

MGMT 8401
SEMINAR IN STRATEGY (I)

Spring 2020

Instructor: Aseem Kaul

Office: 3-412 CSOM

Office Hours: By appointment

Class time: 8.30 am – 11.30 am; Tuesdays (A term)

Class location: CSOM 3-377

Course Introduction and Objectives

This is a Ph.D. seminar in the field of strategy, *i.e.*, the study of how firms achieve and sustain economic profits and performance. The course is intended to provide strategy researchers with an introduction to the fundamentals of strategy as an area of study: discussing the origins of the field and reviewing several of the theories that are central to it. To that end, we shall read and discuss foundational works, notable empirical applications, and important recent advances under each theory. My objective in this course is two-fold: a) to familiarize you with the important streams of research that make up the field of strategy, broadly defined; and b) to help you develop the ability to critically assess and appreciate high quality strategy research.

Course Requirements

Readings and discussion

I have assigned a set of readings for each session. These readings are divided into three sets: a set of four **starred** readings that shall be the focus of a discussion led by you (see below), a set of other (non-starred) required readings, and a set of optional readings. Please note that **all readings other than those marked optional are required.** While our discussion may focus more on the starred readings, I expect you to have read and thought about all the readings for the day and to incorporate insights from them all in our classroom discussions. The readings I have starred are simply the easiest to build a discussion off; this is not to suggest that the other readings are somehow less useful or important. The optional readings

are readings I strongly suggest you read, especially if you're interested in the day's topic, though I'm not requiring you to do so.

In addition to going over the readings and coming prepared to discuss them in class, you will be individually assigned a specific paper on which you will lead the class discussion. A one-page (typed, single spaced, \geq 11-point font) critical summary of the assigned paper will be required, which should typically include:

- (a) a summary of the research question or problem the paper addresses,
- (b) the paper's strengths and limitations, and
- (c) the contribution it makes to the field, and a couple of major obvious **and non-obvious** links to the other pieces in the session or the course

Please bring enough paper summaries to the class to distribute to all the participants. The paper summaries will not be graded separately but will contribute to the class participation grade.

Term paper

You will also be required to write a term paper. Please use the following to guide the structure of the paper.

- Identify a research question of interest.
- Develop a theoretical argument and derive *ONE* testable hypothesis related to this question
- Sketch a research design of how you would test that question.

By research design I want to know (a) what you are measuring and (b) how you plan to invoke variance to facilitate your analysis. I do not need to know the specific data source or the statistical technique(s) that you would employ. These are things that you could flesh-out later if you wish to continue with this work. My evaluation of your term paper will focus on your ability to develop an interesting and potentially testable idea that addresses an important research question in the nonmarket strategy area.

Evaluation

Evaluation will be on the basis of the following weights:

Class discussion and summaries	50%
Term paper	50%

Week 1: Introduction and origins

- *Caves, R. E., & Porter, M. E. 1977. From entry barriers to mobility barriers: Conjectural decisions and contrived deterrence to new competition. *Quarterly journal of economics*, 241-261.
- *Rumelt, R. P., Schendel, D., & Teece, D. J. (Eds.). 1994. *Fundamental issues in strategy: A research agenda*. Harvard Business Press. Chapter 1
- *Mahoney, J. T., & McGahan, A. M. 2007. The field of strategic management within the evolving science of strategic organization. *Strategic Organization*, 5(1), 79-99.
- *Mahoney, J. T., & Qian, L. 2013. Market frictions as building blocks of an organizational economics approach to strategic management. *Strategic Management Journal*, 34(9), 1019-1041.
- Yao, D. A. 1988. Beyond the reach of the invisible hand: Impediments to economic activity, market failures, and profitability. *Strategic Management Journal*, 9(S1), 59-70.
- Shaver, J.M. 1998. Accounting for endogeneity when assessing strategy performance: Does entry mode choice affect FDI survival? *Management Science*, Vol. 44 (4), 571-585.
- Oxley, J., Rivkin, M. Ryall. 2010. The Strategy Research Initiative: Recognizing and encouraging high-quality research in strategy. *Strategic Organization* 8(4): 377-386.
- Makadok, R. 2011. Invited editorial: the four theories of profit and their joint effects. *Journal of Management*, 37(5), 1316-1334.
- (Optional) Nelson, R. R. 1991. Why do firms differ, and how does it matter?. *Strategic management journal*, 12(S2), 61-74.
- (Optional) Porter, M. E. 1991. Towards a dynamic theory of strategy. *Strategic management journal*, 12(S2), 95-117.
- (Optional) Porter, M.E. 1996. What is strategy? *Harvard Business Review* Nov Issue
- (Optional) Ghemawat, Pankaj. 2002. Competition and Business Strategy in Historical Perspective, *Business History Review*, 76, (Spring, 2002)
- (Optional) Leiblein, M., and Reuer, J. 2019. Foundations and future of strategic management. *Strategic Management Review* forthcoming

