

**The Foundations of Strategy**  
HBS 4110  
*Fall 2019*

*Instructor:* Juan Alcacer  
*Office:* 227 Morgan Hall  
*Office Hours:* By appointment  
*Class meets:* Tuesday from 3:00 to 6:00 pm

*Objectives of the course:*

This is a doctoral seminar in the field of research in Strategy. The objectives of the seminar are as follows:

- a. To familiarize you with the basic theoretical, empirical, and methodological traditions of research in business and corporate strategy.
- b. To expose you to the economic and behavioral foundations of strategy and current research in specific streams of inquiry.
- c. To help you develop the skills necessary to evaluate, critique, and contribute to the field of strategic management.

*Requirements:*

You are required to read all the assigned reading for each session and be prepared to actively participate in discussions.

In addition, every week you will be individually assigned a specific paper (s) on which you will lead the class discussion. A one-page (typed, single spaced) critical summary of the assigned paper will be required, as well as a short research question that could extend the paper. More specifically, the summary should include:

- (a) a summary of the research question or problem the paper addresses
- (b) the paper's strengths and limitations;
- (c) the contribution it makes to the field, and a couple of major obvious *and non-obvious* links to the other pieces read that day or earlier in the seminar; and
- (d) one interesting and researchable question derived from it.

*Please email your summary to all participants in the class by Monday 2:00 pm every week (24 hours before class).*

You will also be required to write a term paper. You have two alternatives:

- Ideally, your final paper will be an empirical research paper. However, if you are unable to collect the data that you need, then the paper should effectively make the underlying arguments, identify what type of data would be needed to test the arguments, and where/how such data would be collected.

- You can also choose a topic area and provide a directed survey of foundation pieces in that area. The survey will discuss the 3 best papers on separate questions that have appeared in the last 2–3 years, indicate what the questions are, what has been answered, what are the open questions and hot areas of research, and how each question connects to some current managerial situation (i.e., company based application).

Feel free to discuss your paper with me over the term. Please send me a 1-page description of your paper by *October 28th*. Final presentations are tentatively on *December 3rd* and the papers are due one week later (*December 10<sup>th</sup>*).

*Evaluation:*

Evaluation will be on the basis of the following weights:

Class discussion	50%
Summaries	10%
Term paper	40%

## **Session 1: Introduction to Strategy**

- Porter, Michael E. 1996. What Is Strategy? Harvard Business Review, Nov/Dec, 61–78 .
- Casadesus-Masanell, Ramon, and Joan Enric Ricart. (2010) "From Strategy to Business Models and onto Tactics." Special Issue on Business Models Long Range Planning 43, no. 2: 195–215.
  - Casadesus-Masanell, Ramon, and Feng Zhu. (2013) Section 6 on "Business Model Innovation and Competitive Imitation: The Case of Sponsor-Based Business Models." Strategic Management Journal 34, no. 4: 464–482.
- Van den Steen, E. 2018. "The Strategy in Competitive Interactions". Strategy Science. Vol 3, No.4 p-574-591
- Brandenburger, A., and Stuart, H. 1996. "Value-based Business Strategy." Journal of Economics & Management Strategy, 5(1): 5-24.
- Michael J. Leiblein, Jeffrey J. Reuer, and Todd Zenger. "What Makes a Decision Strategic?" (Links to an external site.)Strategy Science: Vol. 3(4) pp. 558–573
- Ghemawat, Pankaj, 2002, Competition and Business Strategy in Historical Perspective, Business History Review, 76, (Spring, 2002)
- Rumelt, R., D. Schendel and D. Teece. 1991. Strategic management and economics. Strategic Management Journal 12: 5-29
  - Teece, D.J. (1985). "Applying concepts of economic analysis to strategic management, in J. Pennings, (Ed.), Organizational Strategy and Change, San Francisco: Jossey-Bass.
- Gavetti, G. and Levinthal, D. (2004). "The Strategy Field from the Perspective of Management Science: Divergent Strands and Possible Integration" Vol. 50 No. 10, October 2004, pp. 1309-1318.

## **Session 2: Industry Analysis, Market Structure, and Market Failures (Part 1)**

- Schmalensee, Richard. 1985. Do Markets Differ Much? American Economic Review 75 (3):341–351.
- Porter, Michael E. 1979. How Competitive Forces Shape Strategy. Harvard Business Review, March/April, 137–145.
- Brandenburger, Adam, and Barry Nalebuff. 1996. Co-Opetition. In Co-Opetition. New York: Doubleday. pp. 11–39 (Chapter 2).
- Waring. G. 1996. Industry differences in the persistence of firm-specific returns. American Economic Review.
- Bronnenberg, B., Dhar, S., and Dub, J. 2009. "Brand History, Geography, and the Persistence of Brand Shares." Journal of Political Economy, 117(1): 87-115.

