

# Emerging Issues in Strategic Management

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Fall 2008

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This course deals with those issues that have the potential to become dominant ones in strategic management. Emerging issues have come and gone in the field of strategic management. Back in the early 70's, the issue was whether structure follows strategy and if so how. Rumelt's doctoral thesis opened a lot of avenues for research. Then, the transaction costs approach emerged to be a new theoretical foundation of firm's behavior. This theoretical breakthrough brought a lot empirical research. At the same time, around 1975, the concept of strategic group was proposed and the debate about performance differences still lingered on. In the early 80's, as strategic management was to become a research discipline, PIMS large scale data base research emerged as the key methodology to study strategic management. Porter's book on competitive strategy, at the same time, triggered the field to tilt to the economic side(content school) and single industry study can be accepted as a journal paper. In 1992, when I taught the emerging issues course at University of Illinois at Urbana-Champaign, commitment was a key issue but the issue failed to become a dominant one, went down with the game theory, measures of diversification. At that time, country's competitive advantages, shortsightedness of American industries, firm vs. industry effects, were also emerging issues, but not any more. Now, there appears to have a whole new set of issues developed in the last ten years. We cannot go through all these issues in this semester. And, in fact, topics of your research papers should be emerging issues.

Generally speaking, emerging issues can be classified into three main categories: theoretical, empirical, and practical. Tentative issues are given below:

Emerging theoretical issues:

Examples: Transactions cost theory: a new look

Property rights, implicit contract (Trust), and strategy

Escalating commitment and rigidity of strategy  
Population ecology  
RBV  
    Evolution theory  
Signal theory, informational content of a firm's behavior.  
Real options and strategy  
Financial strategy (capital structure, dividend policy...)  
Entrepreneurship?  
Dynamic capabilities  
Knowledge management and competitive advantages  
Competitive strategy in a knowledge economy  
The role of capital, both monetary and intellectual, in a knowledge economy  
Core competence: identification, building, leveraging, and orchestrating  
Governance structure: conflict of interests, incentives, monitoring and control  
Co-opetition  
Shareholders vs. Stakeholders  
Strategy Configuration  
Inframarginal Analysis  
Culture and strategic management

Emerging empirical issues:

Empirical issues are those issues which have competing theories or a sound theoretical framework but lack of empirical evidence to validate the theory or which theory is more likely to be correct.

Past issues: event study method

    Lisrel

    ROI and market share

    Performance of M&A

New issues?

    Meta analysis?

    Sustainability of competitive advantages

    Impact of LBO and the financial restructuring in mid 80's

    Empirical evidence from game theory.

    Entry Studies

    Risk analysis, decision making under uncertainties

Strategy under emerging economies: China and others  
Impact of Internet and electronic commerce

Emerging practitioner issues:

Past issues

Joint ventures

BCG and portfolio management

Current issues:

- . Total Quality Management
- . Strategic Management Information Systems
- . Fast Product Development
- . The impact of euro dollar?
- . Russia and Eastern Europe Markets
- . Business ethics
- . International competitiveness of the industry
- . National competitiveness
- . Management buyout (MBO)
- . CEO pay
- . Corporate venture capital
- . The rise of China
- . e-Commerce, B2C, C2B, B2B
- . Decision making under uncertainty
- . Technology strategy
- . Financial strategy

Lingering Issues:

- . Environment determinism vs. strategic choice
- . Position vs. capability
- . Performance and strategic planning
- . Relative importance of Content vs. Process
- . Diversification and performance
- . Performance differences among strategic groups
- . Dynamics of strategic groups
- . Decision making processes: political or rational (intended)

- . Top management team and performance
- . Family businesses in East Asia
- . Turnaround strategy
- . Execution
- . Entrepreneurship

Grading: This course is primarily a paper presentation seminar. Your grades will be determined by (i) paper presentations and discussions in the classroom (25%), (ii) write up of each session (25%) and (iii) a term paper discussing an emerging issue (50%).

Given that too many issues can be classified as emerging, we will focus on a few important ones. The very preliminary syllabus is given below:

Session I Introduction

Session II Dynamic Aspects of Strategy and Dynamic Capabilities (I)

Winter, S.G. (2003), Understanding Dynamic Capabilities, *Strategic Management Journal*, 24:991-995.

Zollo, M. and S.G. Winter (2002) "Deliberate Learning and the evolution of Dynamic Capabilities" *Organization Science*, 13:339-351.

