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STRATEGIC MANAGEMENT JOURNAL CONTENTS, VOLUMES 16–20, 1995–1999

The resource-based perspective suggests that firms are bundles of assets, some of which are fungible in nature. To the extent that some resources are fungible, firms should be able to redeploy them to enter new markets when their existing businesses decline. On the other hand, perspectives that emphasize the business-specific nature of routines or managerial skills point to inherent risks in organizational transformation. In a declining market, resources can be redeployed within the firm through diversification-oriented acquisitions, or they can be redeployed through market mechanisms through consolidation-oriented acquisitions. In this paper, we examine the differences in performance outcomes between diversification-oriented acquisitions and consolidation-oriented acquisitions in industries within the defense sector, which have experienced significant decline. Our results indicate that consolidation-oriented acquisitions outperform diversification-oriented acquisitions in the decline phase of their industries in terms of both *ex ante* (stock market based) and *ex post* (operating) performance measures. At the corporate level, we find a positive relationship between focus and Tobin's q, even when the industry is in decline. The implication of our results is that assets from declining industries are redeployed more effectively through market mechanisms than within the firm through the acquisition of complementary assets.

Appleyard, Melissa M.

How Does Knowledge Flow? Interfirm Patterns in the Semiconductor Industry

Vol. 17, Special Issue, Winter 1996, 137–154

Although knowledge spillovers between firms play a critical role in the evolution of technology, we know little about such spillovers. How does knowledge flow across company boundaries? How do industry characteristics and national institutions shape knowledge diffusion? To what extent do companies direct knowledge flows? This study seeks answers to these questions by examining knowledge sharing patterns in the semiconductor industry. The research shows that public sources of technical data play a larger role in knowledge diffusion in Japan than in the United States and in semiconductors relative to steel. By understanding the mechanisms and determinants of knowledge flows, company managers and public policy makers can influence knowledge diffusion more effectively.

Arend, Richard J.

Emergence of Entrepreneurs Following Exogenous Technological Change

Vol. 20, No. 1, January 1999, 31–47

This paper explains how, after an exogenous technological change occurs, entrepreneurs displace incumbents who were *ex ante* capable of exploiting any innovations that resulted from the change. The model initially considers classical economic assumptions in the context of process innovations, and then its robustness to uncertainty, bounded rationality, firm asymmetry, and product innovations are discussed. The model is preliminarily tested against industry trends, using both results from an analysis of the information technology sector and from the literature. The paper does not suffer from the inconsistency of explaining how capable incumbents are displaced by resorting to characterizations of incumbents as *incapable* due to some inefficiency: the paper models incumbents as efficient yet rationally choosing, in some instances, to be displaced.

Argyres, Nicholas

Evidence on the Role of Firm Capabilities in Vertical Integration Decisions

Vol. 17, No. 2, February 1996, 129–150

The capabilities approach to the firm postulates that firms vertically integrate activities for which they possess capabilities that are superior to potential suppliers'. The comparative contracting approach, in contrast, emphasizes high asset specificity as leading to vertical integration. This paper compares the two sets of explanations on make-or-buy decisions made by a large firm. It finds that in some cases asset specificity alone is determinant, but in others capabilities and combinations of considerations are explanatory. Analysis of the data also provides insights about the mechanisms through which capabilities operate. In particular, the similarity of the knowledge bases associated with various activities, and the time required to acquire knowledge, appear as important indicators of the importance of capabilities to vertical integration decisions.

Argyres, Nicholas

Capabilities, Technological Diversification and Divisionalization

Vol. 17, No. 5, May 1996, 395–410

This paper develops and tests the hypothesis that greater R&D diversification is associated with less divisionalization in multidivisional firms. It argues, from transaction cost theory, that the extent of divisionalization of a large firm is indicative of its emphasis on interdivisional coordination, since fewer divisional boundaries reduce interdivisional bargaining costs. Also, greater interdivisional coordination is required to pursue strategies which exploit R&D undertaken in diverse but complementary fields, that is, strategies aimed at broadening technological capabilities. Conversely, less interdivisional coordination is required for more specialized R&D, that is, for strategies aimed at deepening existing capabilities. The hypothesis finds support in patent and organizational data.

Arora, Ashish and Alfonso Gambardella

Domestic Markets and International Competitiveness: Generic and Product-Specific Competencies in the Engineering Sector

Vol. 18, Special Issue, Summer 1997, 53–74

This paper develops a theory of how the size of the domestic market shapes firm competencies. Our theory implies that large markets are beneficial even if factors such as economies of scale or learning effects are absent. We validate our model by an international comparison of the performance of firms that provide engineering services to the oil and petrochemical industry. We conclude that, relative to the United States, the competitiveness of European or Japanese industries is greater in activities whose underlying competencies are not product specific and can be utilized across a variety of products. The benefits of large markets are greatest for activities based on product-specific competencies.

