our discussion will be both critical and creative. In the critical component of the discussion, we will attempt to answer the question "what should the author(s) have said and done differently?" The creative component of the discussion will address the question "what's next in this line of research and in this general topic area?" Thus, beyond an in-depth

critique of the assigned articles, in this class we will devote a significant amount of time to raising and discussing new research questions.

An important part of this course will be your socialization into the journal review process, both as author and as reviewer. "Publish or perish" is a very relevant performance criterion for aspiring academics, and professors spend much of their time writing, revising, or critiquing articles for publication in major journals. Therefore, about two-thirds of the way through the semester, your research paper for this class will be submitted for a double-blind peer review. You will also serve as a reviewer.

Course Prerequisites:

This course is open to Ph.D. students from all departments in the University. Master's students who desire to take the course must obtain the instructor's permission.

Course Requirements:

Class Contribution

| _ | Ongoing Contributions | 20 % |
|---------|-----------------------|------|
| _ | Lead Discussions | 20 % |
| Ind | ividual Papers | 50% |
| Reviews | | |
| | | |

Class Contribution

Ongoing contributions. This course is organized as a seminar, which means that you are primarily responsible for discussing the readings. You are expected to do all the readings for each session and to be prepared to discuss and comment on the readings. To facilitate adequate preparation, the number of readings for each class session has purposely been kept small. As the course will be run as a seminar, it will primarily involve loosely-structured discussion among class members. You are responsible for reading all assigned articles and coming to class prepared to discuss the questions outlined below.

Lead Discussions. For each article, one of you will be responsible for leading the discussion by providing his/her answers of the questions below. You would need to provide me with the lead discussion agreements by Friday of the week prior to the class session. Lead discussion assignments however, does not mean that you are responsible only for the article assigned to you. Each class member should come to class prepared to answer each question about each article, and should offer his/her answer or perspectives after the discussion leader, if he/she has a different viewpoint. I may also "cold-call" on students to provide answers to the questions below:

1. Motivations

What **question** (relationship) is the paper addressing? How clear is it? What **mechanism** is proposed to explain key relationships? Is there one? What **framing** is used to position the work with respect to other research?

2. Argumentation

What **arguments** are used to make the work convincing? What **assumptions** underlie the work? How valid are they? What **"hook"** does the paper use to get you into it? What **data and methods** are used? Do they fit the question?

3. *Implications*

What **new findings** does the paper offer? § What **next steps** does this work suggest or require? What **problems**, if any, did you find with the paper's findings or conclusions? What **implications** for theory or practice arise from this research?

4. Creative Critique

How could this work be **extended or refined**?

Beyond answering these questions for each reading, it is important to learn to synthesize and integrate the readings in order to develop new and important research questions. To this end, you should discuss how this work is related to other articles assigned for the same class session and from prior sessions? The readings are purposefully chosen to include seminal articles, exemplary contributions, as well as works that suggest the need for changing the research agenda associated with a given area of research. Therefore, it will be important that you to read the papers carefully, as well as to step back and provide a "big-picture" perspective for the class.

Individual Papers

Participants will also need to write a research paper that relates a topic(s) covered in class to their own research interests. The paper should define a research question, review and critique relevant literature, develop an original theoretical argument that leads to testable propositions or hypotheses. In completing the requirements for this course you can submit either a theoretical or an empirical paper. The goal is to work on a paper of **publishable quality**.

- A theoretical paper should review extant literature and propose a theoretical extension. Both a thorough and integrated literature review, and an interesting, well-argued extension will be required.
- An empirical paper should propose a research question and design a study to address it. You
 do not need to have collected the data, but the design should be based on data that can be
 collected with reasonable effort. Developing research ideas that take advantage of existing
 databases of students and faculty is encouraged. Both quantitative and qualitative studies are
 welcome.