Singh, K., and Will Mitchell(2005) Growth Dynamics: The Bidirectional Relationship between Interfirm Collaboration and Business Sales in Entrant and Incumbent alliances, *Strategic Management Journal*, 26, 6, 497-522.

Ethirai, Sendi K, et. al. (2005) Where do Capabilities come from and how do they matter? A Study in the Software Service Industry, *Strategic Management Journal*, 26, 1, 25-46

Blyler, Maureen and Russell W. Coff, (2003) Dynamic Capabilities, Social Capital and Rent Appropriation: Ties that Split Pies" *Strategic Management Journal*, 677-686


Session 3 Dynamic Aspects of Strategy

Shilling, M.A. (1998) "Technological Lockout: An Integrative Model of the Economic and Strategic Factors driving Technology Success and Failure" *Academy of Management Review*, 23, 2,

267-284.

Fiegenbaum, Avi, Howard Thomas, and Ming-Je Tang "Linking hypercompetition and strategic group theories: Strategic maneuvering in the US insurance industry", *Managerial and Decision Economics*, June/Aug, 2001, 265-579

Sorenson, O. (2000). "Letting the market work for you: An evolutionary perspective on product strategy." *Strategic Management Journal* **21**(5): 577-592.

 Zajac, E. J., M. S. Kraatz, et al. (2000). "Modeling the dynamics of strategic fit: A normative approach to strategic change." *Strategic Management Journal* **21**(4): 429-453.

Karim, S. and W. Mitchell (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.

#### Session 4 Technological Capabilities

Soh, P.H., I.P. Mahmood and W. Mitchell, (2004) "Dynamic Inducements in R&D Investment: Market Signals and Network Locations", *Academy of Management Journal*, 47,6, 907-

Rothaermel, Frank, T, and Charles, W. Hill (2005), "Technological Discontinuities and Complementary Assessts" A Longitudinal Study of Industry and Firm Performance", *Organization Science*, 16,1, 52-71.

Nerkar, Atul and Srikanth Paruchuri (2005) "Ecolution of R&D Capabilities: The Role of Knowledge Networks within a Firm" *Management Science*, 41,5, 771-786

McEvily, Susan, K. M. Eisenhardt, and J.E. Prescott (2004), "The Global Acquisition, Leverage and Protection of Technological Competencies", *Strategic Management Journal*, 23, 8/9, 713-723.

Stuart, T. E. and J. M. Podolny (1996). "Local search and the evolution of technological capabilities." *Strategic Management Journal* **17**: 21-38.

### **For your reference: Dynamic Capabilities**

#### **Basic Readings on Routines**

**9, Chapter 3 (section on production theory, Chaps. 4-5.**

1.

**More on Routines**

2, 5, 8, 11, 14, 12, 16.

**Capabilities & "History Matters"**

7, 13, 14

**More on Capabilities & "History Matters"**

4,

**Dynamic Capabilities & Replication**

15, 16

**More on Dynamic Capabilities & Replication**

6, 10, 18

1. Cohen, M. and P. Bacdayan (1994). "Organizational routines are stored as procedural memory." Organization Science 5: 554-568.
2. Cohen, M., R. Burkhart, et al. (1996). "Routines and other recurring action patterns of organizations: Contemporary research issues." Industrial and Corporate Change 5: 653-698.
3. Dosi, G., R. R. Nelson, et al. (2000). The Nature and Dynamics of Organizational Capabilities. Oxford, Oxford University Press.
4. Klepper, S. and K. L. Simons (2000). "Dominance by birthright: entry of prior radio producers and competitive ramifications in the U.S. television receiver industry." Strategic Management Journal 21: 997-1016.
5. Levinthal, D. (1997). "Adaptation on rugged landscapes." Management Science 43: 934-950.
6. Macher, J. T. and D. C. Mowery (2004). Measuring dynamic capabilities: Practices and performance in semiconductor manufacturing, Georgetown University.
7. Malerba, F., R. Nelson, et al. (2001). "Competition and industrial policies in a 'history friendly' model of the evolution of the computer industry." International Journal of Industrial Organization 19: 635-664.
8. Narduzzo, A., E. Rocco, et al. (2000). Talking about routines in the field: The emergence of organizational capabilities in a new cellular phone network company. The Nature and Dynamics of Organizational Capabilities. G. Dosi, R. R. Nelson and S. G. Winter. Oxford, Oxford University Press: 27-50.
9. Nelson, R. R. and S. G. Winter (1982). An Evolutionary Theory of Economic Change. Cambridge, MA, Harvard University Press.
10. Rivkin, J. (2001). "Reproducing knowledge: Replication without imitation at moderate complexity." Organization Science 12: 274-293.