- Rumelt, Richard P. 1991. How Much Does Industry Matter? *Strategic Management Journal* 12 (3):167–185.
  - McGahan, Anita M., and Michael E. Porter. 1997. How Much Does Industry Matter, Really? *Strategic Management Journal* 18 (Summer Special Issue):15–30.
- Bowman, E.H. & Helfat, C.E. (2001). Does corporate strategy matter? *Strategic Management Journal*, 22(1): 1-23
- Ruefli, T.; Wiggins. R. “Industry, corporate, and segment effects and performance: A non-parametric approach”, *Strategic Management Journal*, 24(9), 861 - 879.
  - McGahan, A and Porter, M. 2005. Comment on Industry, corporate and business-segment effects and business performance: a non-parametric approach by Ruefli and Wiggins. *Strategic Management Journal*
  - Ruefli and Wiggins 2005. Response to McGahan and Porter's commentary on Industry, corporate and business-segment effects and business performance: a non-parametric approach' *Strategic Management Journal*
- Debate at DRUID in 2005 on the relative importance of industry and firm effects on performance between Anita McGahan, Sid Winter, Janet Bercovitz and Alfonso Gambardella: <http://www.druid.dk/streaming/ds2005/6.html>
- Khanna, Tarun, and J. Rivkin. 2000, The Structure of Profitability Around the World. Working paper
  - Khanna, Tarun, and J. Rivkin. 2001, "Estimating the Performance Effects of Business Groups in Emerging Markets." *Strategic Management Journal* 22, 45-74.

### **Session 3: Industry Analysis, Market Structure, and Market Failures (Part 2)**

- Makowski, L., J.M. Ostroy. 2001. Perfect competition and the creativity of the market. *Journal of Economic Literature* 39(2) 479–535.
- Yao, Dennis A. 1988. Beyond the Reach of the Invisible Hand: Impediments to Economic Activity, Market Failures, and Profitability. *Strategic Management Journal* 9 (Special Issue: Strategy Content Research):59–70.
- Sutton, John. 1991. *Sunk Costs and Market Structure: Price Competition, Advertising, and the Evolution of Concentration*. Cambridge, MA: MIT Press, pp. 1-81.
- Katz, M. and C. Shapiro (1994). “Systems Competition and Network Effects,” *Journal of Economic Perspectives* 8, pp. 93-115.
- Lenox, M., S. Rockart and A. Lewin (2006). “Interdependency, Competition, and the Distribution of Firm and Industry Profits,” *Management Science* 52, pp. 757-772.

### **Session 4: Industry Dynamics**

- The Theory of Economic Development – Schumpeter, Chapter 4, 1934

- Jovanovic, B. and G. MacDonald (1994), “The life cycle of a competitive industry,” *Journal of Political Economy*, 102(2): 322-47
- Gort, M. and S. Klepper (1982), “Time paths in the diffusion of product innovations,” *Economic Journal*, 92: 630-53
- Nelson and Winter. *An evolutionary theory of economic change*. Chapters 1 and 2. and Preface to the Japanese translation
  - Knott, Anne Marie. 2001. *The Dynamic Value of Hierarchy*. *Management Science*, Vol. 47 Issue 3.
- Baum, J.A.C. and J.V. Singh (1994), “Organizational niches and the dynamics of organizational mortality,” *American Journal of Sociology*, 100(2): 346-380.
- Cabral, L., and Mata, J. 2003. “On the Evolution of the Firm Size Distribution: Facts and Theory.” *American Economic Review*, 93(4): 1075-1090.
- Sutton, John. 2007. Market Share Dynamics and the “Persistence of Leadership” Debate. *The American Economic Review* 97:222–241.
  - Ghemawat, Pankaj. 1991. *Commitment: The Dynamic of Strategy*. New York: Free Press, pp. 1-51.
- Porter, Michael E. (1991). "Towards a dynamic theory of strategy," *Strategic Management Journal*, Winter Special Issue, pp. 95-118.
- Saloner, Garth. 1991. Modeling, Game Theory, and Strategic Management. *Strategic Management Journal* 12 (Special Issue: Fundamental Research Issues in Strategy and Economics):119–136.