Athanassiou, Nicholas and Douglas Nigh

The Impact of U.S. Company Internationalization on Top Management Team Advice Networks: A Tacit Knowledge Perspective

Vol. 20, No. 1, January 1999, 83–92

This study surveys 37 U.S. multinational corporations (MNCs) to examine the effect of internationalization on one dimension of the top management team's (TMT's) character: international business advice network density. This study draws on international business (IB) theory, the resource-based view of the firm, and philosophy of science and its view of tacit knowledge. Results show that both the firm's internationalization extent, and the interdependence that exists across its country-market activities, are positively related to the TMT's IB advice network density. As the extent of the MNC's business outside the United States grows and the linkages among its IB units intensify, the demand for IB expertise within the TMT increases, TMT members share each other's knowledge of IB more extensively and the TMT's IB advice network density increases.

Baliga, B. Ram, R. Charles Moyer and Ramesh S. Rao

CEO Duality and Firm Performance: What's the Fuss?

Vol. 17, No. 1, January 1996, 41–43

Rising shareholder activism following poor corporate performance and a subsequent drop in shareholder value at many major U.S. corporations had rekindled interest in duality and corporate governance. Despite limited empirical evidence, duality (chairman of the board and CEO are the same individual) has been blamed, in many cases, for the poor performance, and failure of firms to adapt to a changing environment. In examining the relationship between duality and firm performance, this study considers the announcement effects of changes in duality status, accounting measures of operating performance for firms that have changed their duality structure, and long-term measure of performance for firms that have had a consistent history of a duality structure. Our results suggest that: (1) the market is indifferent to changes in a firm's duality status; (2) there is little evidence of

process at many declining firms. However, subsequent large-sample empirical studies have reported that performance turnarounds for declining firms are primarily associated with cutback actions that increase efficiency, thus creating a gap between theory and empirical findings. We close this gap by presenting and empirically supporting a model proposing that the extent of strategic change initiated in a successful turnaround varies systematically with a declining firm's need and capacity to reorient its strategy. Based on our model, we offer explanations for why past large-sample researchers were not able to verify the role of strategic change in the turnaround process and we reassert the adaptive role that strategic reorientations have in the turnaround attempts of declining firms with weak strategic positions.

Barnett, William P. and Morten T. Hansen

The Red Queen in Organizational Evolution

Vol. 17, Special Issue, Summer 1996, 139–157

We propose that competitive success and failure evolve through an ecology of organizational learning. An organization facing competition is likely to engage in a search for ways to improve performance. When successful, this search results in learning that is likely to increase the organization's competitive strength, which in turn triggers learning in its rivals—consequently making them stronger competitors and so again triggering learning in the first organization. We elaborate the conditions under which this self-reinforcing process, known in evolutionary theory as the 'Red Queen,' is likely to be adaptive or maladaptive. Adaptive consequences are predicted only for recently experienced learning. Experience in the more distant past of an organization's life, by contrast, is predicted to backfire into a 'competency trap.' We predict maladaptive consequences when organizations face many, varied cohorts of rivals. We empirically distinguish these effects using ecological models of competition. Estimates of organizational failure rates reveal a Red Queen among Illinois banks, and support our predictions.

Barnett, William P. and Robert A. Burgelman

Evolutionary Perspectives on Strategy

Vol. 17, Special Issue, Summer 1996, 5–19

We advocate studying strategic management from an evolutionary perspective: using dynamic, path-dependent models that allow for possible random variation and selection within and among organizations. We argue that this perspective directs our attention to some of the most interesting problems in strategic management. The papers in this special issue are summarized, along with some of their implications for the advancement of an evolutionary perspective on strategy. Collectively, the papers draw on various theoretical rationales, illustrating how an evolutionary perspective can help to integrate the diverse and otherwise separate theoretical traditions that meet within the field of strategic management.

Barringer, Bruce R. and Allen C. Bluedorn

The Relationship Between Corporate Entrepreneurship and Strategic Management

Vol. 20, No. 5, May 1999, 421–444

This study examines the relationship between corporate entrepreneurship intensity and five specific strategic management practices in a sample of 169 U.S. manufacturing firms. The five strategic management practices include: scanning intensity, planning flexibility, planning horizon, locus of planning, and control attributes. The results of the study indicated a positive relationship between corporate entrepreneurship intensity and scanning intensity, planning flexibility, locus of planning, and strategic controls. The fine-grained nature of these results may be of practical use to firms that are trying to become more entrepreneurial and may help researchers better understand the subtleties of the interface between strategic management and corporate entrepreneurship.

Bauerschmidt, Alan

Speaking of Strategy

Vol. 17, No. 8, October 1996, 665–667

Inkpen and Choudhury's (1995) attempt to plug the gap in strategic thinking posed by the absence of strategy inadvertently raises an existential question about the being of strategy as it is now known. The present paper highlights this implication and calls attention to the importance of the theory advanced by their classification of strategic absence or the absence of strategy.

Baum, Joel A. C. and Helaine J. Korn

Dynamics of Dyadic Competitive Interaction

Vol. 20, No. 3, March 1999, 251–278

In this study of firms' entries into and exits from each other's markets, we link research on multipoint competition to the emerging action-oriented, dyadic approach to interfirm rivalry by specifying market interdependencies between pairs of firms that condition their potential for rivalry over time. Our dynamic analysis of competitive interactions between pairs of commuter airlines in California reveals the idiosyncratic and asymmetric market microstructures that characterize dyadic competitive relationships and helps explain why firms grapple vigorously with some of their competitors while being passive toward others. We show that there is an inverted U-shaped relationship between firms' rates of entry into and exit from each other's markets and the level of multimarket contact in competitor dyads. We also show how this basic curvilinear effect varies from dyad to dyad as a function of relative levels of multimarket contact with competitors in other dyads and the relative sizes of competitors in a focal dyad.

