

Doctoral Seminar in Strategy

Strategy 897, Fall B 2020

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Meeting times: Mondays 3:00pm–6:00pm

Overview

Strategy research aims to understand what drives the heterogeneity of performance across firms. This PhD seminar surveys the major theoretical perspectives used in strategy research. An illustrative list of issues addressed in this seminar includes: identifying the profit potential of different industry configurations; exploring relationships between firm scale, scope, and performance; and understanding the cognitive and organizational antecedents of firm-level outcomes such as innovation and profitability.

This seminar is a required course for doctoral students in the strategy department at the University of Michigan. Because many of the issues examined in the course (e.g., vertical integration, firm diversification, industry structure, organizational and inter-organizational networks) are also common themes in other disciplines such as industrial organization economics, accounting, marketing, information systems, and organizational and economic sociology, this course may also be useful to students with research interests in these areas.

The goals of the seminar are the following:

1. To familiarize you with the main theoretical, empirical, and methodological traditions in strategy research.
2. To help you develop the skills to understand, critique, and contribute to the field of strategy.

The course is informed by both economic and behavioral views of strategy. In order to cover a broad array of issues in strategy research, the readings are biased towards foundational and survey works, although most sessions include at least one empirical or modeling paper that exemplifies work that is done near the knowledge frontier.

Because of the breadth of strategy research, a course like this is inevitably incomplete. Hence, the course aims to inform you about the main conversations in the field, while you are responsible for mastering the specific literatures that matter to your research.

Requirements

You are required to read all the assigned materials for each session and be prepared to actively participate in the discussions. In addition, the course has three other requirements:

1. *Reaction notes.* For four sessions of the course (you choose which ones), you should prepare a one-page document with your critical thoughts about the readings assigned to that session. Do not write a summary of the readings (doing so will be penalized), but provide your thoughts on what you find particularly remarkable or problematic about the readings, and what novel connections or extensions the readings spark on

you. Please upload this document to our shared folder before 8:00am the day of the corresponding session.¹

2. *Paper discussion.* All the readings of the course will be evenly split among the students.² Your role is to initiate the discussion of the reading you are in charge of. To do so, prepare a 5-minute presentation with no more than six slides (or an equivalent text outline) with the following suggested headings: (1) main question and why it matters, (2) method, (3) result, (4) implications, (5) discussion (i.e., thoughtful questions and ideas you pose to the class regarding key assumptions, problems, extensions, connections, etc.). You can add a sixth heading anywhere in the structure to delve into further detail about any other aspect of the paper you consider important. *The goal of your presentation is not to summarize the reading (which we will all have read), but to highlight what you believe is particularly remarkable.* Please upload this document to our shared folder before the beginning of the corresponding session.
3. *Term paper.* Each student is responsible for an individual research project. A first deliverable (due on session #3) is a 1-page proposal pointing to a relevant, open question in strategy and outlining a method for investigating it. You need to clear your proposal with me before proceeding to write your term paper. The term paper (due on Wednesday, December 23 at 9:00am) consists of the front end of a paper (i.e., introduction and theoretical motivation) plus an outline of the rest of the paper. For instance, if in the front end you propose an empirical test, then the rest of the paper could discuss the dataset you would use, examples of analyses you would run, and a preliminary discussion; or, if in the front end of the paper you propose a model, the rest of the paper could include a first draft of the model, a simple analysis, and a preliminary discussion of the results. The paper should be no longer than 25 double-spaced pages.

Grading

The final grade is computed using the following weights:

Class participation	20%
Reaction notes	20%
Paper discussions	20%
Term paper	40%

Reading List

Note: for each session, all the numbered readings are required, while those marked with a bullet are optional. I suggest you at least skim the optional readings, as they will add valuable context to your understanding of the literature.

¹The Internet address of the folder will be shared before the first session. All documents you upload to this folder must be in PDF format. Please include your last name in the file name.

²I will assign the readings for session #1, for all the other sessions, you are in charge of assigning the readings among yourselves. All of the readings will be available in the course shared folder.

