

Seminar on Strategy Theory (I): Economic Foundations of Strategy Research

National Taiwan University
College of Management
Graduate Institute of International Business
Fall 2007

Time: 1420-1520, every Wednesday

Classroom: Rm. 305, 2nd Building, COM

Office Hours: by appointment; 02-3366-4989

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“There is nothing so practical as a good theory.”

“Good science is good conversation”

■ Nature and Objectives of the Course

This seminar is designed for doctoral students for their knowledge acquisition in a broad range of economic foundation of strategy research. As the first seminar course for a strategy major, this course will discuss various industrial and organizational economic theories and their empirical research status. Collectively, these research outcomes could help us address fundamental issues in strategy research: *How do firm behave? Why are firms different? What are the appropriate boundaries of the firm? and What are the sources of differential firm performance?* In brief, this course will cover various streams of the theory of the firm and will discuss the usefulness and boundary conditions of these theoretical perspectives in resolving strategic challenges faced by modern corporations.

The course itself is a reading- and discussion-based learning process. While the strategy research in the past has cumulated a rich set of literature, the readings we assigned are only selective, which reflects our view on the evolution and advancement of strategy research. Given a tight timeframe, we will focus more on those classic pieces than on recent articles. Hopefully, the course design could provide students a comprehensive review on the field of strategic management as a research discipline.

To sum up, the objectives of this course are as follows:

1. To familiarize doctoral students with the theoretical, empirical and methodological traditions of the field of strategic management research;
2. To expose students to a broad range of industrial and organizational economic theories which either have proved to be useful to the development of strategy knowledge, or reveal great potentials to advance knowledge frontier of strategic management in the future;
3. To help students develop their skills that are necessary to evaluate, critique, and hopefully contribute to the field of strategic management research.

■ Course Structure

This course will start from reading some of the classic books which have great influences on the birth of strategy research. We will then sequentially discuss the implications of neoclassic economic theories to strategy as well as various branches of organizational economics, including the behavioral theory of the firm, prospect theory, transaction costs theory, the resource-based view of the firm (and its branches), evolutionary theory, property right theory, and agency theory. The last one third of this course will introduce you a rich body of diversification research. Specifically, the topic sequence is as following:

S01 Orientation: Nature of Research and Field Development

S02 Classic of Strategy Research

Part (I): Theories of Firm

S03 Industrial Economics and Strategy

S04 Strategic Group Research and Competitive Dynamics

S05 BTOF and Prospect Theory

S06 Transaction Cost Economics (1/2): Theory

S07 Transaction Cost Economics (2/2): Empirical Evidence and Debate

S08 The Resource-based View of the Firm (RBV)

S09 Evolutionary Economics and Dynamic Capabilities

S10 Empirical Challenges to RBV/DC

S11 Linking Governance with Competence Perspectives

S12 Property Right Perspective

S13 Agency Theory

Part (II): Corporate Diversification

S14 Corporate Diversification (1/3): Theoretical Perspectives

S15 Corporate Diversification (2/3): Empirical Studies

S16 Corporate Diversification (3/3): Measurement Issues

S17 Comprehensive Examination

■ Course Requirements and Grading Policy

1. Meaningful Participation

Active participation is an essential element of learning experience. Meaningful participation means making a contribution to the intellectual conversation. Our interest is not “right” or “wrong”, it is whether you have made a contribution to the development of the issues under discussion, and whether you have moved the class forward. Failure to participate will penalize you and the class in several ways: you deprive all of us from your insights into the class, you lose the chance to learn from others, and eventually you will lose incentive to learn from the course. To prevent this scenario from occurring, one should actively follow the course schedule, read articles before the class, and complete assignments with sufficient efforts. In addition, it is your duty to clarify any point of

confusion during the process.

2. Assignments

1) Critique Reports

The purpose of requiring critique reports is to help students develop necessary skills to evaluate, critique, and eventually synthesize assigned readings. Except for the first session, you are required to submit a critique report *before* each class session. The critique paper is not to summarize what you have read. Instead, we expect you **compare**, **contrast**, and hopefully **synthesize** what you have read among papers. The instructor may highlight one or two key discussion questions for you to develop your evaluation and/or critique paper.