Bensaou, M., Michael Coyne and N. Venkatraman

Testing Metric Equivalence in Cross-National Strategy Research: An Empirical Test Across the United States and Japan

Vol. 20, No. 7, July 1999, 671–689

We propose a conceptual and analytical framework for assessing metric equivalence in cross-national strategy research. We illustrate this framework by testing the equivalence of measurement models for a set of strategy constructs across the United States and Japan. Results of a two-group LISREL analysis conducted on a data set of 447 interorganizational relationships reveal that some constructs have strong cross-national equivalence, while others need content respecification or reconceptualization. We discuss implications and offer suggestions about how to conduct empirical strategy research in cross-national settings.

Bergh, Donald D.

Size and Relatedness of Units Sold: An Agency Theory and Resource-Based Perspective

Vol. 16, No. 3, March 1995, 221–239

This study tests the effects of ownership concentration, outside director equity holdings, and corporate strategy on, and the performance implications of, the size and relatedness of units sold by parent firms. The study is based on a model that integrates agency and resource-based theories, and a sample of sell-offs by 112 *Fortune* 500 firms. Ownership concentration is found to be associated positively with the sale of unrelated and small units. This relationship is strengthened when outside director equity is high. In addition, the effects of corporate strategy types on the characteristics of units sold depend on ownership concentration and outside director equity. Finally, post-sell-off performance of the parent firm is associated negatively with the relatedness of the unit sold. These results suggest that the type of unit sold depends on the type of economic benefit sought by the parent firm.

Bergh, Donald D.

Predicting Divestiture of Unrelated Acquisitions: An Integrative Model of *Ex Ante* Conditions

Vol. 18, No. 9, October 1997, 715–731

The majority of unrelated acquisitions are divested shortly after their purchase. Often, those acquisitions-turned-divestitures result in strategic, organizational, and functional losses for both the acquiring and the acquired companies. To consider how such divestitures can be avoided, this study examined some of the differences between divested and retained unrelated acquisitions. The study integrated four explanations for why unrelated acquisitions occur and related them to the fates of such acquisitions. Unrelated acquisitions were hypothesized to be divested when they fail to realize some motives and expectations that prevailed at the time of acquisition. Two samples of unrelated acquisitions (135 from 1977 and 140 from 1987) were tracked over 5-year periods. The results indicate that motives and conditions at the time of acquisition, and changes in those motives and conditions, were related to the fates of the acquisitions. In addition, the relative importance of those factors varied across the periods studied. Discriminant analyses further demonstrate that most divestitures could be predicted correctly on the basis of those motivations and conditions. The implications of the findings are discussed.

Bergh, Donald D. and Gordon F. Holbein

Assessment and Redirection of Longitudinal Analysis: Demonstration with a Study of the Diversification and Divestiture Relationship

Vol. 18, No. 7, August 1997, 557–571

The authors review the application of longitudinal analysis in strategic management research and show that how such analysis is conducted has implications for empirical results and theory development. A content analysis of 203 longitudinal strategic management studies reveals that most researchers have not (1) tested and controlled for violations in the data assumptions underlying longitudinal analysis or (2) tested the stability and form of the empirical relationships over time. Implications of these findings are demonstrated with analyses of the diversification and divestiture relationships of 180 *Fortune* 500 companies over the period 1985–88. The results show that empirical results, theoretical development, and practical applications can vary on the basis of how longitudinal analysis is performed. Suggestions for the use of longitudinal analysis in strategic management research are offered.

Bettis, Richard A.

SMJ 1995 Best Paper Prize to Danny Miller

Vol. 17, No. 7, July 1996, 503–504

No summary given.

Bettis, Richard A.

Commentary On 'Redefining Industry Structure for the Information Age' by J. L. Sampler

Vol. 19, Special Issue, April 1998, 357–361

The purpose of this commentary is to suggest a broader context for the preceding paper, 'Redefining industry structure for the information age' by Jeffery L. Sampler. The important particular issues raised by Sampler are really part of a larger set of general issues facing scholars and executives concerned with strategic issues. The Sampler paper is an exemplar of a general area of investigation that is currently undernourished. Hopefully this general area will see considerable research interest in the future.

Bettis, Richard A.

SMJ 1996 Best Paper Prize to Marvin B. Lieberman and David B. Montgomery

Vol. 19, No. 12, December 1998, 1109

No summary given.

Bettis, Richard A. and Michael A. Hitt

The New Competitive Landscape

Vol. 16, Special Issue, Summer 1995, 7–19

Technology is rapidly altering the nature of competition and strategy in the late twentieth century, moving us toward a 'new competitive landscape', in the twenty-first century. The New Competitive Landscape presents new issues, new concepts, new problems and new challenges. This essay examines the broad nature of the technological changes that are occurring and identifies some of the important implications of these changes for strategic management. The purpose of the paper is to stimulate further research into these issues in strategic management and to provide an overall context for the other papers appearing in this special issue.