1. Origins of strategy, positioning, and diversification

Monday, October 19, 3:00pm–6:00pm

1. Ghemawat, P. (2002). Competition and business strategy in historical perspective. *Business History Review*, 76(1), 37–74.
2. Leiblein, M. J., & Reuer, J. J. (2020). Foundations and futures of strategic management. *Strategic Management Review*, 1(1), 1–33.
3. Porter, M. E. (1991). Towards a dynamic theory of strategy. *Strategic Management Journal*, 12, 95–117. Special Issue.
4. McGahan, A. M., & Porter, M. E. (1997). How much does industry matter, really? *Strategic Management Journal*, 18, 15–30. Special Issue.
5. Feldman, E. (2020). Corporate strategy: Past, present, and future. *Strategic Management Review*, 1(1).
6. Montgomery, C. A. (1994). Corporate diversification. *Journal of Economic Perspectives*, 8(3), 163–178.
7. Litov, L. P., Moreton, P., & Zenger, T. R. (2012). Corporate strategy, analyst coverage, and the uniqueness paradox. *Management Science*, 58(10), 1797–1815.

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- Porter, M. E. (1979). How competitive forces shape strategy. *Harvard Business Review*, 57(2), 137–145.
 - Teece, D. J., Rumelt, R. P., Dosi, G., & Winter, S. G. (1994). Understanding corporate coherence: Theory and evidence. *Journal of Economic Behavior & Organization*, 23(1), 1–30.
 - Villalonga, B. (2004). Diversification discount or premium? New evidence from the business information tracking series. *Journal of Finance*, 59(2), 479–506.
 - 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.
 - Denrell, J., Fang, C., & Liu, C. (2015). Perspective: Chance explanations in the management sciences. *Organization Science*, 26(3), 923–940.
 - Vanneste, B. S. (2017). How much do industry, corporation, and business matter, really? A meta-analysis. *Strategy Science*, 2(2), 121–139.
 - Ahuja, G., & Novelli, E. (2017). Redirecting research efforts on the diversification–performance linkage: The search for synergy. *Academy of Management Annals*, 11(1), 342–390.

2. Resources, capabilities, and dynamic capabilities

Monday, October 26, 3:00pm–6:00pm

1. Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171–180.
2. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
3. Denrell, J., Fang, C., & Winter, S. G. (2003). The economics of strategic opportunity. *Strategic Management Journal*, 24(10), 977–990.
4. Henderson, R., & Cockburn, I. (1994). Measuring competence: Exploring firm effects in pharmaceutical research. *Strategic Management Journal*, 15, 63–84. Special Issue.
5. Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533.
6. Tripsas, M. (1997). Surviving radical technological change through dynamic capability: Evidence from the typesetter industry. *Industrial and Corporate Change*, 6(2), 341–377.
7. Wibbens, P. D. (2018). Performance persistence in the presence of higher-order resources. *Strategic Management Journal*, 40(2), 181–202.

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- Dierickx, I., & Cool, K. (1989). Asset stock accumulation and sustainability of competitive advantage. *Management Science*, 35(12), 1504–1511.
 - Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10-11), 1105–1121.
 - Priem, R. L., & Butler, J. E. (2001). Is the resource-based “view” a useful perspective for strategic management research? *Academy of Management Review*, 26(1), 22–40.
 - Kraaijenbrink, J., Spender, J. C., & Groen, A. J. (2010). The resource-based view: A review and assessment of its critiques. *Journal of Management*, 36(1), 349–372.
 - Leiblein, M. J. (2011). What do resource- and capability-based theories propose? *Journal of Management*, 37(4), 909–932.
 - 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.

3. Firm boundaries and the value-based view

Monday, November 2, 3:00pm–6:00pm

1. Poppo, L., & Zenger, T. (1998). Testing alternative theories of the firm: Transaction cost, knowledge-based, and measurement explanations for make-or-buy decisions in information services. *Strategic Management Journal*, 19(9), 853–877.
2. Leiblein, M. J., Reuer, J. J., & Dalsace, F. (2002). Do make or buy decisions matter? The influence of organizational governance on technological performance. *Strategic Management Journal*, 23(9), 817–833.
3. Alexy, O., West, J., Klapper, H., & Reitzig, M. (2018). Surrendering control to gain advantage: Reconciling openness and the resource-based view of the firm. *Strategic Management Journal*, 39(6), 1704–1727.
4. Brandenburger, A. M., & Stuart, H. (1996). Value-based business strategy. *Journal of Economics & Management Strategy*, 5(1), 5–24.
5. Adner, R., & Kapoor, R. (2010). Value creation in innovation ecosystems: How the structure of technological interdependence affects firm performance in new technology generations. *Strategic Management Journal*, 31(3), 306–333.
6. Bennett, V. M. (2013). Organization and bargaining: sales process choice at auto dealerships. *Management Science*, 59(9), 2003–2018.
7. Chatain, O., & Mindruta, D. (2017). Estimating value creation from revealed preferences: Application to value-based strategies. *Strategic Management Journal*, 38(10), 1964–1985.