11. Szulanski, G. (2000). Appropriability and the challenge of scope: Banc One routinizes replication. The Nature and Dynamics of Organizational Capabilities. G. Dosi, R. R. Nelson and S. G. Winter. New York, Oxford University Press: 69--98.
12. Tyre, M. J. and W. J. Orlikowski (1994). "Windows of opportunity - temporal patterns of technological adaptation in organizations." Organization Science 5(1): 98-118.
13. Usselman, S. W. (1993). "IBM and its imitators: organizational capabilities and the emergence of the international computer industry." Business and Economic History 22(Winter 1993): 1-35.
14. Winter, S.G. (2000). "The Satisficing Principle in Capability Learning," Strategic Management Journal 21: 981-996.
15. Winter, S. G. (2001). Toward an evolutionary theory of production. Wharton School.
16. Winter, S. G. (2003). "Understanding dynamic capabilities." Strategic Management Journal 24: 991-995.
17. Winter, S. G. (2004). The 'easy problem' problem. Models of a Man: Essays in Memory of Herbert A. Simon. M. Augier and J. March. Cambridge, MA, MIT Press (forthcoming).
18. Winter, S. G. and G. Szulanski (2001). "Replication as strategy." Organization Science 12: 730-743.
19. Zollo, M. and S. G. Winter (2002). "Deliberate learning and the evolution of dynamic capabilities." Organization Science 13: 339-351

. Governance Structure and Performance

Session 5

Daily, Catherine M.; Dalton, Dan R.; Rajagopalan, Nandini "Governance Through Ownership: Centuries of Practice, Decades of Research." *Academy of Management Journal*, Apr2003, Vol. 46 Issue 2, p151, 8p

Davis, J. H., F. D. Schoorman, et al. (1997). "Toward a stewardship theory of management." Academy of Management Review 22(1): 20-47.

Wiseman, R. M. and L. R. Gomez-Mejia (1998). "A behavioral agency model of managerial risk

taking." Academy of Management Review **23**(1): 133-153.

Golden, B. R. and E. J. Zajac (2001). "When will boards influence strategy? Inclination x power = strategic change." Strategic Management Journal **22**(12): 1087-1111.

Chang, Sea Jin OWNERSHIP STRUCTURE, EXPROPRIATION, AND PERFORMANCE OF GROUP-AFFILIATED COMPANIES IN KOREA. Academy of Management Journal, Apr2003, Vol. 46 Issue 2, p238, 16p

Fiss, Peer C, and Edward Zajac (2004). **The Diffusion of Ideas over Contested Terrain: The (Non)adoption of a Shareholder Value Orientation among German Firms** Administrative Science Quarterly. Ithaca: Dec 2004.Vol.49, Iss. 4; pg. 501

Session 6

Organizational Learning and Knowledge Management

March (1991). Exploration and Exploitation in Organizational Learning. *Organization Science*. Vol.2, No.1 (Special Issue): 71-87

Eisenhardt, KM and Santos, FM. 2002. Knowledge-Based View: A New Theory of Strategy? in A. Pettigrew, H. Thomas, & R. Whittington (Eds.), *Handbook of Strategy and Management*: 139-164. London, UK: Sage.

Nickerson, J.A. and Todd R. Zenger(2004) **A Knowledge-Based Theory of the Firm-The Problem-Solving Perspective**. Organization Science. 15,6; pg. 617-633

Zi-Lin He, Poh-Kam Wong. **Exploration vs. Exploitation: An Empirical Test of the Ambidexterity Hypothesis** *Organization Science*. Jul/Aug 2004.Vol.15, Iss. 4; pg. 481, 14 pgs

Gupta, A. K., & Govindarajan, V. (2000). Knowledge Flows Within Multinational Corporations. *Strategic Management Journal*. Vol.21: 473-496.