Bettis, Richard A. and C. K. Prahalad

The Dominant Logic: Retrospective and Extension

Vol. 16, No. 1, January 1995, 5–14

This paper briefly reviews some history of the concept of dominant logic, and then elaborates some of the ways in which the authors have further developed this concept in recent years. Discussion focuses on the dominant logic as a filter, on the dominant logic as a level of strategic analysis, on the unlearning (forgetting) curve, on the dominant logic as an emergent property of organizations as complex adaptive systems, and on the relationship between organizational stability and the dominant logic. Throughout emphasis is given to the inherent nonlinear nature of organizations and the mental models that they create.

Bierly, Paul and Alok Chakrabarti

Generic Knowledge Strategies in the U.S. Pharmaceutical Industry

Vol. 17, Special Issue, Winter 1996, 123–135

The purpose of this study is to identify groups of firms with similar generic knowledge strategies, determine how these strategies change over time, and compare profit margins of the groups. Knowledge strategies of 21 U.S. pharmaceutical firms are analyzed from 1977 to 1991. Cluster analysis is used to group firms over different time periods based on: (a) balance between internal and external learning, (b) preference for radical or incremental learning, (c) learning speed, and (d) breadth of knowledge base. Our findings indicate that there are four generic knowledge strategy groups: 'Explorers,' 'Exploiters,' 'Loners,' and 'Innovators'. Most firms remain in the same knowledge group over time. The firms in the 'Innovator' and 'Explorer' groups tend to be more profitable than the firms in the 'Exploiter' and 'Loner' groups.

Birkinshaw, Julian

Entrepreneurship in Multinational Corporations: The Characteristics of Subsidiary Initiatives

Vol. 18, No. 3, March 1997, 207–229

This paper defines *initiative* as a key manifestation of corporate entrepreneurship, and examines the types of initiative exhibited in a sample of six subsidiaries of multinational corporations. From a detailed analysis of 39 separate initiatives, four distinct types are identified, which we refer to as 'global,' 'local,' 'internal,' and 'global–internal hybrid,' to correspond to the locus of the market opportunity whence each arose. Two important conclusions are indicated. First, entrepreneurship at the subsidiary level has the potential to enhance local responsiveness, worldwide learning and global integration, a much broader role than previously envisioned. Second, the use of contextual mechanisms to create differentiated subsidiary roles has its limitations because each initiative type is facilitated in different ways.

Birkinshaw, Julian, Neil Hood and Stefan Jonsson

Building Firm-Specific Advantages in Multinational Corporations: The Role of Subsidiary Initiative

Vol. 19, No. 3, March 1998, 221–241

This paper investigates how subsidiary companies are able to contribute to the firm-specific advantages of the multinational corporation (MNC). Specifically we examine the determinants of the contributory role of the subsidiary and subsidiary initiative. The study reveals the following significant relationships: (a) internal subsidiary resources in combination with initiative have a strong positive impact on the subsidiary's contributory role; (b) subsidiary initiative is strongly associated with the leadership and entrepreneurial culture in the subsidiary; and (c) contributory role is strongly associated with subsidiary autonomy and a low level of local competition. We discuss the implications of these findings and some of the theoretical issues associated with subsidiary initiative. Our provisional conclusion is that MNC subsidiaries can not only contribute to firm-specific advantage creation, they can also drive the process.

Birkinshaw, Julian, Allen Morrison and John Hulland

Structural and Competitive Determinants of a Global Integration Strategy

Vol. 16, No. 8, November 1995, 637–655

Both structural determinants and competitive factors can work to define the relevant environment for strategy formulation within an industry. This study examines the effects of each of these two sets of factors on global integration strategies, and finds that their impacts vary considerably from one industry to another. The study also investigates the relationship between a business's global integration strategy and its performance, using an industry-specific perspective. In the aggregate, the businesses studied appear to be under-globalized. However, this relationship varied significantly by industry; four of the industries studied appeared to be under-globalized, while the remaining three industries were at or near an optimal level of globalization.

Bogert, James Dawson

Explaining Variance in the Performance of Long-Term Corporate Blockholders

Vol. 17, No. 3, March 1996, 243–249

This study measures and explains variance in the performance of corporations that purchase and hold blocks of stock in other corporations. Results show that following the purchase of between 5 and 50 percent of a target corporation's common stock, blockholder performance improves on average for 15 months. After 3, 7, 11, and 15-month intervals, performance is positively associated with (1) investments in targets that are suppliers or customers, (2) targets that make cross-investments into the equity securities of the blockholder, and (3) a blockholding value ratio that contrasts the value of the blockholding with the value of the blockholder.

Bogner, William C., Howard Thomas and John McGee

A Longitudinal Study of the Competitive Positions and Entry Paths of European Firms in the U.S. Pharmaceutical Market

Vol. 17, No. 2, February 1996, 85–107

This paper combines the statistical insights of dynamic strategic group analysis with the qualitative richness of historical analysis to explore the modes of entry, expansion paths, and competitive postures of European firms in the U.S. pharmaceutical market. Patterns of entry and market development over a 20-year period are analyzed. The roles of strategic assets and competencies in determining both the entry strategy and the final competitive posture of these firms in the U.S. market are discussed.