The paper should follow the submission guidelines of AMR for theoretical papers and AMJ for empirical papers. Papers spanning strategy and other disciplines such as accounting, finance, marketing, economics, or other disciplines are also acceptable, subject to my prior approval of the subject.

Peer Review

You are responsible for providing a quality review of a journal article submitted to the blind review process. Keep your review to two, single-spaced pages.

COURSE CALENDAR

| SESSION | Date | Deliverables | Class Topic |
|---------|------------|-----------------------|---|
| 1 | January 19 | | Perspectives on strategy research |
| 2 | January 26 | | Market structure: Industrial organization and |
| | | | socio-cognitive perspectives |
| 3 | February | | Market actions and competitive interactions: |
| | 2 | | The Austrian economics view |
| 4 | February | | Resources and competitive advantage: The |
| | 9 | | resource-based view |
| 5 | February | | Capabilities: Resource-based view and |
| | 16 | | behavioral perspectives |
| 6 | February | | Dynamic capabilities |
| | 23 | | |
| 7 | March 1 | | Evolutionary theory of the firm and |
| | | | organizational routines |
| 8 | March 8 | | Technological competencies and strategy |
| 9 | March 22 | | The knowledge based view |
| 10 | March 29 | | Cultural and symbolic resources and |
| | | | competencies |
| 11 | April 5 | | The social-construction of value |
| 12 | April 12 | Initial Submission of | Strategic decision making |
| | | Term Paper | |
| 13 | April 19 | Paper Reviews | Networks: The relational view |
| 14 | April 26 | | Scope of the firm: TCE and resource-based |
| | | | perspectives |
| 15 | May 3 | Final paper due by 6 | Student paper presentations |
| | | PM | Course wrap-up |

READINGS

(Readings marked with * are optional)

1. Perspectives on strategy research

Rummelt, R., Schendel, D. and Teece, D. 1991. Strategic management and economics. **Strategic Management Journal**, 12 (Winter Special Issue): 5-29.

Hoskisson, R., Hitt, M., Wan, W., & Yiu, D., 1999. Theory and research in strategic management: Swings of a pendulum. **Journal of Management**, 417-456.

Giovanni Gavetti, Daniel A. Levinthal. 2004. The Strategy Field from the Perspective of Management Science: Divergent Strands and Possible Integration quick view. **Management Science**, Vol. 50: pp. 1309-1318

Daniel A. Levinthal. 2011. <u>A behavioral approach to strategy—what's the alternative?</u>**Strategic Management Journal**, 32: <u>1517–1523</u>.

March, J.G., & Sutton, R. I. 1997. Organizational Performance as a dependent variable. **Organization Science**, 8(6): 698-706

Margolis, J. & Walsh, J. 2003. Misery Loves Companies: Rethinking Social Initiatives by Business, **Administrative Science Quarterly**, 48: 268-305

- * Thomas C. Powell, Dan Lovallo and Craig R. Fox, 2011. Behavioral strategy, **Strategic Management Journal.**
- * Capon, N., Farley, J.U., Hoenig, S. 1990. Determinants of financial performance: A meta-analysis. **Management Science**, 36: 1143-1159
- * McGahan, A. 2007. Academic Research That Matters To Managers: On Zebras, Dogs, Lemmings, Hammers, And Turnips. **Academy of Management Journal**, Vol. 50 Issue 4, p748-753

2. Market structure: Industrial organization and socio-cognitive perspectives

RE Caves, ME Porter. 1977. From entry barriers to mobility barriers. **Quarterly Journal of Economics**.

Timothy F. Bresnahan, Shane Greenstein. 1999. Technological Competition and the Structure of the Computer Industry, **The Journal of Industrial Economics**, Vol. 47: pp. 1-40

McGahan, A.M. and M.E. Porter 2003. The Emergence and Sustainability of Abnormal Profits' **Strategic Organization** 1(1): 79-108.