Session 7

**Knowledge Networks as Channels and Conduits: The Effects of Spillovers in the Boston Biotechnology Community**



[Jason Owen-Smith](#), [Walter W Powell](#). [Organization Science](#). Linthicum: [Jan/Feb 2004](#). Vol.15, Iss. 1; pg. 5, 17 pgs

### **SOCIAL CAPITAL, NETWORKS, AND KNOWLEDGE TRANSFER**

[Andrew C Inkpen](#), [Eric W K Tsang](#). [Academy of Management. The Academy of Management Review](#). Briarcliff Manor: [Jan 2005](#). Vol.30, Iss. 1; pg. 146

### Session 8

Schulz, M. (2003). Pathways of Relevance: Exploring Inflows of Knowledge into Subunits of Multinational Corporations. *Organization Science*. Vol.14, No.4: 440-459.

Powell, Koput, and Smith-Doerr (1996). Interorganizational Collaboration and the Locus of Innovation: Networks of Learning in Biotechnology. *Administrative Science Quarterly*. Vol.41, No.1: 116-145.

Almeida P, Kogut B. (1999). Localization of Knowledge and the Mobility of Engineers in Regional Networks. *Management Science*. Vol.45, No.7: 905-917.

Carlile, P. R. (2002). "A pragmatic view of knowledge and boundaries: Boundary objects in new product development." *Organization Science* **13**(4): 442-455.

Hansen, M. T. (2002). "Knowledge networks: Explaining effective knowledge sharing in multiunit companies." *Organization Science* **13**(3): 232-248.

Helfat, C. E. and R. S. Raubitschek (2000). "Product sequencing: Co-evolution of knowledge, capabilities and products." *Strategic Management Journal* **21**(10-11): 961-979.

### Session 9-10

#### **Real Options**

\*Adner, R., and Daniel A. Levinthal, (2004) "What is NOT a Real Option: Considering Boundaries for the Application of Real Options to Business Strategy" AMR, 29, 1, 74-85

\*McGrath, R.G, et.al. (2004) "Real Options as Engines of Choice and Heterogeneity" AMR, 29, 1, 86-101

\*Kogut, B., and Nalin Kulatilaka,(2004) "Real Options Pricing and Organizations: The Contingent Risks of Extended Theoretical Domains", *AMR*, 29, 1, 102-110

\*Zardkoobi, Asghar, (2004)"Do Real Options Lead to Escalation of Commitment", *AMR*, 29, 1, 111-119

\*McGrath, R.G. (1999). Falling Forward: Real Options Reasoning and Entrepreneurial Failure. *Academy of Management Review*, 24(1), 13-30.

\*Kogut, B., & Kulatilaka, N. (2001). Capabilities as Real Options. *Organization Science*, 12(6), 744-758.

\*Bowman, E.H., & Moskowitz, G.T. (2001). Real Options Analysis and Strategic Decision Making. *Organization Science*, 12(6), 772-777.

Bowman, E.H., & Hurry, D. (1993). Strategy through the **Option** Lens: An Integrated View of Resource Investments and the Incremental-Choice Process. *Academy of Management Review*, 18(4), 760-782.

McGrath, R.G. (1997). A Real Options Logic for Initiating Technology Positioning Investments. *Academy of Management Review*, 22(4), 974-996.

Garud, R., Kumaraswamy A., and Nayyar, P. (1998), "Real Options or Fool's Gold: Perspective Makes the Difference". *AMR*, 23,212-214

**Information Revelation, Incentives, and the Value of a Real Option**

[Brian Mittendorf](#). [Management Science](#). Lincoln: [Dec 2004](#).Vol.50, Iss. 12; pg. 1638, 8 pgs

**Non-additivity in portfolios of exploration activities: a real options-based analysis of equity alliances in biotechnology**

[Roberto S. Vassolo](#), [Jaideep Anand](#), [Timothy B. Folta](#). [Strategic Management Journal](#). Chichester: [Nov 2004](#).Vol.25, Iss. 11; pg. 1045, 17 pgs

**The value from acquiring and divesting a joint venture: a real options approach**

[M. V. Shyam Kumar](#). [Strategic Management Journal](#). Chichester: [Apr 2005](#).Vol.26, Iss. 4; pg. 321, 11 pgs

## **Session 11 Stakeholder theory**

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**Stakeholder Theory and "The Corporate Objective Revisited"**

*R Edward Freeman, Andrew C Wicks, Bidhan Parmar.* [Organization Science](#). Linthicum: [May/Jun 2004](#). Vol.15, Iss. 3; pg. 364, 6 pgs