### **Session 5: Resource Based View**

- Penrose, E (1959). *Theory of the Growth of the Firm*. Chapters 1, 2, 5.
- Wernerfelt, B. (1984). “A Resource-based View of the Firm”, *Strategic Management Journal*, pp. 171-180.
- Wernerfelt, B. (1995). “A Resource-based View of the Firm: 10 years later”, *Strategic Management Journal*, 16, pp. 171-174.
- Barney, J. (1991). “Firm Resources and Sustained Competitive Advantage”. *Journal of Management* 17, pp. 99-120.
- Barney, J., M. Wright, and D.J. Ketchen (2001). “The Resource-Based View of the firm: ten years after 1991.” *Journal of Management*, pp. 625-641.
- Priem, R.L. & Butler, J. (2001). Is the resource-based "view" a useful perspective for strategic management research? *Academy of Management Review*, 26: 22-40. (Also “Further Comments” by the same authors)

- Barney, J. B. (2001). "Is the resource-based "view" a useful perspective for strategic management research? Yes," *Academy of Management Review*, 26: 41-56.
- Henderson R., and Cockburn, J. (1994). "Measuring Competence? Exploring firm Effects in Pharmaceutical Research". *Strategic Management Journal*. Winter Special Issue. (15) pp 63-84.
- Dierickx, Ingemar, and Karel Cool. 1989. Asset Stock Accumulation and Sustainability of Competitive Advantage. *Management Science* 35 (12):1504–1511.
- Peteraf, Margaret A. 1993. The Cornerstones of Competitive Advantage: A Resource-Based. *Strategic Management Journal* 14 (3):179–191 .
- Capron, Laurence, Pierre Dussauge and Will Mitchell. 1998. "Resource Redeployment Following Horizontal Acquisitions in Europe and North America, 1988-1992." *Strategic Management Journal* 19: 631
- Ahuja, Gautam and Riitta Katila. 2004. "Where Do Resources Come From? The Role of Idiosyncratic Situations." *Strategic Management Journal* 25: 887-907
- Newbert. 2007. Empirical research on the resource-based view of the firm: An assessment and suggestions for future research. *Strategic Management Journal*.

### **Session 6: Dynamic Capabilities**

- Teece, David J., Gary Pisano, and Amy Shuen. 1997. Dynamic Capabilities and Strategic Management. *Strategic Management Journal* 18 (7):509–533.
- Eisenhardt, K.M. & Martin, J. 2000. Dynamic capabilities: What are they? *Strategic Management Journal*, 21:1105-1121.
- Stuart, Toby R., and Joel M. Podolny. 1996. Local Search and the Evolution of Technological Capabilities. *Strategic Management Journal* 17 (7):21–38.
- O'Reilly, Charles A., III and Michael L. Tushman. 2008. "Ambidexterity as a Dynamic Capability: Resolving the Innovator's Dilemma." *Research in Organizational Behavior* 28: 185-206.
- Tripsas, Mary. 1997. Surviving Radical Technological Change through Dynamic Capability: Evidence from the Typesetter Industry. *Industrial & Corporate Change* 6 (2):341–377.
- King, Andrew A. and Christopher L. Tucci. 2002. "Incumbent Entry into New Market Niches: The Role of Experience and Managerial Choice in the Creation of Dynamic Capabilities." *Management Science* 48: 171-186.
- Goolsbee, A., and Syverson, C. 2008. "How do Incumbents Respond to the Threat of Entry? Evidence from the Major Airlines." *Quarterly Journal of Economics*, 123(4): 1611–1633.

### **Session 7: Learning/Sustainability of Competitive Advantage**

- Rapping, L (1965) "Learning and World War II production functions," *Review of Economics and Statistics*, 47: 81-86.

- Thompson, P (2001) “How much did the Liberty shipbuilders learn? New evidence for an old case study.” *Journal of Political Economy*, 109: 103-137
- Thompson, P. (2005), “Selection and firm survival: Evidence from the shipbuilding industry, 1825-1914,” *Review of Economics and Statistics*, 87(1): 26-36.
- March, James G. 1991. Exploration and Exploitation in Organizational Learning. *Organization Science* 2 (1):71–87.
- Darr, E, L Argote and D Epple (1995) “The acquisition, transfer and depreciation of knowledge in service organizations: Productivity in franchises.” *Management Science*, 41: 1750-1762
- Sorenson, O (2003) “Interdependence and adaptability: Organizational learning and the long-term effect of integration.” *Management Science*, 49: 446-463
- Cohen, Wesley M., and Daniel A. Levinthal. 1990. Absorptive Capacity: A New Perspective on Learning and Innovation. *Administrative Science Quarterly* 35 (1):128–152.
- Levinthal, Daniel A. 1997. Adaptation on Rugged Landscapes. *Management Science* 43 (7):934–950.
- Rivkin, Jan W. 2000. Imitation of Complex Strategies. *Management Science* 46 (6):824–844
- Schilling, MA, P Vidal, RE Ployhard and A Marangoni (2003) “Learning by doing something else: Variation, relatedness and the learning curve.” *Management Science*, 49: 39-56
- Kogut, Bruce, and Udo Zander. 1992. Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology. *Organization Science* 3 (3, Focused Issue: Management of Technology):383–397 .
- Winter, Sidney G., and Gabriel Szulanski. 2001. Replication as Strategy. *Organization Science* 12 (6):730–743.

