

Seminar on Strategic Management

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Professor:	Jeffrey J. Reuer
E-mail:	jeff.reuer@gmail.com
Tel.:	+1 (303) 735-6306

Course Description and Overview

The purpose of this course is to give you a grounding in theoretical and empirical research in strategic management research. During an in-class week in June, we will focus on theoretical foundations of strategy, and I will also provide you with workshops related to developing your ideas and navigating the publication process. During an online week in July, particular attention will be devoted to empirical research.

We will begin with the foundational issues in strategy and see how the field made substantial progress by relaxing and addressing head-on a number of restrictive assumptions in mainstream economics about information, decision-making, and behavior in organizations. We will start with the early progress made by using the theories and approaches of industrial organizational economics, in addition to a number of very important (and controversial) insights that strategic management provided. We will cover a family of theories that make up so-called “organizational economics” that address key questions related to the organizational and geographic scope of the firm, and we will cover a series of competence-based, evolutionary, and learning perspectives on competitive advantage and firm dynamics. Finally, some attention will also be given to theories that are newer and have been used less often in different streams of strategy research but hold considerable promise, including information economics and real options theory. By design and necessity, breadth will be prioritized over depth, but by the end of the course you will have familiarity with a considerable body of theoretical material that has provided the bedrock for strategic management research over the past few decades. Equally important to you, all of the theories we will cover are topical and provide the basis for scholars’ research programs today.

To appreciate as well as organize this material, we will follow Mahoney’s textbook (optional for your reference). This volume is particularly great for new doctoral students and those readers seeking a broad understanding of the theoretical foundations of strategic management. This book is also very useful in referring you to seminal pieces of research should you want to go deeper into

particular theories. In addition, I can provide you an extensive reading list for this same purpose. Moreover, I have a database of roughly two thousand strategy articles I have read, and I would be happy to provide you additional readings in your areas of interest.

Key Course Objectives

- A. Each student should have an awareness of the key research challenges and opportunities presented by the fundamental issues in strategy.
- B. Each student should understand the core behavioral assumptions employed in strategy and management research and how they relate to research in the disciplines.
- C. Each student will develop awareness of classic theoretical works that can be used in strategy and management.
- D. Each student will develop the skills to evaluate the theoretical build-up of hypotheses in research in strategy and management.
- E. Each student will be able to compare and contrast each of the major theories used in strategic management.
- F. Each student should develop awareness of empirical research techniques used in testing hypotheses and the situations in which alternative approaches are appropriate.

Course Format

The course will be taught using a seminar or discussion style. On any given day, students will be “discussion leaders” for the material. Some sessions will feature book reviews or discussion of classic papers. Other readings will be recent papers that I would like you to critique in-depth and use in order to identify future research directions and empirical challenges. The course is intended to be cumulative, so as we go, think across the theories and perspectives underlying strategic management research.

Everyone should thoroughly prepare all of the readings assigned for each session, and you will have plenty of lead time to prepare the readings. For empirical research papers in particular, pay attention to the following items:

- scope of the research
- theoretical motivations
- research techniques
- findings and interpretations

- positioning in the literature, links to other work, and contributions
- future research opportunities

For each reading, one or more of the participants will be designated to be a discussion leader and will provide a summary and developmental review of the paper, as appropriate. You should prepare a written handout for the participants of the course (2-3 pages). These will be useful to facilitate our discussion. The review, as well as the class discussion that follows, should go well beyond offering a mere summary of the paper since it is expected that everyone will have read the material before class. In particular, you should relate a reading to other research, underscore implications for the field, critique it carefully and offer suggestions for improvement, and identify research opportunities that would be worthwhile pursuing. Our discussions should focus on debating the merits of different theories and these items above to enhance the value of the course for everyone. The goal in doing these reviews is to increase your understanding of the material and improve your ability to evaluate and carry out research.

Grading

Your final course grade will be determined based on your attendance and active involvement in the course (pass/fail). When considering participation, I consider these questions: Is the student thoroughly prepared for all sessions? Does s/he participate actively and provide unique contributions that add value to discussions? Does the student integrate perspectives and add new insights, versus merely stating facts or repeating what authors have written?

No formal term paper is required, but I am very happy to discuss with you the individual research ideas and papers you are developing.