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- Coase, R. H. (1937). The nature of the firm. *Economica*, 4(16), 386–405.
 - Williamson, O. E. (1991). Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, 36(2), 269–296.
 - Prendergast, C. (1999). The provision of incentives in firms. *Journal of Economic Literature*, 37(1), 7–63.
 - 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., Csaszar, F. A., & Zemsky, P. B. (2014). Positioning on a multi-attribute landscape. *Management Science*, 60(11), 2794–2815.

4. Knowledge and learning

Monday, November 9, 3:00pm–6:00pm

1. Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science*, 5(1), 14–37.
 2. Cohen, W. M., & Levinthal, D. A. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 35(1), 128–152.
 3. Darr, E. D., Argote, L., & Epple, D. (1995). The acquisition, transfer, and depreciation of knowledge in service organizations: Productivity in franchises. *Management Science*, 41(11), 1750–1762.
 4. March, J. G. (1991). Exploration and exploitation in organizational learning. *Organization Science*, 2, 71–87.
 5. Azoulay, P. (2004). Capturing knowledge within and across firm boundaries: Evidence from clinical development. *American Economic Review*, 94(5), 1591–1612.
 6. Audia, P. G., & Greve, H. R. (2006). Less likely to fail: Low performance, firm size, and factory expansion in the shipbuilding industry. *Management Science*, 52(1), 83–94.
 7. Kaplan, S., & Vakili, K. (2015). The double-edged sword of recombination in breakthrough innovation. *Strategic Management Journal*, 36(10), 1435–1457.
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- Hayek, F. A. (1945). The use of knowledge in society. *American Economic Review*, 35(4), 519–530.
 - Kogut, B., & Zander, U. (1992). Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3(3), 383–397.
 - Grant, R. M. (1996). Toward a knowledge-based theory of the firm. *Strategic Management Journal*, 17, 109–122. Special Issue.
 - Raisch, S., & Birkinshaw, J. (2008). Organizational ambidexterity: Antecedents, outcomes, and moderators. *Journal of Management*, 34(3), 375–409.
 - Fang, C., Lee, J., & Schilling, M. A. (2010). Balancing exploration and exploitation through structural design: The isolation of subgroups and organizational learning. *Organization Science*, 21(3), 625–642.
 - Posen, H., Keil, T., Kim, S., & Meissner, F. (2018). Renewing research on problemistic search: A review and research agenda. *Academy of Management Annals*, 12(1), 208–251.

5. Information processing

Monday, November 16, 3:00pm–6:00pm

1. Gavetti, G., Levinthal, D. A., & Ocasio, W. (2007). Neo-Carnegie: The Carnegie School's past, present, and reconstructing for the future. *Organization Science*, 18(3), 523–536.
2. Joseph, J., & Gaba, V. (2020). Organizational structure, information processing, and decision-making: A retrospective and road map for research. *Academy of Management Annals*, 14(1), 267–302.
3. Helfat, C. E., & Peteraf, M. A. (2015). Managerial cognitive capabilities and the microfoundations of dynamic capabilities. *Strategic Management Journal*, 36(6), 831–850.
4. Csaszar, F. A. (2018). What makes a decision strategic? Strategic representations. *Strategy Science*, 3(4), 606–619. Note: If you are presenting this paper, read also Csaszar & Laureiro-Martinez (listed below).
5. 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.
6. Csaszar, F. A. (2012). Organizational structure as a determinant of performance: Evidence from mutual funds. *Strategic Management Journal*, 33(6), 611–632.
7. Bingham, C. B., & Eisenhardt, K. M. (2011). Rational heuristics: The 'simple rules' that strategists learn from process experience. *Strategic Management Journal*, 32(13), 1437–1464.