### **Session 8: Coasian view of the firm**

- Coase, Ronald, (1937) "The Nature of the Firm," *Economica*, Vol. 4, pp. 386-405.
- Williamson, Oliver E., (1981) "The Economics of Organization: the Transaction Cost Approach," *American Journal of Sociology*, Vol. 87 3, pp. 548 - 577.
- Williamson, Oliver E (2002), “The Theory of the Firm as Governance Structure: from Choice to Contract,” *Journal of Economic Perspectives*, Vol. 16, No. 3, Summer 2002, pp. 171-195.
- Winter, S.G. (1988). "On Coase, competence, and the corporation," *Journal of Law, Economics, and Organization*, 4, pp. 163-80.
- Gibbons, R. 1999. Taking Coase seriously. *Administrative Science Quarterly*.
- Hart, Oliver, 1995. Firms, contracts, and financial structure. Chapters 1 and 2.

- Ghoshal, S. and P. Moran. (1996). “Bad for practice: A critique of the transaction cost theory,” *Academy of Management Review*, 21: 13-47.
  - Williamson. O.E. (1996) “Economic organization: The case for candor,” *Academy of Management Review*, 21: 48-57.
- Meyer, John W., and Brian Rowan. 1977. Institutionalized Organizations: Formal Structure as Myth and Ceremony. *The American Journal of Sociology* 83 (2):340–363.

### **Session 9: Coasian view of the firm and applications**

- Dussauge, Pierre, and Bernard Garrette. 1999. Interfirm Cooperation. In *Cooperative Strategy: Competing Successfully through Strategic Alliances*. New York: John Wiley. pp. 35–39 (transactions costs), 41–46 (resource-based view).

#### *Vertical Integration:*

- Chandler, A. 1977. *The Visible Hand: The Managerial Revolution in American Business*. Cambridge, MA: Belknap Press.
- Monteverde, K. and D. Teece. 1982. Supplier switching costs and vertical integration in the automobile industry. *Bell Journal of Economics*, 13: 206-213.
- Masten, S., J. Meehan, and E. Snyder. 1991. The costs of organization. *Journal of Law, Economics and Organization*, 7: 1-22.
- Poppo, L. and Zenger, T. 1998. Testing alternative theories of the firm: Transaction cost, knowledge-based, and measurement explanations for make-or-buy decisions in IT Services. *Strategic Management Journal*, 19: 853-877.
- Nickerson, Jack A.; and Brian Silverman 2003. Why Firms Want to Organize Efficiently and What Keeps Them from Doing So: Inappropriate Governance, Performance, and Adaptation in a Deregulated Industry. *Administrative Science Quarterly*, Vol. 48 Issue 3, p433-465.

#### *Alliances:*

- D. Teece. 1986. Profiting from technological innovation: Implications for collaboration, licensing and public policy. *Research Policy*, 15: 285-305.
- G. Pisano. 1989. Using equity participation to support exchange: Evidence from the biotechnology industry. *Journal of Law, Economics and Organization*, 5: 109-126.
- Gulati, R. 1995. Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances. *Academy of Management Journal*, 38: 85-112.



- Oxley, J. 1997. Appropriability hazards and governance in alliances: A transaction cost approach. *Journal of Law, Economics and Organization*, 13: 387-409.
- Sampson, R. 2004. The cost of misaligned governance in R&D alliances. *Journal of Law, Economics and Organization*, 20: 484-526.
- Kogut, Bruce. 1988. Joint Ventures: Theoretical and Empirical Perspectives. *Strategic Management Journal* 9 (4):319–332.