Course Outline

Theoretical Foundations of Strategy (week of June 6, 2022, in person)

1. Foundational Issues in Strategy (Monday, 9:00-12:30)
2. Industrial Organization Economics (Tuesday, 9:00-12:00)
3. Resource-Based View (Tuesday, 14:00-17:00)
4. Knowledge-Based View and Dynamic Capabilities (Wednesday, 14:00-17:00)
5. Transaction Cost Economics (Thursday, 9:00-12:30)
6. Information Economics (Friday, 9:00-12:30)
7. Real Options Theory (Friday, 14:00-17:00)

Empirical Research in Strategic Management (week of July 4, 2022; zoom:
<https://cuboulder.zoom.us/j/5539784611>)

8. Firm Heterogeneity and Fit (Monday, 15:00-18:30)

9. Survival and Exit (Tuesday, 15:00-18:00)
10. Award-Winning Strategy Dissertations (Tuesday, 18:30-21:30)
11. Transaction Cost Economics (Wednesday, 15:00-18:00)
12. Workshop on Developing Your Research Ideas (Wednesday, 18:30-21:30)
13. Information Economics (Thursday, 15:00-18:30)
14. Implications of Strategic Decisions (Friday, 15:00-18:30)

Reading Materials

Optional Textbook: Mahoney, J. T. 2005. *Economic Foundations of Strategy*. Thousand Oaks, CA.: Sage. Articles for each session are listed below, and I also have reference materials for classic books as well as foundational readings arranged by topic, upon request.

Session Details

Theoretical Foundations of Strategy (week of June 6, 2022, in person)

Session 1: Foundational Issues in Strategy

- Rumelt, R.P., Schendel, D. E., and Teece, D. J. 1991. Strategic management and economics. *Strategic Management Journal*, 12: 5-29.
- Ghemawat, P. 2016. Evolving ideas about business strategy. *Business History Review*, Winter: 727-749.
- Leiblein, M.J., Reuer, J.J., & Zenger, T. 2018. What makes a decision strategic? *Strategy Science*, 3: 558-573.
- Leiblein, M.J., & Reuer, J.J. 2020. Foundations and futures of strategic management. *Strategic Management Review*, 1: 1-1-33.

Session 2: Industrial Organization Economics

- Porter, M. E. 1981. The contributions of industrial organization to strategic management. *Academy of Management Review*, 6: 609-620.
- Gimeno, J., & Woo, C. 1996. Hypercompetition in a multimarket environment: The role of strategic similarity and multimarket contact on competitive de-escalation. *Organization Science*, 7: 322-341.
- Agarwal, R., Ganco, M., & Ziedonis, R. 2009. Reputations for toughness in patent enforcement: Implications for knowledge spillovers via inventor mobility. *Strategic Management Journal*, 30: 1349-1374.
- Chen, M.-J., & Miller, D. 2015. Reconceptualizing competitive dynamics research: A multidimensional framework. *Strategic Management Journal*, 36: 758-775.

Session 3: Resource-Based View

- Barney, J.B. 1986. Strategic factor markets: Expectations, luck, and business strategy. *Management Science*, 32: 1231-1241.
- Dierickx, I., & Cool, K. 1989. Asset stock accumulation and the sustainability of competitive advantage. *Management Science*, 35: 1504-1511.
- Barney, J. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99-120.
- Peteraf, M. 1993. The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 197-191.

Session 4: Knowledge-Based View and Dynamic Capabilities

- Kogut, B., & Zander, U. 1992. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3: 383-397.
- Teece, D. J., Pisano, G. P., & Shuen, A. 1997. Dynamic capabilities and strategic management. *Strategic Management Journal*, 18: 509-533.
- Makadok, R. 2001. Toward a synthesis of the resource-based and dynamic capability views of rent creation. *Strategic Management Journal*, 22: 387-401.
- Leiblein, M.J. 2011. What do resource-based and capability based theories propose? *Journal of Management*, 37: 909-932.

Session 5: Transaction Cost Economics

- Williamson, O. E. 1991. Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, 36: 269-296.
- Williamson, O. E. 2002. The theory of the firm as governance structure: From choice to contract. *Journal of Economic Perspectives*, 16: 171-195.
- Mahoney, J.T., & Qian, L. 2013. Market frictions as building blocks of an organizational economics approach to strategic management. *Strategic Management Journal*, 34: 1019-1041.