Week 2: Competition, value creation and value capture

- *Brandenburger, A. M., & Stuart, H. W. 1996. Value-based business strategy. *Journal of Economics & Management Strategy*, 5(1), 5-24.
- *Olivier Chatain. 2011. Value Creation, Competition and Performance in Buyer-Supplier Relationships *Strategic Management Journal* 32.1: 76-102.
- *Gans, J., & Ryall, M. D. 2017. Value capture theory: A strategic management review. *Strategic Management Journal*, 38(1), 17-41.
- *Lieberman MB, Balasubramanian N, Garcia-Castro R. 2018. Toward a dynamic notion of value creation and appropriation in firms: The concept and measurement of economic gain. *Strategic Management Journal* 39(6): 1546-1572
- MacDonald, G., & Ryall, M. D. 2004. How do value creation and competition determine whether a firm appropriates value? *Management Science*, 50(10), 1319-1333.
- Adner, R., & Zemsky, P. 2006. A demand-based perspective on sustainable competitive advantage. *Strategic Management Journal*, 27(3), 215-239.
- Chatain, O., & Zemsky, P. 2011. Value creation and value capture with frictions. *Strategic Management Journal*, 32(11), 1206-1231.
- Wang, R. D., & Shaver, J. M. 2014. Competition-driven repositioning. *Strategic Management Journal*, 35(11), 1585-1604.
- Lieberman, M. B., Garcia-Castro, R., & Balasubramanian, N. 2017. Measuring value creation and appropriation in firms: The VCA model. *Strategic Management Journal*, 38(6), 1193-1211.
- (Optional) Porter, M. E. 1981. The contributions of industrial organization to strategic management. *Academy of management review*, 6(4), 609-620.
- (Optional) Camerer, C. F. 1991. Does strategy research need game theory? *Strategic Management Journal*, 12(S2), 137-152.
- (Optional) Brandenburger, A., & Stuart, H. 2007. Biform games. *Management science*, 53(4), 537-549.
- (Optional) Chatain, O., & Mindruta, D. 2017. Estimating value creation from revealed preferences: Application to value-based strategies. *Strategic Management Journal*. 38: 1964-1985
- (Optional) Menon, A. R., & Yao, D. A. 2017. Elevating repositioning costs: Strategy dynamics and competitive interactions. *Strategic Management Journal*, 38(10), 1953-1963
- (Optional) Ross, D. G. 2018. Using cooperative game theory to contribute to strategy research. *Strategic Management Journal*, 39(11), 2859-2876.

Week 3: Organizational Economics

*Hart, O., & Moore, J. 1990. Property Rights and the Nature of the Firm. *Journal of political economy*, 98(6), 1119-1158.

*Williamson, O. E. 1991. Comparative economic organization: The analysis of discrete structural alternatives. *Administrative science quarterly*, 36(2), 269-296.

*Mayer, K. J., & Nickerson, J. A. 2005. Antecedents and performance implications of contracting for knowledge workers: Evidence from information technology services. *Organization Science*, 16(3), 225-242.