*Contract structure:*

- Macaulay, S. 1963. Non-contractual relations in business: A preliminary study. *American Sociological Review*, 28: 55-67.
- Joskow, P. 1987. Contract duration and relationship-specific investments: Empirical evidence from coal markets. *American Economic Review*, 77: 168-185.
- Poppo, L. and T. Zenger. 2002. Do formal contracts and relational governance function as substitutes or complements? *Strategic Management Journal*, 23: 707-726.
- Mayer, K. and N. Argyres. 2004. Learning to contract: Evidence from the personal computer industry. *Organization Science*, 5: 394-410.
- Ryall, M. & Sampson, R. 2009. Formal contracts in the presence of relational enforcement mechanisms: Evidence from technology development projects. *Management Science*, 55(6):906-25.

**Session 10: Sociology, Networks and Strategy**

*Status/Reputation*

- Benjamin, B.A., J.M. Podolny. 1999. Status, quality, and social order in the California wine industry. *Administrative Science Quarterly* 44 563-589.
- Fombrun, C., M. Shanley. 1990. What's in a name? Reputation building and corporate strategy. *Academy of Management Journal* 33 233-258.
- Merton, R.K. 1968. The Matthew effect in science. *Science* 159 56-63.
- Podolny, J.M. 1993. A status-based model of market competition. *American Journal of Sociology* 98 829-872.
- Podolny, J.M. 1994. Market uncertainty and the social character of economic exchange. *Administrative Science Quarterly* 39 458-483.

*Networks*

- Gulati, N., N. Nohria, and A. Zaheer. (2000). "Strategic Networks," *Strategic Management Journal*, 21 (Spl. Issue): 203-215.

- Gulati, R., and Gargiulo, Martin (1999). ‘Where do interorganizational networks come from?’ *American Journal of Sociology*, 104 (5), pp. 1439-1493.
- Stuart, T. (1998). “Network positions and propensities to collaborate: An investigation of strategic alliance formation in a high technology industry,” *Administrative Science Quarterly*, 43: 668-698.
- Gulati, R. and M. Higgins. 2003. “Which ties matter when? The contingent effects of interorganizational partnerships on IPO success,” *Strategic Management Journal* 24: 127-144.
- Zaheer, A. and G. Soda. “The genesis of social structure: Where do structural holes come from? Working Paper.

### **Session 11: Behavioral Strategy**

- Powell T, Lovallo D, and Fox C (2011). Behavioral Strategy. *Strategic Management Journal*, Vol. 32, No. 13, Psychological Foundations of Strategic Management (December 2011), pp. 1369-1386
- Gavetti, G., Greve D, Levinthal D., and Ocasio W., "The Behavioral Theory of the Firm: Assessment and Prospects," *Academy of Management Annals*, 2012
- Camerer C, Lovallo D. Overconfidence and Excess Entry: An Experimental Approach. *American Economic Review* Vol. 89, No. 1, March 1999 (pp. 306-318)
- Gavetti, G (2012) "Toward a Behavioral Theory of Strategy," *Organization Science*, 23, January/February 2012
- Brandenburger Adam, Natalya Vinokurova, (2012) Comment on “Toward a Behavioral Theory of Strategy” *Organization Science*, 23, January/February 2012
- Winter, N. (2012) Purpose and Progress in the Theory of Strategy: Comments on Gavetti *Organization Science*, 23, January/February 2012
- Giovanni M. Gavetti and Anoop Menon (2016), Evolution Cum Agency: Toward a Model of Strategic Foresight, *Strategy Science*, 1 (3), pp. 207-233.
- Gavetti G., Levinthal D. “Looking Backward and Looking Forward: cognitive and experiential learning” *Administrative Science Quarterly* Vol. 45, No. 1 (Mar., 2000), pp. 113-137 (25 pages)

### **Session 12: Non-Market Strategies**

- Baron DP (1995) Integrated strategy: Market and nonmarket components. *Calif. Management Rev.* 37:47–65.
- Baron DP (2001) Private politics, corporate social responsibility, and integrated strategy. *J. Econom. Management Strategy* 10(1):7–45.
- Nonmarket Strategy Research Through the Lens of New Institutional Economics: an integrative review and future directions *Strategic Management Journal Strat. Mgmt. J.*, 38: 114–140 (2017)

- Capron, L and Chatain, O., Competitor's Resource Oriented Strategies..." Academy of Management Review 2008
- Hillman, A, et al. "Corporate Political Activity: A Review and Research Agenda" Journal of Management 2016
- Holburn, G ... "Integrated Market and Nonmarket Strategies" Political Campaign Contributions Around Merger and Acquisition Events in the Energy Sector" SMJ 2014.
- Fisman R. Estimating the Value of Political Connections The American Economic Review, Vol. 91, No. 4, (Sep., 2001), pp. 1095-1102

### **Session 13: Presentations**