The write-up has to be in **English** and **word-processed**, with reasonable line space and fonts. We encourage you to submit an electronic copy directly to the instructor's account before the class. Since report length will not necessarily reflect its quality, please limit your report within **three pages each**. Most importantly, there is **no credit provided for late assignments** and, for the sake of maintaining fairness for the class, no excuses.

2) Term Paper

Students are required to submit a term paper by the end of this semester as a critical element of learning outcome. The purpose of this learning requirement is to help you to start your research and writing experience. Both conceptual and empirical papers are acceptable.

To help you develop your term paper, each student is required to submit three progress reports (PR) before completing a final manuscript.

- PR1: Describe a research question that you are going to address. Detail why understanding this problem is relevant to scholars *and* practitioners in the strategy field. Roughly, 2-3 pages in length for PR1. Due by **session 8 (11/14)**.
- PR2: Perform a literature search, not literature review, and develop a list of articles and books that closely relate to your research question. Due by **session 10 (11/28)**.
- PR3: Discuss theoretical perspectives that address your research question. Derive two or more empirically testable hypotheses that are central to your arguments to resolve your question, and explain how the content of these hypotheses contributes to the knowledge of this (problem) area? Due by **session 14 (12/26)**.
- Final Paper: Based on PR1, PR2, and PR3, you could then develop a full research paper, roughly 20-25 pages in length. If the paper is empirical in nature, in addition to problem definition, theory and hypotheses, you should also address research design, the data required to test your hypotheses, and methods used to collect and analyze the data. The final paper is due by **1/27/2006**, that is, 10 days after the final exam.

The paper format should meet styles of any major management journal (e.g., **AMJ**, **SMJ**, **AMR**). Please check respective journal style guide. In addition,

many students find useful from William Strunk Jr. and E. B. White's famous book (*The Elements of Style*, 3rd ed., MacMillan Publishing Co., 1979) for improving their English writing.

As the graduation requirements for journal publication in our department is getting tough, we encourage students submit a revised version of your term paper to a major conference, e.g., *Academy of Management Annual Conference*, *Academy of International Business Annual Conference*, *Strategic Management Society Annual Conference*, or *Asia Academy of Management Annual Conference*, in order to get more feedback for further revision which is vital to a quality output.

3. Comprehensive Examination

Although a test is by no means a perfect device for evaluating an individual's intellectual level, we need a test to serve as a critical measure to evaluate the effectiveness of our intellectual communication. In addition, with a comprehensive test, we can identify differential efforts made by each student in the learning process. The examination will be taken in the class and is scheduled on **1/16**. We will further discuss the details of the test as time approaches.

4. Grading Policy

Your course grade then is a composition of the above-mentioned elements with differential weights shown in below:

- | | |
|---------------------------------------|-----|
| ● Course Participation & Contribution | 15% |
| ● Critique Paper (15 write-ups) | 30% |
| ● Comprehensive Examination | 25% |
| ● Term Paper | 30% |

■ Course Schedule and Reading List (by sessions)

The following list shows detailed citations of required readings (marked by ‘☞’) and extended readings (marked by ‘●’) pertaining to each class session. Most of the required readings are either pioneering works or influential pieces of the session subject, while extended ones are either significant follow-up works or good supplements.

You are required to read **all required readings** and be ready for discussion before the class. What we mean by “ready for discussion” is that you have to know the central argument(s), both content and underlying logic, of each article and their implications to strategy research.

AMJ: Academy of Management Journal ☞: Required reading
AMR: Academy of Management Review ●: Extended reading
SMJ: Strategic Management Journal
ASQ: Administrative Science Quarterly
OS: Organization Science

Session 01 9/19 Nature of Research and Field Development

◆ Course Orientation: Road Map, Learning Spirit, and Class Norm

- ☞ Kuhn, T. S. (1962) ***The Structure of Scientific Revolutions***, 2nd ed., Chapter 1-5 & 9, Chicago, IL: The University of Chicago Press. (中譯本：科學革命的結構，程樹德等翻譯，pp. 43-100 & 145-164，遠流出版社)
- ☞ Hambrick, D. and Chen, M., “New Academic Field admittance-Seeking Social Movements: The Case of Strategic Management?” ***Academy of Management Review***, forthcoming.
- ☞ Whetten, D. (1989) What Constitutes a Theoretical Contribution? ***Academy of Management Review***, 14(4), pp. 490-495.
- Arben, P. (1997) “The Integrating Course in the Business School Curriculum, Or, Whatever Happened to Business Policy?” ***Business Horizons***, March-April, pp. 65-70.