*Rawley, E. & Simcoe, T. 2010. Diversification, diseconomies of scope, and vertical contracting: Evidence from the taxicab industry. *Management Science*, 56(9), 1534-1550.

Coase, R. H. 1937. The nature of the firm. *Economica*, 4(16), 386-405.

Williamson, O. E. 1991. Strategizing, economizing, and economic organization. *Strategic management journal*, 12(S2), 75-94.

Silverman, B. S. 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.

Kaul, A. 2013. Entrepreneurial action, unique assets, and appropriation risk: Firms as a means of appropriating profit from capability creation. *Org. Science*, 24(6), 1765-1781.

Barach, M. A., Kaul, A., Leung, M. D., & Lu, S. 2019. Strategic redundancy in the use of big data: Evidence from a two-sided labor market. *Strategy Science*, 4(4), 298-322.

(Optional) Grossman, S. J., & Hart, O. D. 1986. The costs and benefits of ownership: A theory of vertical and lateral integration. *Journal of political economy*, 94(4), 691-719.

(Optional) Aghion, P., & Tirole, J. 1994. The management of innovation. *Quarterly Journal of Economics*, 109(4), 1185-1209.

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

(Optional) Foss, K., & Foss, N. J. 2005. Resources and transaction costs: how property rights economics furthers the resource-based view. *Strategic Management J.*, 26(6), 541-553.

(Optional) Gibbons, R., & Henderson, R. 2012. Relational contracts and organizational capabilities. *Organization Science*, 23(5), 1350-1364.

(Optional) Gartenberg, C., & Pierce, L. 2017. Subprime governance: Agency costs in vertically integrated banks and the 2008 mortgage crisis. *Strategic Management Journal*, 38(2), 300-321.

Week 4: Resource Based View

- *Penrose, E. 1959. *Theory of the Growth of the Firm*. Chapters 2,4, & 5.
- *Barney, J. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management* 17, 99-120.
- *Lippman, S. A., & Rumelt, R. P. 2003. A bargaining perspective on resource advantage. *Strategic Management Journal*, 24(11), 1069-1086.
- *Levinthal, D. A., & Wu, B. 2010. Opportunity costs and non-scale free capabilities: profit maximization, corporate scope, and profit margins. *Strategic Management Journal*, 31(7), 780-801.
- Dierickx, I., & Cool, K. 1989. Asset stock accumulation and sustainability of competitive advantage. *Management science*, 35(12), 1504-1511.
- Peteraf, M. A. 1993. The cornerstones of competitive advantage: A resource-based view. *Strategic management journal*, 14(3), 179-191.
- 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.
- Makadok, R., & Barney, J. B. 2001. Strategic factor market intelligence: An application of information economics to strategy formulation and competitor intelligence. *Management Science*, 47(12), 1621-1638.
- Wibbens, P. D. 2019. Performance persistence in the presence of higher-order resources. *Strategic Management Journal*, 40(2), 181-202.
- (Optional) Mahoney, J. T., & Pandian, J. R. 1992. The resource-based view within the conversation of strategic management. *Strategic management journal*, 13(5), 363-380.
- (Optional) Wernerfelt, B. 1984. A Resource-based View of the Firm, *Strategic Management Journal*, 5: 171-180.
- (Optional) Montgomery, C.A., & Wernerfelt, B. 1988. Diversification, Ricardian rents, and Tobin's Q. *Rand Journal of Economics* 19(4): 623-632
- (Optional) Tripsas, M. 1997. Unraveling the process of creative destruction: Complementary assets and incumbent survival in the typesetter industry. *Strategic Management Journal*, 18(S1), 119-142.
- (Optional) Helfat, C. E., & Eisenhardt, K. M. (2004). Inter-temporal economies of scope, organizational modularity, and the dynamics of diversification. *Strategic Management Journal*, 25(13), 1217-1232.
- (Optional) Newbert, S. L. 2007. Empirical research on the resource-based view of the firm: an assessment and suggestions for future research. *Strategic management journal*, 28(2), 121-146.
- (Optional) Wu, B. 2013. Opportunity costs, industry dynamics, and corporate diversification: Evidence from the cardiovascular medical device industry, 1976–2004. *Strategic Management Journal*, 34(11), 1265-1287.