Porac, Joseph F.; Thomas, Howard. 1995 Rivalry and the Industry Model of Scottish Knitwear Producers. **Administrative Science Quarterly**, 40: p203-227

Greta Hsu, Michael T. Hannan. 2009. Identities, Genres, and Organizational Forms. **Organization Science**. pp. 474-490

- * Wernerfelt, B. & Montgomery, C.A. 1986. What is an attractive industry? **Management Science.** 32(10): 1223-1230.
- * Rumelt, R.P., 1991. How much does industry matter? **Strategic Management Journal**, 167-185.
- * Porac, Joseph F.; Thomas, Howard. 1990. Taxonomic Mental Models in Competitor Definition. By: **Academy of Management Review**, 15, p224-xx.
- * Santos, Filipe M.; **Eisenhardt**, Kathleen M. 2009. Constructing Markets and Shaping Boundaries: Entrepreneurial Power In Nascent Fields. **Academy Of Management Journal**, Vol. 52 Issue 4, P643-671.

3. Market actions and competitive interactions: The Austrian economics view

Joseph A. **Schumpeter** "**Creative Destruction**". From Capitalism, Socialism and Democracy (New York: Harper, 1975) [orig. pub. 1942], pp. 82-85.

Jacobson, R., 1992. "The 'Austrian' school of strategy." Academy of Management Review, 782-807.

Young, Greg; Smith, Ken G.; Grimm, Curtis M 1996. "Austrian" and Industrial Organization Perspectives on Firm-level Competitive Activity and Performance. **Organization Science**, 7: 243-255.

Ming-Jer Chen. 1996. Competitor Analysis and Interfirm Rivalry: Toward a Theoretical Integration, **Academy of Management Review**, pp. 100-134

Chen, M-J and D. Hambrick . 1995. Speed, stealth and selective attack: How small firms differ from large firms in their competitive behavior" **Academy of Management Journal.**

Gimeno, J., & Woo, C. 1996. Hypercompetition in a multimarket environment: The role of strategic similarity and multimarket contact in competitive de-escalation. **Organization Science** 73: 322-340.

- * Rindova, V., Ferrier, W., & Wiltbank, R., 2010. Value from gestalt: How sequences of competitive actions affect the advantage of firms in nascent markets. **Strategic Management Journal**, 31 (13): 1474-1498.
- * Hill, C. W. L.; Deeds, D. L. 1996. The Importance Of Industry Structure For The Determination Of Film Profitability: A Neo-Austrian Perspective. **Journal of Management Studies**, Vol. 33 Issue 4, p429-451.

4. Resources and competitive advantage: The resource-based view

Penrose, E. A Theory of the Growth of the Firm. Chapters IV and V. p. 39-p. 78

Peteraf, M.A., 1993. The cornerstones of competitive advantage: A resource-based view. **Strategic Management Journal**, 179-191.

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

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

Pfarrer, M. Pollock, T. and Rindova, V. 2010. A tale of two assets: The effects of reputation and celebrity on investor responses to earnings surprises. **Academy of Management Journal.**

Baker, T. & Nelson, R.E., 2005. "Creating something from nothing: Resource construction through entrepreneurial bricolage." **Administrative Science Quarterly**, 329-366.

- * Conner, K. 1991. An historical comparison of resource-based logic and five schools of thought within industrial organization economics: Do we have a new theory of the firm here? **Journal of Management**, 17: 121-154.
- * Wernerfelt Birger. 1984. A Resource-Based View of the Firm. **Strategic Management Journal**, Vol. 5 pp. 171-180
- *Raphael Amit and Paul J. H. Schoemaker. 1993. Strategic assets and organizational rent. **Strategic Management Journal**.
- * Priem, R. & Butler, J., 2001. Is the resource-based view a useful perspective for strategic management research?" **Academy of Management Review**, 22-40.