Session 02 9/26 Classic of Strategy Research

- ☞ Barnard, C. I. (1938) ***The Functions of the Executive***, Chapter 6-7, 11-12, & 15, pp. 65-95, 139-184, & 215-234.
- ☞ Chandler, A. D. (1962) ***Strategy and Structure: Chapters in the History of American Industrial Enterprise***, Chapter 1 & 6, pp. 1-51 & 283-323, Cambridge, MA: The MIT Press.
- ☞ Rumelt, R., Schendel, D. E., and Teece, D. T. (1994) “Fundamental Issues in Strategy” In R. Rumelt, D. Schendel, and D. Teece (eds.) ***Fundamental Issues in Strategy: A Research Agenda***, pp. 9-47, Boston, MA: Harvard Business School Press.
- Andrew, K. (1971) ***The Concept of Corporate Strategy***, Chapter 2 & 3, pp.13-51, Homewood, IL: Dow Johns-Irwin, Inc.

Session 03 10/3 Industrial Economics and Strategy

- Rumelt, R., Schendel, D. E., and Teece, D. T. (1991) "Strategic Management and Economics," **SMJ**, 12 (Winter): 5-29.
- Porter, M. E. (1991) "Towards A Dynamic Theory of Strategy," **SMJ**, 12 (Winter): 95-117.
- Saloner, G. (1991) "Modeling, Game Theory, and Strategic Management," **SMJ**, 12 (Winter): 119-136.
- Foss, N. J. (1996), "Research in Strategy, Economics, and Michael Porter," **Journal of Management Studies**, 33/1: 1-24.
- Porter, M. E. (1981), "The Contributions of Industrial Organization to Strategic Management," **AMR**, 6: 609-620.
- Schmalensee, R. (1988) "Industrial Economics: An Overview," **Economic Journal**, 98: 643-681.
- Shapiro, C. (1989), "The Theory of Business Strategies," **RAND Journal of Economics**, 20/1: 125-137.
- Camerer, C. F. (1991) "Does Strategy Research Need Game Theory," **SMJ**, 12 (Winter): 137-152.

10/10 No Class

Session 04 10/17 Strategic Group Research & Competitive Dynamics

- Caves, R. E. and Porter, M. E. (1977) "From Entry Barriers to mobility Barriers," **Quarterly Journal of Economics**, 91: 241-262.
- McGee, J. and Thomas, H. (1986) "Strategic Groups: Theory, Research, and Taxonomy," **SMJ**, 7: 141-160.
- Reger, R. and Huff, A. S. (1993), "Strategic Group: A Cognitive Perspective," **SMJ**, 14: 103-123.
- Chen, M. (1996), "Competitor Analysis and Interfirm Rivalry: Toward A Theoretical Integration," **AMR**, 21/1: 100-134.
- Peteraf, M. and Shanley, M. (1997) "Getting to Know You: A Theory of Strategic Group Identity," **SMJ**, 18 (special issue supplement): 165-186.
- Tang, M-J. and Thomas, H. (1992) "The Concept of Strategic Groups: Theoretical Construct or Analytical Convenience," **Managerial and Decision Economics**, 13: 323-329.
- Hatten, K. J. and Schendel, D. E. (1977), "Heterogeneity within an Industry: Firm Conduct in the US Brewing Industry," **Journal of Industrial Economics**, 26: 97-113.
- Oster, S. (1982), "Intra-industry Structure and the Ease of Strategic Change," **Review of Economics and Statistics**, 64: 376-384.

Session 05 10/24 BTOF and Prospect Theory

- Cyert, R. M. and March, J. G. (1963) **A Behavioral Theory of the Firm**, Chapter 1-4 & 7, pp. 1-98 & 161-176, New Jersey: Prentice Hall, Inc.
- Bromiley, P. (2005) **The Behavioral Foundations of Strategic Management**,

Chapter 2, pp. 14-39, Malden, MA: Blackwell Publishing.