Week 5: Capabilities

- *Eisenhardt, K. M., & Martin, J. A. 2000. Dynamic capabilities: what are they? *Strategic management journal*, 21: 1105-1121.
- *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.
- *Helfat, C. E., & Peteraf, M. A. 2003. The dynamic resource-based view: Capability lifecycles. *Strategic management journal*, 24(10), 997-1010.
- *Ethiraj, S. K., Kale, P., Krishnan, M. S., & Singh, J. V. 2005. Where do capabilities come from and how do they matter? A study in the software services industry. *Strategic management journal*, 26(1), 25-45.
- Kogut, B., & Zander, U. 1992. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization science*, 3(3), 383-397.
- Makadok, R. 2001. Toward a synthesis of the resource-based and dynamic-capability views of rent creation. *Strategic management journal*, 22(5), 387-401.
- Nickerson, J. A., & Zenger, T. R. 2004. A knowledge-based theory of the firm—The problem-solving perspective. *Organization science*, 15(6), 617-632.
- Teece, D. J. 2007. Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. *Strategic management journal*, 28(13), 1319-1350.
- Capron, L., & Mitchell, W. 2009. Selection capability: How capability gaps and internal social frictions affect internal and external strategic renewal. *Organization Science*, 20(2), 294-312.
- (Optional) Lippman, S. A., & Rumelt, R. P. 1982. Uncertain imitability: An analysis of interfirm differences in efficiency under competition. *The Bell Journal of Economics*, 418-438.
- (Optional) Amit, R., & Schoemaker, P. J. 1993. Strategic assets and organizational rent. *Strategic management journal*, 14(1), 33-46.
- (Optional) Teece, D. J., Pisano, G., & Shuen, A. 1997. Dynamic capabilities and strategic management. *Strategic management journal*, 18: 509-533.
- (Optional) Henderson, R., & Cockburn, I. 1994. Measuring competence? Exploring firm effects in pharmaceutical research. *Strategic management journal*, 15(S1), 63-84.
- (Optional) Lee, G. K. 2008. Relevance of organizational capabilities and its dynamics: what to learn from entrants' product portfolios about the determinants of entry timing. *Strat. Mgmt J.*, 29(12), 1257-1280.
- (Optional) Helfat, C. E., & Winter, S. G. 2011. Untangling dynamic and operational capabilities: Strategy for the (N) ever-changing world. *Strategic management journal*, 32(11), 1243-1250.
- (Optional) Kaul, A., & Wu, B. 2016. A capabilities-based perspective on target selection in acquisitions. *Strategic Management Journal*, 37(7), 1220-1239.