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- Simon, H. A. (1956). Rational choice and the structure of the environment. *Psychological Review*, 63(2), 129–138.
 - Eisenhardt, K. M., & Zbaracki, M. J. (1992). Strategic decision-making. *Strategic Management Journal*, 13(Special Issue: Fundamental Themes in Strategy), 17–37.
 - Walsh, J. P. (1995). Managerial and organizational cognition: Notes from a trip down memory lane. *Organization Science*, 6(3), 280–321.
 - Gavetti, G., & Levinthal, D. A. (2000). Looking forward and looking backward: Cognitive and experiential search. *Administrative Science Quarterly*, 45(1), 113–137.
 - Gary, M. S., & Wood, R. E. (2011). Mental models, decision rules, and performance heterogeneity. *Strategic Management Journal*, 32(6), 569–594.
 - Csaszar, F. A., & Levinthal, D. A. (2016). Mental representation and the discovery of new strategies. *Strategic Management Journal*, 37(10), 2031–2049.
 - Csaszar, F. A., & Laureiro-Martinez, D. (2018). Individual and organizational antecedents of strategic foresight: A representational approach. *Strategy Science*, 3(3), 513–532.

6. Evolution and fit

Monday, November 30, 3:00pm–6:00pm

1. Levinthal, D. A. (1997). Adaptation on rugged landscapes. *Management Science*, *43*(7), 934–950.
2. Ethiraj, S. K., & Levinthal, D. A. (2004). Modularity and innovation in complex systems. *Management Science*, *50*, 159–173.
3. MacCormack, A., Rusnak, J., & Baldwin, C. Y. (2006). Exploring the structure of complex software designs: An empirical study of open source and proprietary code. *Management Science*, *52*(7), 1015–1030.
4. Csaszar, F. A., & Siggelkow, N. (2010). How much to copy? Determinants of effective imitation breadth. *Organization Science*, *21*(3), 661–676.
5. Lenox, M. J., Rockart, S. F., & Lewin, A. Y. (2010). Does interdependency affect firm and industry profitability? An empirical test. *Strategic Management Journal*, *31*(2), 121–139.
6. Siggelkow, N. (2002). Evolution toward fit. *Administrative Science Quarterly*, *47*(1), 125–159.
7. Billinger, S., Stieglitz, N., & Schumacher, T. R. (2014). Search on rugged landscapes: An experimental study. *Organization Science*, *25*(1), 93–108.

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- Nelson, R. R., & Winter, S. G. (1982). *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard University Press. Chapters 4 and 5.
 - Simon, H. A. (1962). The architecture of complexity. *Proceedings of the American Philosophical Society*, *106*(6), 467–482.
 - Colfer, L. J., & Baldwin, C. Y. (2016). The mirroring hypothesis: Theory, evidence, and exceptions. *Industrial and Corporate Change*, *25*(5), 709–738.
 - Milgrom, P. R., & Roberts, J. (1995). Complementarities and fit: Strategy, structure, and organizational-change in manufacturing. *Journal of Accounting & Economics*, *19*(2-3), 179–208.
 - Yayavaram, S., & Ahuja, G. (2008). Decomposability in knowledge structures and its impact on the usefulness of inventions and knowledge-base malleability. *Administrative Science Quarterly*, *53*(2), 333–362.
 - Baumann, O., Schmidt, J., & Stieglitz, N. (2019). Effective search on rugged performance landscapes: A review and outlook. *Journal of Management*, *45*(1), 285–318.