- Kahneman, D. and Tversky, A. (1979) "Prospect Theory: An Analysis of Decision under Risk," *Econometrica*, 47: 263-291.
- Thompson, J. D. (1967) *Organizations in Action*, Chapter 2, pp. 14-24, New York, NY: McGraw Hill Book Co.
- Scott, W. R. (1998) *Organizations: Rational, Natural, and Open Systems*, Chapter 2-5, pp. 31-120, New Jersey: Prentice Hall, Inc.
- Fiegenbaum, A. and Thomas, H. (1988) "Attitudes Toward Risk and Risk-Return Paradox: Prospect Theory Explanations," *AMJ*, 31: 85-106.
- Tversky, A. and Kahneman, D. (1981) "The Framing of Decisions and the Psychology of Choice," *Science*, 211: 453-458.
- Chen, W. and Miller, K. (2007) "Situational and Institutional Determinants of Firms' R&D Search Intensity," *SMJ*, 28: 369-381.

Session 06 10/31 Transaction Cost Economics (1/2): Theory

- Coase, R. H. (1937) "The Nature of the Firm," *Economica*, 4: 386-405.
- Williamson, O. E. (1989) "Transaction Cost Economics" in Richard Schmaleemsee and Robert Willig, eds., *Handbook of Industrial Organization*, Vol. 1, pp. 136-182, Elsevier Science: Netherland.
- Williamson, O. E. (1991) "Strategizing, Economizing, and Economic Organization" *SMJ*, 12, pp. 75-94.
- Teece, D. J. (1980) "Economies of Scope and the Scope of the Enterprise," *Journal of Economic Behavior and Organization*, 1: 223-233.

Session 07 11/7 Transaction Cost Economics (2/2): Empirical & Debate

- Walker, G. and D. Weber. (1984). "A Transaction Cost Approach to Make-or-Buy Decisions," *ASQ*, 29: 373-391.
- Joskow, P. L. (1987) "Contract Duration and Relationship-specific Investments: Empirical Evidence from Coal Markets," *American Economic Review*, 77, pp. 168-85.
- Pisano, G. P. (1990) "The R&D Boundaries of the Firm: An Empirical Analysis," *ASQ*, 35, pp. 153-76.

Note: You can choose one to two from the first three articles!

- David, R. J. and S. Han. (2004) "A Systematic Assessment of the Empirical Support for Transaction Cost Economics," *SMJ*, 25: 39-58.
- Ghoshal, S. and Moran, P. (1996) "Bad for Practice: A Critique of the Transaction Cost Theory," *AMR*, 21/1: 13-47.
- Conner, K. and C. K. Prahalad. (1996) "A Resource-based Theory of the Firm: Knowledge versus Opportunism," *OS*, 5: 477-501.
- Masten, S. E. (1984) "The Organization of Production: Evidence from the Aerospace Industry," *Journal of Law and Economics*, 27, pp. 403-17.
- Muris, T. J., Scheffman, D. T. and Spiller, P. T. (1992) "Strategy and Transaction Costs: The Organization of Distribution in the Carbonated Soft Drink Industry," *Journal of Economics & Management Strategy*, 1/1: 83-128.

- Shelanski, H. and Klein, P. (1995) "Empirical Research in Transaction Cost Economics: A Review and Assessment" *Journal of Law, Economics, and Organization*, 11/2, pp. 335-361.

Session 08 11/14 The Resource-based View of the Firm

PR 1 Due by this week!