Week 6: Evolutionary views

- *Nelson, R.R., & Winter, S.G. 1982. *An Evolutionary Theory of Economic Change*. Chapters 4-5.
- *Levinthal, D. A. 1997. Adaptation on rugged landscapes. *Management Science*, 43(7), 934-950.
- *Zollo, M., & Winter, S. G. 2002. Deliberate learning and the evolution of dynamic capabilities. *Organization science*, 13(3), 339-351.
- *Posen, H. E., & Levinthal, D. A. 2012. Chasing a moving target: Exploitation and exploration in dynamic environments. *Management Science*, 58(3), 587-601.
- Rivkin, J. W. 2000. Imitation of complex strategies. *Management science*, 46(6), 824-844.
- Cockburn, I. M., Henderson, R. M., & Stern, S. 2000. Untangling the origins of competitive advantage. *Strategic management journal*, 21(10-11), 1123-1145.
- Siggelkow, N. 2002. Evolution toward fit. *Administrative Science Quarterly*, 47(1), 125-159.
- Lenox, M. J., Rockart, S. F., & Lewin, A. Y. 2006. Interdependency, competition, and the distribution of firm and industry profits. *Management Science*, 52(5), 757-772.
- Chen, M., Kaul, A., & Wu, B. 2019. Adaptation across multiple landscapes: Relatedness, complexity, and the long run effects of coordination in diversified firms. *Strategic Management Journal*, 40(11), 1791-1821.
- (Optional) March, J. G. 1991. Exploration and exploitation in organizational learning. *Organization science*, 2(1), 71-87.
- (Optional) Levinthal, D. A. 1991. Organizational adaptation and environmental selection-interrelated processes of change. *Organization science*, 2(1), 140-145.
- (Optional) Ethiraj, S. K., & Levinthal, D. 2004. Modularity and innovation in complex systems. *Management science*, 50(2), 159-173.
- (Optional) Adner, R., Csaszar, F. A., & Zemsky, P. B. 2014. Positioning on a multiattribute landscape. *Management Science*, 60(11), 2794-2815.
- (Optional) Gavetti, G., Helfat, C. E., & Marengo, L. 2017. Searching, shaping, and the quest for superior performance. *Strategy Science*, 2(3), 194-209.
- (Optional) Csaszar, F. A. 2018. A note on how NK landscapes work. *Journal of Organization Design*, 7(1), 15.

Week 7 Cognition & Attention

- *Levinthal, D. A., & March, J. G. 1993. The myopia of learning. *Strategic management journal*, 14(S2), 95-112.
- *Ocasio, W. 1997. Towards an attention-based view of the firm. *Strategic management journal*, 18: 187-206.
- *Tripsas, M., & Gavetti, G. 2000. Capabilities, cognition, and inertia: Evidence from digital imaging. *Strategic management journal*, 1147-1161.
- *Eggers, J. P., & Kaplan, S. 2009. Cognition and renewal: Comparing CEO and organizational effects on incumbent adaptation to technical change. *Organization Science*, 20(2), 461-477.
- Simon, H. A. 1955. A behavioral model of rational choice. *The quarterly journal of economics*, 69(1), 99-118.
- Gavetti, G., & Levinthal, D. 2000. Looking forward and looking backward: Cognitive and experiential search. *Administrative science quarterly*, 45(1), 113-137.
- Kaplan, S. 2008. Framing contests: Strategy making under uncertainty. *Organization Science*, 19(5), 729-752.
- Csaszar, F. A., & Eggers, J. P. 2013. Organizational decision making: An information aggregation view. *Management Science*, 59(10), 2257-2277.
- Martignoni, D., Menon, A., & Siggelkow, N. 2016. Consequences of misspecified mental models: Contrasting effects and the role of cognitive fit. *Strategic Management Journal*, 37(13), 2545-2568.
- (Optional) Simon, H.A. 1947/1997. *Administrative Behavior* Free Press: New York, NY
- (Optional) Barr, P. S., Stimpert, J. L., & Huff, A. S. 1992. Cognitive change, strategic action, and organizational renewal. *Strategic management journal*, 13(S1), 15-36.
- (Optional) Kaplan, S., & Tripsas, M. 2008. Thinking about technology: Applying a cognitive lens to technical change. *Research Policy*, 37(5), 790-805.
- (Optional) Benner, M. J., & Tripsas, M. 2012. The influence of prior industry affiliation on framing in nascent industries: the evolution of digital cameras. *Strategic Management Journal*, 33(3), 277-302.
- (Optional) Forbes, D. P., & Milliken, F. J. 1999. Cognition and corporate governance: Understanding boards of directors as strategic decision-making groups. *Academy of management review*, 24(3), 489-505.
- (Optional) Joseph, J., & Wilson, A. J. 2018. The growth of the firm: An attention-based view. *Strategic Management Journal*, 39(6), 1779-1800.
- (Optional) Joseph, J., & Gaba, V. (2019). Organizational structure, information processing, and decision making: A retrospective and roadmap for research. *Academy of Management Annals*, (ja).