7. Technological change and organizational adaptation

Monday, December 7, 3:00pm–6:00pm

1. Eggers, J. P., & Park, K. F. (2018). Incumbent adaptation to technological change: The past, present, and future of research on heterogeneous incumbent response. *Academy of Management Annals*, 12(1), 357–389.
 2. Henderson, R. M., & Clark, K. B. (1990). Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. *Administrative Science Quarterly*, 35(1), 9–30.
 3. Anderson, P., & Tushman, M. L. (1990). Technological discontinuities and dominant designs: A cyclical model of technological-change. *Administrative Science Quarterly*, 35(4), 604–633.
 4. Dougherty, D. (1992). Interpretive barriers to successful product innovation in large firms. *Organization Science*, 3(2), 179–202.
 5. Rosenkopf, L., & Nerkar, A. (2001). Beyond local search: Boundary-spanning, exploration, and impact in the optical disk industry. *Strategic Management Journal*, 22(4), 287–306.
 6. Csaszar, F. A., & Eggers, J. P. (2013). Organizational decision making: An information aggregation view. *Management Science*, 59(10), 2257–2277.
 7. Posen, H. E., & Levinthal, D. A. (2012). Chasing a moving target: Exploitation and exploration in dynamic environments. *Management Science*, 58(3), 587–601.
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- Suarez, F. F., & Utterback, J. M. (1995). Dominant designs and the survival of firms. *Strategic Management Journal*, 16(6), 415–430.
 - Christensen, C. M., & Bower, J. L. (1996). Customer power, strategic investment, and the failure of leading firms. *Strategic Management Journal*, 17(3), 197–218.
 - Nickerson, J. A., & Zenger, T. R. (2002). Being efficiently fickle: A dynamic theory of organizational choice. *Organization Science*, 13(5), 547–566.
 - Kaplan, S., & Tripsas, M. (2008). Thinking about technology: Applying a cognitive lens to technical change. *Research Policy*, 37(5), 790–805.

Appendix: Reading the classics

The articles we discuss in the course have their intellectual roots in a core set of classic books. We do not have time in the course to read and explicitly discuss these books, but I strongly recommend that you read them during your first few years in the PhD program. The books I consider “the classics” are:

- Barnard, C. I. (1938). *The Functions of the Executive*. Cambridge, MA: Harvard University Press.
- Simon, H. A. (1947/1997). *Administrative Behavior*. New York: The Free Press, 4th ed.
- March, J. G., & Simon, H. A. (1958/1993). *Organizations*. New York: John Wiley & Co.
- Penrose, E. T. (1959). *The Theory of the Growth of the Firm*. New York: Wiley.
- Burns, T., & Stalker, G. M. (1961). *The Management of Innovation*. London, UK: Tavistock Publications.
- Chandler, A. D. (1962). *Strategy and Structure: Chapters in the History of American Industrial Enterprise*. Cambridge, MA: MIT Press.
- Cyert, R. M., & March, J. G. (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs, NJ: Prentice-Hall.
- Ansoff, H. I. (1965). *Corporate Strategy*. New York: McGraw-Hill.
- Thompson, J. (1967). *Organizations in Action: Social Science Bases in Administrative Theory*. New York: McGraw-Hill.
- Lawrence, P. R., & Lorsch, J. W. (1967). *Organization and Environment: Managing Differentiation and Integration*. Boston, MA: Graduate School of Business Administration, Harvard University.
- Simon, H. A. (1969/1996). *The Sciences of the Artificial*. Cambridge, MA: MIT Press, 3rd ed.
- Bower, J. L. (1970). *Managing the Resource Allocation Process: A Study of Corporate Planning and Investment*. Boston, MA: Division of Research, Graduate School of Business Administration, Harvard University.
- Allison, G. T. (1971). *Essence of Decision: Explaining the Cuban Missile Crisis*. Boston, MA: Little, Brown and Co.
- Andrews, K. R. (1971). *The Concept of Corporate Strategy*. Homewood, IL: Dow Jones-Irwin.
- Arrow, K. J. (1974). *The Limits of Organization*. New York: Norton.
- Williamson, O. E. (1975). *Markets and Hierarchies: Analysis and Antitrust Implications*. New York: Free Press.
- Nelson, R. R., & Winter, S. G. (1982). *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard University Press.

You may also find it helpful to read books that provide an overview of a literature. The following are some examples:

- Argote, L. (2013). *Organizational Learning: Creating, Retaining, and Transferring Knowledge*. New York: Springer, 2nd ed.
- Burton, R. M., & Obel, B. (2004). *Strategic Organizational Diagnosis and Design: The Dynamics of Fit*. Boston, MA: Kluwer, 3rd ed.
- Finkelstein, S., Hambrick, D. C., & Cannella, A. A. (2009). *Strategic Leadership: Theory and Research on Executives, Top Management Teams, and Boards*. New York: Oxford University Press.
- Hodgkinson, G. P., & Sparrow, P. (2002). *The Competent Organization: A Psychological Analysis of the Strategic Management Process*. Buckingham, UK: Open University Press.
- Mahoney, J. T. (2005). *Economic Foundations of Strategy*. Thousand Oaks, CA: SAGE Publications.
- Puranam, P. (2018). *The Microstructure of Organizations*. Oxford, UK: Oxford University Press.