5. Capabilities: Resource-based view and behavioral perspectives

Bingham, C. B. and K. M. Eisenhardt 2008. Disentangling resources from the resource-based view" **Managerial Decision and Economics.**

Rindova, V. Yeow, A. Martins, L. & Faraj. S. Forthcoming. Partnering portfolios, value-creation logics, and growth trajectories. **Strategic Entreprenuership Journal.**

Leonard-Barton D. 1992. Core capabilities and core rigidities: A paradox in managing new product development. **Strategic Management Journal 13**: 111-125

Henderson, R., & Cockburn, I. 1994. Measuring competence? Exploring firm effects in pharmaceutical research. **Stratgic Management Journal.**

Salvato, Carlo. 2009. Capabilities Unveiled: The Role of Ordinary Activities in the Evolution of Product Development Processes. **Organization Science**, Vol. 20 Issue 2, p384-409

- * Helfat, Constance E.; Raubitschek, Ruth S.2000. Product Sequencing: Co-Evolution of Knowledge, Capabilities And Products. **Strategic Management Journal**
- * Puranam, P. et al. 2009. "Integrating acquired capabilities: When structural integration is unnecessary" **Organization Science.**

6. Dynamic capabilities

Teece, D. Shuen, A. & Piasno, G. Dynamic capabilities and strategic management. **Strategic Management Journal**, 18: 509-533.

Eisenhardt, K.M. & Martin, J.A. 2000. Dynamic capabilities: What are they? **Strategic Management Journal**, 21(10-11): 1105-1121.

Winter SG. 2003. Understanding dynamic capabilities. Strategic Management Journal 24: 991-995

Teece, David J 2007. Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. **Strategic Management Journal**, Dec2007, Vol. 28 Issue 13, p1319-1350, 32p

Zott, Christoph. 2003. Dynamic Capabilities and the Emergence Of Intraindustry Differential Firm Performance: Insights From A Simulation Study. **Strategic Management Journal**, 24: p97, 29p

Rindova, Violina and Kotha, Suresh 2001. Continuous "morphing": Competing through dynamic capabilities, form, and function.. **Academy of Management Journal**, 44: p1263-1280

7. Evolutionary theory of the firm and organizational routines

Nelson, R. & Winter, S. 1982. **The Evolutionary Theory of Economic Change**. Chapters 4 and 5, pp. 72-136.

Feldman MS, Pentland BT. 2003. Reconceptualizing organizational routines as a source of flexibility and change. **Administrative Science Quarterly 48**: 94-118

Turner, S. & Rindova, V. (Forthcoming). A balancing act: How organizations manage pressures for consistency and change in routine functioning. **Organization Science**.

Barnett, William P.; Hansen, Morten T. 1996. The Red Queen In Organizational Evolution. **Strategic Management Journal**, 17: p139-157.

Noda, Tomo; Collis, David 2001. The Evolution of Intraindustry Firm Heterogeneity: Insights From a Process Study. **Academy of Management Journal**, 44: 897-925

* Parmigiani A, Howard-Grenville JA. 2011. Routines revisited: Exploring the capabilities and practice perspectives. **Academy of Management Annals.**

8. Technological competencies and strategy

Henderson, R. and K. Clark. 1990. Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. **Administrative Science Quarterly.**

Tushman, Michael L., and Philip Anderson. 1986. Technological Discontinuities and Organizational Environments. **Administrative Science Quarterly** 31:439-465.

Suarez, Fernando F. and James M. Utterback. 1995. "Dominant Designs and the Survival of Firms." **Strategic Management Journal**, 16:415-430.

David J. Teece. 1988. Capturing Value from Technological Innovation: Integration, Strategic Partnering, and Licensing Decisions, **Interfaces**, Vol. 18, No. 3: pp. 46-61

Tripsas, M. 1997. Unraveling the Process of Creative Destruction: Complementary Assets and Incumbent Survival in the Typesetter Industry." **Strategic Management Journal**, 18: 119-142.