Session 6: Information Economics

- Akerlof, G. A. 1970. The market for 'lemons': Quality uncertainty and the market mechanism. *Quarterly Journal of Economics*, 84: 488-500.
- Chi, T. 1994. Trading in strategic resources: Necessary conditions, transaction cost problems, and choice of exchange structure. *Strategic Management Journal*, 15: 271-290.
- Stiglitz, J. E. 2000. The contributions of the economics of information to twentieth century economics. *Quarterly Journal of Economics*, 115: 1441-1478.

Reuer, J. J. 2009. Organizational economics insights from acquisitions research. *Advances in Strategic Management*, 26: 241-265.

Session 7: Real Options Theory

Kogut, B. 1991. Joint ventures and the option to expand and acquire. *Management Science*, 37: 19-33.

Kogut B., Kulatilaka, N. 1994. Operating flexibility, global manufacturing, and the option value of a multinational network. *Management Science*, 40: 123-139.

McGrath R.G. 1999. Falling forward: Real options reasoning and entrepreneurial failure. *Academy of Management Review*, 24: 13-30.

Trigeorgis, L., & Reuer, J. 2017. Real options theory in strategic management. *Strategic Management Journal*, 38: 42-63.

Empirical Research in Strategic Management (week of July 4, 2022; zoom: <https://cuboulder.zoom.us/j/5539784611>)

Session 8: Firm Heterogeneity and Fit

Quigley, T.J., & Hambrick, D.C. 2015. Has the “CEO Effect” increased in recent decades? A new explanation for the great rise in America’s attention to corporate leaders. *Strategic Management Journal*, 36: 821-830.

Nickerson, J.A., & Silverman, B.S. 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*, 48: 433-465.

Fiss, P.C. 2011. Building better causal theories: A fuzzy set approach to typologies in organization research. *Academy of Management Journal*, 54: 393-420.

Session 9: Survival and Exit

Gimeno, J., Folta, T.B., Cooper, A.C., & Woo, C.Y. 1997. Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly*, 42: 750-783.

Yu, T., & Cannella, A.A. 2007. Rivalry between multinational enterprises: An event history approach. *Academy of Management Journal*, 50: 665-686.

Elfenbein, D.W., & Knott, A.M. 2015. Time to exit: Rational, behavioral, and organizational delays. *Strategic Management Journal*, 36: 957-975.

Session 10: Award-Winning Strategy Dissertations

Students will each pick one of the three dissertations to read and review:

Downing, S. Competitive myopia: Redressing blind spots in interindustry competition. National Chiao Tung University.

Ketkar, H. Essays on organizing human capital, automation, and innovation. University of Michigan.

Kim, H. Field experiments on the barriers firms face in realizing gains from data. Harvard Business School.

Session 11: Empirical Research on Transaction Cost Economics

Oxley, J.E. 1997. Appropriability hazards and governance in strategic alliances: A transaction cost approach. *Journal of Law, Economics, and Organization*, 13: 387-409.

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: 853-877.

Reuer, J. J., & Devarakonda, S. 2016. Mechanisms of hybrid governance: Administrative committees in non-equity alliances. *Academy of Management Journal*, 59: 510-533.

Session 12: Workshop on Developing Your Research Ideas

Details tba. No additional readings.

Session 13: Empirical Research on Information Economics

Nicholson, S., Danzon, P. M., & McCullough, J. 2005. Biotech-pharma alliances as a signal of asset and firm quality. *Journal of Business*, 78: 1433-1464.

Hsu, D.H. 2006. Venture capitalists and cooperative startup commercialization strategy. *Management Science*, 53: 204-219.

McCann, B., Reuer, J.J., & Lahiri, N. 2016. Agglomeration and the choice between acquisitions and alliances: An information economics perspective. *Strategic Management Journal*, 37: 1085-1106.

Session 14: Implications of Strategic Decisions

Masten, S.E., Meehan, J.W., & Snyder, E.A. 1991. The costs of organization. *Journal of Law, Economics, and Organization*, 7: 1-25.

Shaver, J. M. 1998. Accounting for endogeneity when assessing strategy performance: Does entry mode choice affect FDI survival? *Management Science*, 44: 571-585.

Natividad, G., & Rawley, E. 2016. Interdependence and performance: A natural experiment in firm scope. *Strategy Science*, 1: 12-31.