**Stakeholder Theory and "The Corporate Objective Revisited": A Reply**

*Anant K Sundaram, Andrew C Inkpen.* [Organization Science](#). Linthicum: [May/Jun 2004](#). Vol.15, Iss. 3; pg. 370, 2 pgs

**Stakeholder management as a predictor of CEO compensation: main effects and interactions with financial performance**

*Joseph E. Coombs, K. Matthew Gilley.* [Strategic Management Journal](#). Chichester: [Sep 2005](#). Vol.26, Iss. 9; pg. 827, 14 pgs

## Session 12

### Property Rights and Implicit Contracts

**Resources and transaction costs: how property rights economics furthers the resource-based view**

*Kirsten Foss, Nicolai J. Foss.* [Strategic Management Journal](#). Chichester: [Jun 2005](#). Vol.26, Iss. 6; pg. 541, 13 pgs

TBA

### Session 13 Vertical Scope

*G Tomas M Hult, David J Ketchen Jr, Stanley F Slater,* Information Processing, Knowledge Development and Supply Chain Performance, *AMJ*, April 2004, 47, 2, p.241

**The co-evolution of capabilities and transaction costs: explaining the institutional structure of production**

*Michael G. Jacobides, Sidney G. Winter.* [Strategic Management Journal](#). Chichester: [May 2005](#). Vol.26, Iss. 5; pg. 395, 19 pgs

**Adaptation in vertical relationships: beyond incentive conflict**

*Ranjay Gulati, Paul R. Lawrence, Phanish Puranam.* [Strategic Management Journal](#). Chichester: [May 2005](#). Vol.26, Iss. 5; pg. 415, 26 pgs



**How much you know versus how well I know you: selecting a supplier for a technically innovative component**

[Glenn Hoetker](#). [Strategic Management Journal](#). Chichester: [Jan 2005](#).Vol.26, Iss. 1; pg. 75, 22 pgs

**Gaining from vertical partnerships: Knowledge transfer, relationship duration, and supplier performance improvement in the U.S. and Japanese automotive industries**

[Masaaki Kotabe](#), [Xavier Martin](#), [Hiroshi Domoto](#). [Strategic Management Journal](#). Chichester: [Apr 2003](#).Vol.24, Iss. 4; pg. 293

**INDUSTRY CHANGE THROUGH VERTICAL DISINTEGRATION: HOW AND WHY MARKETS EMERGED IN MORTGAGE BANKING**

[Michael G Jacobides](#). [Academy of Management Journal](#). Briarcliff Manor: [Jun 2005](#).Vol.48, Iss. 3; pg. 465

## Session 14 China Studies:

**STRATEGIC DECISION COMPREHENSIVENESS AND NEW PRODUCT DEVELOPMENT OUTCOMES IN NEW TECHNOLOGY VENTURES**

[Kwaku Atuahene-Gima](#), [Haiyang Li](#). [Academy of Management Journal](#). Briarcliff Manor: [Aug 2004](#).Vol.47, Iss. 4; pg. 583

**Capital Structure in Transition: The Transformation of Financial Strategies in China's Emerging Economy**

[Lisa A Keister](#). [Organization Science](#). Linthicum: [Mar/Apr 2004](#).Vol.15, Iss. 2; pg. 145, 14 pgs

**Entrepreneurs' Access to Private Equity in China: The Role of Social Capital**

[Bat Batjargal](#), [Mannie \(Manhong\) Liu](#). [Organization Science](#). Linthicum: [Mar/Apr 2004](#).Vol.15, Iss. 2; pg. 159, 14 pgs

**Organization and Management in the Midst of Societal Transformation: The People's Republic of China**

[Anne S Tsui](#), [Claudia Bird Schoonhoven](#), [Marshall W Meyer](#), [Chung-Ming Lau](#), [George T Milkovich](#). [Organization Science](#). Linthicum: [Mar/Apr 2004](#).Vol.15, Iss. 2; pg. 133, 12 pgs

**Environment-strategy co-evolution and co-alignment: a staged model of Chinese SOEs under transition**

[Justin Tan](#), [David Tan](#). [Strategic Management Journal](#). Chichester: [Feb 2005](#).Vol.26, Iss. 2; pg. 141, 17 pgs

## Session 15 Co-evolution

**The Coevolution of Trust, Control, and Learning in Joint Ventures**

[Andrew C Inkpen](#), [Steven C Currall](#). [Organization Science](#). Linthicum: [Sep/Oct 2004](#).Vol.15, Iss. 5; pg. 586, 14 pgs