Adner, R. and R. Kapoor **Forthcoming?** "Innovation Ecosystems and Innovators' Outcomes: Evidence from the semiconductor lithography equipment industry, 1962-2004, **Strategic Management Journal.**

- * Jacobides, Michael, T. Knudsen, and M. Augier. 2006. "Benefiting from Innovation: Value Creation, Value Appropriation and the Role of Industry Architectures." *Research Policy* 35:1200-1221.
- * Henderson, A. 1999. Firm strategy and age dependence: A contingent view of the liabilities of newness, adolescence, and obsolescence. **Administrative Science Quarterly.**

9. Organizational knowledge

Nickerson, Jack A. and Todd R. Zenger. 2004. A Knowledge-Based Theory of the Firm: The Problem-Solving Perspective. **Organization Science**, 15:617-632.

Daft & Weick. 1984. Organizations as Interpretation Systems. **Academy of Management Review**.

Ocasio, W. 1997. Towards an attention-based view of the firm. **Strategic Management Journal** 18:187-206.

Grant, R. 1996. Toward a knowledge-based theory of the firm. **Strategic Management Journal**, 17: pp. 109-122.

Tsoukas, H. 1996. The firm as a distributed knowledge system: A constructionist approach. **Strategic Management Journal**, 17: pp. 11-25.

Hargadon, A. & Sutton. R. 1997. Technology brokering and innovation in a product development firm. **Administrative Science Quarterly**, 42: 716-749.

* Kogut, B. & Zander, U. 1996. What firms do: Coordination, identity and learning. **Organization Science**, 7, 502-518.

10. Cultural and symbolic resources and competencies

Dalpiaz, E., Rindova, V., & Ravasi, D. 2010. Where strategy meets culture: The neglected role of cultural and symbolic resources in strategy research. In Baum, J. & Lampel, J., Advances in Strategic Management. Volume 27.

Rindova V. & Petkova, A. 2007. When is a new thing a good thing? Technological change, product form design, and perceptions of value for product innovations. **Organization Science**, 18(2): 217-232.

Hargadon, Andrew B.; Douglas, Yellowlees 2001. When Innovations Meet Institutions: Edison and the Design of the Electric Light. **Administrative Science Quarterly**, Sep 2001, Vol. 46 Issue 3, p476, 26p

Weber et al. 2008. Forage for Thought: Mobilizing Codes in the Movement for Grass-fed Meat and Dairy Products. **Administrative Science Quarterly**.

Rindova, V., Dalpiaz, E., & Ravasi, D. 2011. A cultural quest: A study of organizational use of new cultural resources in strategy formation. **Organization Science**, 22 (2): 413-431.

Chad Navis and Mary Ann Glynn. 2011. How New Market Categories Emerge: Temporal Dynamics of Legitimacy, Identity, and Entrepreneurship in Satellite Radio, 1990–2005, **Administrative Science Quarterly**.

* Hatch, M. J. 1993. The dynamics of organizational culture. **Academy of Management Review**, 18 (4): 657-693.

11. The social construction of value

Rindova, V. & Fombrun, C. 1999. Constructing competitive advantage: The role of firm-constituent interactions. **Strategic Management Journal**, 20: 691-710.

Rosa, J. A., Porac, J. F., Spanjol, J., & Saxon, M. S., 1999. Sociocognitive dynamics in a product market. **Journal of Marketing.**

Aldrich, H. & Fiol, M. 1994. Fools rush in? The institutional context of industry creation, **Academy of Management Review**, 19: 645-670.

Mukti Khaire and R. Daniel Wadhwani. 2010. Changing Landscapes: The Construction of Meaning and Value in a New Market Category—Modern Indian Art . **Academy of Management Journal,** Vol. 53.

Rindova, Violina P.; Pollock, Timothy G.; Hayward, Mathew L. 2006. Celebrity firms: The social construction of market popularity. **Academy of Management Review**, 31: p50-71

* Fligstein, Neil. 1996. Markets as politics: a political-cultural approach to market institutions. **American Sociological Review** 61:656-673.