Bowen, Harry P. and Margarethe F. Wiersema

Matching Method to Paradigm in Strategy Research: Limitations of Cross-Sectional Analysis and Some Methodological Alternatives

Vol. 20, No. 7, July 1999, 625–636

A central focus of empirical research in strategic management has been to understand the relationships associated with the structure–strategy–performance paradigm. To examine these relationships, investigators have relied extensively on cross-sectional methods that embody the implicit assumption that model parameters are stable across firms and over time. Yet, many of the theoretical constructs used in strategic management have clear firm- and time-specific components. Hence, it might be expected that the parameters of the relationships investigated empirically will vary across firms and over time. Whereas recent research has raised concerns about the use of cross-sectional analysis when parameters vary over time, little attention has been given to the issue of parameter variability across firms. Given the focus of strategy researchers on firm-level effects and the predominant reliance on cross-sectional analysis, accounting for across-firm variability is a significant methodological issue. Failure to account for such variability can lead to biased parameter estimates and incorrect inferences. This paper argues for the adoption of alternative methods that can overcome the limitations of a cross-sectional analysis and it offers guidance on how researchers can proceed to use these alternative methods to explicitly incorporate or test for variation in model parameters across firms or over time.

Boyd, Brian K.

CEO Duality and Firm Performance: A Contingency Model

Vol. 16, No. 4, May 1995, 301–312

Several studies have addressed the CEO duality–performance relationship, with inconsistent results. This paper proposes that these inconsistencies can be resolved by integrating agency and stewardship perspectives on duality. Using data from 192 firms in 12 industries, both the direction and magnitude of the duality–performance relationship was found to vary systematically across Dess and Beard's (1984) environmental dimensions. These results provide partial support for both agency and stewardship perspectives.

Boyd, Brian K. and Elke Reuning-Elliott

A Measurement Model of Strategic Planning

Vol. 19, No. 2, February 1998, 181–192

While strategic planning is a key concept in management research, there has been little consistency in its conceptualization or measurement. Our review of prior studies also identifies reliability and validity, dimensionality, crude levels of measurement, and lack of parsimony as additional problems associated with prior use of this variable. Such problems substantially limit our ability to compare results across studies, or to make appropriate normative recommendations. We address these concerns by developing and validating a multiple indicator measure of strategic planning, using two independent samples. Implications for future research are then discussed.

Brahm, Richard

National Targeting Policies, High-Technology Industries, and Excessive Competition

Vol. 16, Special Issue, Summer 1995, 71–91

This paper explores some fundamental changes in market dynamics that are unfolding in the new competitive landscape as a result of aggressive industrial intervention by nation-states. The thesis is that national targeting policies are likely, under identifiable conditions, to cause rivalry in high-technology industries to become excessively competitive, strictly defined in terms of producer welfare. The paper analyzes why this is likely to occur in high-technology sectors rather than in other types of industries, and how excessive competition is likely to be manifested in specific dimensions of competitive rivalry. The paper also discusses research opportunities for further development of a theory of the political economy of excessive competition and for strategy scholars to make new contributions to trade policy debates.

Brews, Peter J. and Michelle R. Hunt

Learning to Plan and Planning to Learn: Resolving the Planning School/Learning School Debate

Vol. 20, No. 10, October 1999, 889–913

This paper resolves the long-standing debate between the two dominant process schools in strategy. Analysis of the planning practices of 656 firms shows that formal planning and incrementalism both form part of 'good' strategic planning, especially in unstable environments. Environment neither moderates the need for formal planning nor the direction of the planning/performance relationship, but does moderate firm planning capabilities and planning flexibility. In unstable environments planning capabilities are far better developed and formal plans more amenable to change. The planning/performance relationship is, however, moderated by planning duration: at least four years of formal planning are required before external performance associations are noted.

Brockner, Joel

Towards Enhancing Survivors' Organizational and Personal Reactions to Layoffs: A Rejoinder to Daniels

Vol. 16, No. 4, May 1995, 329–331

In this issue Daniels critiques a report which appeared in the *Strategic Management Journal*'s Special Issue on Corporate Restructuring. The report described two studies which delineated several determinants of the reactions of layoff survivors (Brockner *et al.*, 1993). Daniels interpreted Brockner *et al.* to be saying that managers in downsizing organizations should implement layoffs in ways that maximize survivors' organizationally-relevant reactions, even if doing so imposes personal costs on the survivors. Unfortunately, Daniels failed to perceive our intended message: that layoffs (and other forms of restructuring) should be implemented in ways that optimize outcomes for both the organization and its people.

Brønn, Carl

Applying Epistemic Logic and Evidential Theory to Strategic Arguments

Vol. 19, No. 1, January 1998, 81–95

This paper extends work originally reported in a previous *SMJ* article on strategic policy issues. To accomplish this extension, we draw on research from separate but related areas. Concepts from the application of first-order logic to organizational theory and formal methods from research in knowledge representation are combined using epistemic logic and evidential theory. It is shown that the original formulation of the policy evaluation problem fits neatly into this framework. This allows application of more formal and powerful methods for representing and evaluating the evidence offered in support of strategic policy statements.