- Penrose, E. T. (1959) *The Theory of the Growth of the Firm*, Chapter 1-5, pp. 1-87.
- Wernerfelt, B. (1984) "A Resource -based View of the Firm," *SMJ*, 5: 171-180.
- Barney, J. (1991) "Firm Resources and Sustained Competitive Advantage," *Journal of Management*, 17, pp. 99-120.
- Priem, R. L. and Bulter, J. E. (2001) "Is the Resource-based View a Useful Perspective for Strategic Management Research?" *AMR*, 26, 1, pp. 22-40.
- Barney, J. (2001) "Is the Resource-based View a Useful Perspective for Strategic Management Research? YES" *AMR*, 26, 1, pp. 41-56.
- Rumelt, R. (1984) "Toward a Strategic Theory of the Firm," in R. B. Lamb (ed.) *Competitive Strategic Management*, Upper Saddle River, NJ: Prentice Hall.
- Mahoney, J. T. and Pandian, J. R. (1992) "The Resource-Based View Within the Conversation of Strategic Management," *SMJ*, 13: 363-380.
- Kor, Y. and J. Mahoney (2000) "Penrose's Resource-based Approach: The Process and Product of Research Creativity," *Journal of Management Studies*, 37(1): 109-139.
- Peteraf, M. A. (1993) "The Cornerstones of Competitive Advantage: A Resource-based View," *SMJ*, 14: 179-191.
- Dierickx, I. and Cool, K. (1989) "Asset Stock Accumulation and Sustainability of Competitive Advantage," *Management Science*, 35/12: 1504-1514.
- Barney, J. B. (1986) "Strategic Factor Markets: Expectations, Luck, and Business Strategy," *Management Science*, 32/10, pp. 1231-1241.

Session 09 11/21 Evolutionary Theory and Dynamic Capabilities

- Nelson, R. R. and Winter, S. G. (2002) Evolutionary Theorizing in Economics, *Journal of Economic Perspectives*, Vol. 16, No. 2, pp. 23-46.
- Teece, D. J., Pisano, G. and Shuen, A. (1997) "Dynamic Capabilities and Strategic Management," *SMJ*, 18: 509-533.
- Kogut, B. and Zander, U. (1992) "Knowledge of the Firm, Integration Capabilities, and the Replication of Technology," *OS*, 3, pp. 383-397.
- Winter, S. (1995) "Four Rs for Profitability: Rents, Resources, Routines, and Replication," in C. Montgomery (ed.) *Resource-based and Evolutionary Theories of the Firm: Toward a Synthesis*, Chapter 7, Boston, MA: Kluwer Academic Publishers.
- Nelson, R. R. and Winter, S. G. (1982) *An Evolutionary Theory of Economic Change*, Chapter 2-5, pp. 23-138, Cambridge, MA: The Belknap Press of Harvard University Press.
- Nelson, R. R. (1991) "Why Do Firms Differ, and How Does It Matter?" *SMJ*, 12

(Winter): 61-74.

- Eisenhardt, K. and Martin, J. (2000) "Dynamic Capabilities: What Are They?" **SMJ**, 21 (special issue), 1105-1121.
- Sanchez, R., A. Heene, and H. Thomas. (1996) "Introduction: Towards the Theory and Practice of Competence-based Competition," In R. Sanchez, A. Heene, and H. Thomas, editors, **Dynamics of competence-based competition: theory and practice in the new strategic management**: 1-35.
- Knudsen, C. (1996) "The Competence Perspective: A Historical View," in N. Foss and C. Knudsen. (eds) **Towards A Competence Theory of the Firm**, chapter 2, 13-37.
- Prahalad, C. K. and G. Hamel. (1990) "The Core Competence of the Corporation," **Harvard Business Review**. 68:79-91

Session 10 11/28 Empirical Challenges to RBV/DC

- Newbert, S. L. (2007) "Empirical Research on the Resource-based of the Firm: An Assessment and Suggestions for Future Research," **SMJ**, 28: 121-146.
- Cockburn, I., Henderson, R. and Stern, C. (2000) "Untangling the Origin of Competitive Advantage," **SMJ**, 21(special issue): 1123-1145.
- Helfat, C. and M. Peteraf. (2003) "The Dynamic Resource-based View: Capability Lifecycles," **SMJ**, 24(special issue): 997-1010.
- Klepper, S. (2002) "The Capabilities of New Firms and the Evolution of the US Automobile Industry," **Industrial and Corporate Change**. 11 (4): 645-66.

Session 11 12/5 Linking Governance with Competence Perspectives

PR 2 Due by this week!