12. Strategic Decision Making and Governance

Mintzberg, H. 1978. Patterns of strategy formation. Management Science, 24: 934-948.

Hambrick, D.C. & Mason, P.A. 1984. Upper echelons: The organization as a reflection of its top managers. **Academy of Management Review**, 9: 193-206.

Eisenhardt, K.M., & Schoonhoven, C.B. 1990. Organizational growth: Linking founding team, strategy, environment, and growth among U.S. semicondoctor ventures, 1978-1988. **Administrative Science Quarterly**, 35: 504-529.

Barr, Pamela S.; Stimpert, J. L.; Huff, Anne S.. 1992. Cognitive Change, Strategic Action, And Organizational Renewal. **Strategic Management Journal**, 13: p15-36

Gavetti, G., Levinthal, D., and Rivkin, J. 2005. Strategy making in novel and complex worlds: The power of analogy. **Strategic Management Journal**, 26: 691-712.

Weick, Karl E. 1993. The Collapse of Sensemaking in Organizations: The Mann Gulch Disasters. **Administrative Science Quarterly**, 38:628-652.

13. Networks: The relational view

R Gulati, H Singh, 1998. The Architecture of Cooperation: Managing Coordination Costs and Appropriation. **Administrative Science Quarterly.**

Dyer, Jeffrey and Singh, Harbir. 1998. The Relational View: Cooperative Strategy And Sources Of Interorganizational Competitive Advantage. **Academy of Management Review**, 23: 660-679

Nahapiet, Janine and Ghoshal, Sumantra 1998. Social Capital, Intellectual Capital, and the Organizational Advantage. **Academy of Management Review**, 23: p242-266

Uzzi, Brian. The Sources And Consequences Of Embeddedness For The Economic Performance Of Organizations: The Network Effect. **American Sociological Review**, 61: 674-698

Beth A. Benjamin and Joel M. Podolny. 1999. Status, Quality, and Social Order in the California Wine Industry. **Administrative Science Quarterly.**

Ozcan, Pinar; Eisenhardt, Kathleen M. 2009. Origin of Alliance Portfolios: Entrepreneurs, Network Strategies, and Firm Performance. **Academy of Management Journal**, Vol. 52 Issue 2, p246-279

14. Scope of the enterprise

Ramanujam, V. & Varadarajan, P., 1989. Research on corporate diversification: A synthesis. **Strategic Management Journal**, 523-551.

Rumelt, R.P., 1982. Diversification strategy and profitability. **Strategic Management Journal**, 359-369.

Santos, Filipe M.; Eisenhardt, Kathleen M. 2005. Organizational Boundaries and Theories of Organization. **Organization Science**, Vol. 16 Issue 5, p491-508

Villalonga, B. & McGahan, A.M., 2005. The choice among acquisitions, alliances, and divestitures." **Strategic Management Journal**, 1183-1208.

Galunic C, Eisenhardt K. 2001. Architectural innovation and modular corporate forms. **Academy of Management Journal 44:** 1229–1249.

Samina Karim, Will Mitchell. 2000. Path-Dependent and Path-Breaking Change: Reconfiguring Business Resources Following Acquisitions in the U.S. Medical Sector, 1978-1995, **Strategic Management Journal**, Vol. 21, pp. 1061-1081

^{*} Coase, Ronald. 1937. "The Nature of the Firm." **Economica**, *4*(*4*), pp. 386-405.

^{*} Oliver E. Williamson. 1999. Strategy Research: Governance and Competence Perspectives. **Strategic Management Journal**, Vol. 20: pp. 1087-1108

^{*} Mayer, Kyle J., and Nicholas Argyres. 2004. Learning to Contract: Evidence From the Personal Computer Industry." **Organization Science** 15:394-410.