Brooks, Geoffrey R.

Defining Market Boundaries

Vol. 16, No. 7, October 1995, 535–549

This study shows how spatial information about product supply and demand can be used to determine the geographic extent of markets. It demonstrates that markets thus defined allow finer-grained measurement of competitive conditions than is possible using conventional approaches. Two procedures are developed and contrasted: one, called a *natural market* approach, is drawn from the Industrial Organization economics literature; the second, called an *enactment* approach, is associated with the open systems perspective on organizations. Applied to a set of hospitals in the San Francisco Bay area, geographic market boundaries established in these ways are shown to lead to finely defined markets, and to reveal strong variation in competitive conditions across the area—variation not detectable if conventional approaches to market definition are used. It is shown that these approaches have applications beyond geographic market definition, and can also be applied to define markets in terms of product or service types.

Brush, Thomas H.

Predicted Change in Operational Synergy and Post-Acquisition Performance of Acquired Businesses

Vol. 17, No. 1, January 1996, 1–24

The 1980s acquisitions are widely believed to have unwound the conglomerate boom of the 1960s through horizontal mergers, yet alternative forms of unwinding have not been examined. This study tests the explanation that changes in the opportunity to share resources and activities among businesses of the firm may have contributed to post-acquisition performance improvements in the recent acquisition wave. After estimating the sources of competitive performance that are due to these changes within each of 356 manufacturing industries, the study calculates predictions of changes in competitive performance for each acquired business between 1980 and 1984. The predictions are positive and in turn are positively associated with change in competitive performance between 1984 and 1986. This finding highlights the importance of resource sharing and activity sharing in these acquisitions, and leads to the reexamination of theories for the second acquisition wave that are supported by the finding of horizontal acquisitions.

Brush, Thomas H. and Kendall W. Artz

Toward a Contingent Resource-Based Theory: The Impact of Information Asymmetry on the Value of Capabilities in Veterinary Medicine

Vol. 20, No. 3, March 1999, 223–250

The paper investigates the contingencies which define valuable resources in professional medical services. We identify activities with *credence*, *experience*, and *search* qualities in medical service industries in general, and in veterinary practices more specifically. We propose that different capabilities are needed to deliver different services and test whether the contingent combination of capabilities for particular services is linked to the performance of veterinary practices. For example, we expect that practice capabilities which help to retain clients are necessary for the successful delivery of services with *experience* qualities. We find evidence of performance benefits of

client retention in a sample of 193 veterinary practices. We also find that in markets where competition from a new form of entrant is especially intense, an independent veterinarian's *credence* activities combine with its *experience* and *search* activities to jointly improve practice profitability. Since the new entrants' resources are mainly effective in the delivery of services with search qualities, the practice capabilities of the independent veterinarians that allow them to offer services with credence and experience qualities can be seen as a type of isolating mechanism.

Brush, Thomas H. and Philip Bromiley

What Does a Small Corporate Effect Mean? A Variance Components Simulation of Corporate and Business Effects

Vol. 18, No. 10, November 1997, 825–835

In a widely cited paper, Rumelt (1991) presents estimates of the relative influence of corporate business unit, and other influences on business unit profitability and finds the corporation explains almost none of the variability in business unit profitability. Using a Monte Carlo simulation, we examine the relation of variance component magnitudes to other indicators of the importance of a particular effect. Our results demonstrate that variance components can be an extremely nonlinear indicator of importance. We also question whether Rumelt's corporate effect represents the possible contributions of corporate strategy to business unit performance. This addresses a puzzle raised by Rumelt (1991) concerning the small effect of corporations in explaining performance, and suggests that Rumelt's findings should not be seen as demonstrating the insignificance of corporate strategy.

Brush, Thomas H., Philip Bromiley and Margaretha Hendrickx

The Relative Influence of Industry and Corporation on Business Segment Performance: An Alternative Estimate

Vol. 20, No. 6, June 1999, 519–547

Rumelt's (1991) widely cited paper presents estimates of the relative influence of industry, corporate, business unit, and other influences on business unit profitability. He finds corporations explain almost none of the variability in business unit profitability. Using a simultaneous equation model, we provide alternative estimates of the influence of industry and corporation on business unit performance. We find that both corporations and industries influence business unit profitability but corporations have the larger influence.

Burgelman, Robert A.

A Process Model of Strategic Business Exit: Implications For an Evolutionary Perspective on Strategy

Vol. 17, Special Issue, Summer 1996, 193–214

The process model of strategic business exit (SBE) maps the activities of different levels of management onto the business and corporate levels of strategy making involved in Intel Corporation's exit from its core dynamic random access memory (DRAM) business. The SBE process model contributes to the development of an evolutionary process theory of strategy making by conceptualizing the pattern of managerial activities through which resources and corporate competencies are internally redirected toward more viable business opportunities, and the strategic context of a core business dissolves. The SBE process model corroborates the usefulness of the Bower–Burgelman process model for conceptualizing strategy making in complex organizations.