- Demsetz, H. (1988) "The Theory of the Firm Revisited," **Journal of Law, Economics, and Organization**, 4/1: 141-161.
- Williamson, O. E. (1999) "Strategy Research: Governance and Competence Perspectives" **SMJ**, 20/12, pp. 1087-1180.
- Dyer, J. H. & Singh, H. (1998) "The Relational View: Cooperative Strategy and Sources of Inter-organizational Competitive Advantage," **AMR**, 23, 4, pp. 660-679.
- Carter, R. and Hodgson, G. M. (2006) "The Impact of Empirical Tests of Transaction Cost Economics on the Debate on the Nature of the Firm," **SMJ**, 27, pp. 461-476.
- 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 Information Services," **SMJ**, 19, pp. 853-77.
- Silverman, B. (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.
- Schilling, A. and H. Steensma. (2002) "Disentangling the Theories of Firm Boundaries: A Path Model and Empirical Test" **OS**, 13(4): 387-401.
- Leiblein, M. and D. Miller (2003) "An Empirical Examination of Transaction-

and Firm-level Influences on the Vertical Boundaries of the Firm," *SMJ*, 24: 839-859.

- Makadok, R. (2001) "Toward a Synthesis of the Resource-based and Dynamic-Capability Views of Rent Creation," *SMJ*, 22, pp. 387-401.
- Spender, J-C. (1996) "Making Knowledge the Basis of a Dynamic Theory of the Firm," *SMJ*, 17(special issue), 45-62.
- Grant, R. (1996) "Toward a Knowledge-based Theory of the Firm," *SMJ*, 17(special issue), 109-122.

Session 12 12/12 Property Right Theory

- Alchian, A. A. and Demsetz, H. (1972) "Production, Information Costs, and Economic Organization," *American Economic Review*, 64(5), pp. 777-795.
- Hart, O. and Moore, J. (1990) "Property Rights and the Nature of the firm," *Journal of Political Economy*, 98/6, pp. 1119-1158.
- Cheung, S. N. (1983) "The Contractual Nature of the Firm," *Journal of Law and Economics*, 26, pp. 1-17.
- Yang, X. and Ng, Y. (1995) "Theory of the Firm and Structure of Residual Rights," *Journal of Economic Behavior and Organizations*, 26, pp. 107-168.
- Grossman, S. and Hart, O. (1986) "The Costs and Benefits of Ownership: A Theory of Lateral and Vertical Integration," *Journal of Political Economy*, 94, pp. 691-719.

Session 13 12/19 Agency Theory

- Eisenhardt, K. M. (1989) "Agency Theory: An Assessment and Review," *AMR*, 14/1: 57-74.
- Holmstrom, B. and Milgrom, P. (1991) "Multitask Principal-Agent Analyses: Incentive Contracts, Asset Ownership, and Job Design," *Journal of Law, Economics, and Organization*, 7, pp. 24-51.
- Holmstrom, B. and Roberts, J. (1998) "The Boundaries of the Firm Revisited," *Journal of Economic Perspectives*, 12, 4, pp. 73-94.
- Jensen, M. C. and Meckling, W. H. (1976) "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," *Journal of Financial Economics*, 13, pp. 305-60.
- Holmstrom, B. and Milgrom, P. (1994) "The Firm as an Incentive System," *American Economic Review*, 84, pp. 972-91.

Session 14 12/26 Corporate Diversification (1/3): Theoretical Perspective

PR 3 Due by this week!

- Montgomery, C. A. (1994) "Corporate Diversification," *Journal of Economic Perspectives*, 8/3: 163-178.
- Hoskisson, R. E. and Hitt, M. A. (1990) "Antecedents and Performance Outcomes of Diversification: A Review and Critique of Theoretical Perspectives," *Journal of Management*, 16/2: 461-509.
- Amihud, Y. and Lev, B. (1981) "Risk Reduction as a Managerial Motive for

Conglomerate Mergers," *The Bell Journal of Economics*, 605-617.

- Prahalad, C. K. and Bettis, R. A. (1986) "The Dominant Logic: A New Linkage Between Diversity and Performance," *SMJ*, 7: 485-501.
- Teece, D. (1982) "Toward an Economic Theory of the Multiproduct Firm," *Journal of Economic Behavior and Organization*, 3: 39-63.
- Bettis, R. A. and Prahalad, C. K. (1995) "The Dominant Logic: Retrospective and Extension," *SMJ*, 16: 5-14.
- Porter, M. E. (1987) "From Competitive Advantage to Corporate Strategy," *Harvard Business Review*, May-June, pp. 43-59.