Busija, Edith C., Hugh M. O'Neill and Carl P. Zeithaml

Diversification Strategy, Entry Mode, and Performance: Evidence of Choice and Constraints

Vol. 18, No. 4, April 1997, 321–327

Despite theoretical arguments matching type of diversification strategy with mode of entry, the exact form of relationships between strategy, mode of entry, and performance remains enigmatic. Our analysis, based on two samples, demonstrates that matches between strategy and mode did improve performance in one time period, but not a second. In addition, the results show that exclusive reliance on a single mode (internal development or acquisition) can restrict performance.

Capron, Laurence

The Long-Term Performance of Horizontal Acquisitions

Vol. 20, No. 11, November 1999, 987–1018

This paper examines how value is created in horizontal mergers and acquisitions. More specifically, it examines the impact of post-acquisition asset divestiture and resource redeployment on the long-term performance of horizontal acquisitions. The data come from a detailed survey of acquiring firm managers and cover 253 horizontal mergers and acquisitions that were initiated by European and U.S. firms in manufacturing industries for the period 1988–1992. This study incorporates insights from the cost efficiency and resource-based theories to propose a model of the effects of asset divestiture and resource redeployment on long-term acquisition performance. Overall, our results show that both asset divestiture and resource redeployment can contribute to acquisition performance, with, however, a significant risk of damaging acquisition performance when the divested assets and redeployed resources are those of the target.

Capron, Laurence, Pierre Dussauge and Will Mitchell

Resource Redeployment Following Horizontal Acquisitions in Europe and North America, 1988–1992

Vol. 19, No. 7, July 1998, 631–661

This paper studies redeployment of resources between target and acquiring businesses following horizontal acquisitions. The analysis draws from perspectives that emphasize the strategic importance of resources that are subject to market failure. We define a five-part typology of R&D, manufacturing, marketing, managerial, and financial resources. We show that targets and acquirers frequently redeploy resources following horizontal acquisitions, especially resources that frequently face market failure. We then show that the magnitude of redeployment of each type of resource increases with the asymmetry of the merging businesses' relative strength on the resource dimension. The research stresses evolutionary perspectives on business organizations that emphasize the importance of organizational differences in competitive markets. The central premise of our research is that the market for businesses is often more robust than the market for resources.

Carpenter, Mason A. and Brian R. Golden

Perceived Managerial Discretion: A Study of Cause and Effect

Vol. 18, No. 3, March 1997, 187–206

The notion that managers encounter differing levels of discretion across industries and organizations is becoming central to discussions of strategy formulation and implementation. However, discretion can be exercised or created only to the extent it is perceived, and theories of cognition and decision making suggest that managers' perceptions of discretion may vary significantly. Despite the importance of perceptions to Hambrick and Finkelstein's (1987) theoretical model of managerial discretion, no empirical tests examining perceived discretion have been published to date. Drawing on theories of issue interpretation and impression management, we find that managers differ systematically in the amount of discretion they perceive. Specifically, we find support for the predicted relationship between locus of control, a stable personality difference, and perceptions of managerial discretion. We also find that a perceived discretion predicts managerial power, but only in situations in which the manager actually has little discretion. The dynamic model presented and tested here suggests that managers, in part through impression management activities and their ability to attend to critical contingencies, may both increase their power and enlarge their latitude for action. Implications for strategy formulation and implementation are discussed.

Carroll, Glenn R., Lyda S. Bigelow, Marc-David L. Seidel and Lucia B. Tsai

The Fates of *De Novo* and *De Alio* Producers in the American Automobile Industry 1885–1981

Vol. 17, Special Issue, Summer 1996, 117–137

Do laterally diversifying firms outlast new startups? Or does organizational inertia give the advantage to the startups? We explore these questions here using the experiences of American automobile manufacturers from 1885 through 1981. We advance and test an integrative model that allows the organizational effects of entry mode to vary across the firm's life cycle. We also compare the life chances of laterally diversifying firms by industry of origin, including especially bicycle, carriage and engine manufacturers. Findings show the potentially integrative value of an evolutionary approach to strategy.

Chang, Sea Jin

An Evolutionary Perspective on Diversification and Corporate Restructuring: Entry, Exit, and Economic Performance During 1981–89

Vol. 17, No. 8, October 1996, 587–611

This study proposes a theoretical perspective that firms engage in continuous search and selection activities in order to improve their knowledge base and thereby improve their performance. This general framework is applied to the context of corporate evolution. Entry and exit activities are understood as search and selection undertaken by the firm to improve their performance. One of the compelling features of this framework is that firms learn from their past entry experience and approach the next entry in a more focused and directed manner over time. Also, firms acquire additional knowledge from each entry event while applying their existing knowledge base. With a longitudinal (1981–89) data base on entry and exit activities of all publicly traded manufacturing firms in the United States, this study shows that applicability of the firm's knowledge base plays an important role in predicting which businesses a firm enters or exits. Firms sequentially enter businesses of similar human resource profiles and firms are more likely to divest lines of business of different profiles. Corporate-level analysis shows that such well-directed entry and exit contribute to the improvement of a firm's profitability.