Session 15 1/2 Corp. Diversification (2/3): Empirical Studies

◆ Review

- Ramanujam, V. and Varadarajan, P. (1989) "Research on Corporate Diversification: A Synthesis," *SMJ*: pp. 523-551.

◆ Performance Impact

- Rumelt, R. P. (1974) *Strategy, Structure, and Economic Performance*, Chapter 1 (pp. 7-46) and Chapter 5 (pp. 146-159), Boston, MA: Harvard Business School Press.

Note: You can choose two from the following requires!

- Bettis, R. A. and Hall, W. K. (1982) "Diversification Strategy, Risk, Accounting Determined Risk, and Accounting Determined Return," *AMJ*, 25/2: 254-264.
- Palepu, K. (1985) "Diversification Strategy, Profit Performance and the Entropy Measure," *SMJ*, 6: 239-255.
- Amit, R. and Livnat, J. (1988) "Diversification Strategies, Business Cycles and Economic Performance," *SMJ*, 9: 99-110.
- Montgomery, C. A. and Wernerfelt, B. (1988), "Diversification, Ricardian Rents, and Tobin's q " *Rand Journal of Economics*, 19: 623-632.
- Lubatkin, M. and Rogers, R. C. (1989) "Diversification, Systematic Risk, and Shareholder Return: A Capital Market Extension of Rumelt's 1974 Study," *AMJ*, 32/2: 454-465.
- Markides, C. C. (1995) "Diversification, Restructuring and Economic Performance" *SMJ*, 16: 101-118.
- Stimpert, J. L. and Duhaime, I. M. (1997) "Seeing the Big Picture: The Influence of Industry, Diversification, and Business Strategy on Performance," *AMJ*, 40/3: 560-583.
- Chang, Y. and Thomas, H. (1989) "The Impact of Diversification Strategy on Risk-Return Performance," *SMJ*, 10: 271-284.
- Chatterjee, S. and Wernerfelt, B. (1991) "The Link Between Resources and Type of Diversification: Theory and Evidence", *SMJ*, 12: 33-48.
- Lubatkin, M. and Chatterjee, S. (1994) "Extending Modern Portfolio Theory into the Domain of Corporate Diversification: Does It Apply?" *AMJ*, 37/1: 109-136.
- Lang, L. H. P. and Stulz, R. M. (1994) "Tobin's q , Corporate Diversification, and Firm Performance," *Journal of Political Economy*, 102/6: 1248-1280.

- Robins, J. and Wiersema, M. F. (1995) "A Resource-based Approach to the Multibusiness Firm: Empirical Analysis of Portfolio Interrelationships and Corporate Financial Performance," *SMJ*, 16: 277-299.

Session 16 1/9 Corp. Diversification (3/3): Measure Issues

◆ Firm Effect versus Industry Effect

- Schmalensee, R. (1985) "Do Markets Differ Much?" *American Economic Review*, 75/3: 342-351.
- Rumelt, R. P. (1991) "How Much Does Industry Matter?" *SMJ*, 12: 167-185.
- Mauri, A. and M. Michaels (1998) "Firm and Industry Effects within Strategic Management: An Empirical Examination," *SMJ*, 19: 211-219.

◆ Measurement issues

- Davis, R. and Duhaime, I. M. (1992) "Diversification, Vertical Integration, and Industry Analysis: New Perspectives and Measurement," *SMJ*, 13/7: 511-524.
- Hoskisson, R. E., Hitt, M. A., Johnson, R. A. and Moesel, D. D. (1993) "Construct Validity of an Objective (Entropy) Categorical Measure of Diversification Strategy," *SMJ*, 14: 215-235.
- St. John, C. H. and Harrison, J. S. (1999) "Manufacturing-based Relatedness, Synergy, and Coordination," *SMJ*, 20: 129-145.
- Gollop, F. M. and Monahan, J. L. (1991) "A Generalized Index of Diversification: Trends in US Manufacturing," *Review of Economics and Statistics*, 318-330.
- Roquebert, J. A., R. Phillips, and P. Westfall, (1996) "Markets vs. Management: What Drives Profitability?" *SMJ*, 17, 653-664.

Session 17 1/16 Final Examination

1/27 Term Paper due