Chang, Sea Jin and Harbir Singh

The Impact of Modes of Entry and Resource Fit on Modes of Exit by Multibusiness Firms

Vol. 20, No. 11, November 1999, 1019–1035

This study examines the choices of modes of entry and exit in the process of new business exploration. We find that exit mode choices are determined by a different set of factors from those that are important for the entry mode decision and the exit decision per se. Our study indicates that when the resource profiles of a parent firm and the business unit are more dissimilar, and there has been less development of firm-specific idiosyncratic assets, firms are more likely to sell businesses than dissolve them. Further, the study reports a strong relationship between the mode of exit from a line of business (sell-off vs. dissolution) and the original mode of entry (acquisition vs. internal development).

Chattopadhyayi, Prithviraj, William H. Glick, C. Chet Miller and George P. Huber

Determinants of Executive Beliefs: Comparing Functional Conditioning and Social Influence

Vol. 20, No. 8, August 1999, 763–789

Executive beliefs influence strategic decision making in organizations, and thus they ultimately influence organization performance. The factors that might determine upper-echelon executive beliefs, however, have received scant empirical attention; certainly, little is known about their relative influence. In contrast to the oft-asserted influence of functional experiences, our results indicate that beliefs held by upper-echelon executives are better explained with an alternate theoretical model based on social influence. Our pattern of results indicates support for the argument that beliefs are socially reproduced through interaction among executives.

Christensen, Clayton M. and Joseph L. Bower

Customer Power, Strategic Investment, and the Failure of Leading Firms

Vol. 17, No. 3, March 1996, 197–218

Why might firms be regarded as astutely managed at one point; yet subsequently lose their positions of industry leadership when faced with technological change? We present a model, grounded in a study of the world disk drive industry, that charts the process through which the demands of a firm's customers shape the allocation of resources in technological innovation—a model that links theories of resource dependence and resource allocation. We show that established firms led the industry in developing technologies of every sort—even radical ones—whenever the technologies addressed existing customers' needs. The same firms failed to develop simpler technologies that initially were only useful in emerging markets, because impetus coalesces behind, and resources are allocated to, programs targeting powerful customers. Projects targeted at technologies for which no customers yet exist languish for lack of impetus and resources. Because the rate of technical progress can exceed the performance demanded in a market, technologies which initially can only be used in emerging markets later can invade mainstream ones, carrying entrant firms to victory over established companies.

Combs, James G. and David J. Ketchen, Jr.

Explaining Interfirm Cooperation and Performance: Toward a Reconciliation of Predictions from the Resource-Based View and Organizational Economics

Vol. 20, No. 9, September 1999, 867–888

Interfirm cooperation and its performance implications are examined in the context of two widely cited theoretical approaches to organizations. Broadly speaking, the resource-based view suggests that firms seek to capitalize on and increase their capabilities and endowments, whereas organizational economics asserts that firms focus on minimizing the costs of organizing. Although these perspectives agree on managers' likely actions in many areas, their predictions diverge when interfirm cooperation is considered. We take a step toward reconciling these differences by positing that firms place resource-based concerns in front of considerations from organizational economics when deciding whether or not to engage in interfirm cooperation. We examined this prediction using data from 94 publicly held restaurant chains. The results support our integrated view, but also suggest that giving primacy to resource concerns detracts from the performance of some firms. We derive several implications of these findings in an effort to guide subsequent inquiry.

Connor, Tom

Customer-Led and Market-Oriented: A Matter of Balance

Vol. 20, No. 12, December 1999, 1157–1163

This article is prompted by Slater and Narver's (1998) *SMJ* article entitled 'Customer-led and market-oriented: Let's not confuse the two'. It is suggested here that Slater and Narver's contention that strategic success is a function of market-led orientation rather than customer-led orientation is too reductionist a proposition which gives inadequate weight to the resource endowment and scale differences between companies. The argument is offered that success through time for the bulk of businesses will be directly related to close relationships with existing customers, particularly for smaller companies, which are the vast majority.

Cool, Karel

Commentary On 'Procedural Justice, Strategic Decision Making and the Knowledge Economy' by W. C. Kim and R. Mauborgne

Vol. 19, Special Issue, April 1998, 339–341

No summary given.

Cool, Karel and James Henderson

Power and Firm Profitability in Supply Chains: French Manufacturing Industry in 1993

Vol. 19, No. 10, October 1998, 909–926

The paper examines the relationships between the power of suppliers and buyers and the profitability of sellers who are situated in supply chains between both sets of firms. A review of the literature on power in exchange relations shows there are several power concepts which may have a different impact on seller profitability and whose impact possibly can offset each other. This may be the source of the conflicting evidence on this topic. A failure to distinguish among the concepts may also lead to an underestimation of industry effects relative to resource effects as drivers of firm profitability. The paper uses a new data base of the Banque de France on French manufacturing industry. The analyses examine whether different power concepts may be empirically identified and what their relationships are with seller profitability. The findings point to the existence of multiple power concepts and indicate that, in the sample, industry effects are more important than firm effects (as measured by relative market share) in explaining seller profitability. The findings also suggest that buyer power explains a much larger percentage of the variance in seller profitability than supplier power.

Cool, Karel, Lars-Hendrik Roller and Benoit Leleux

The Relative Impact of Actual and Potential Rivalry on Firm Profitability in the Pharmaceutical Industry

Vol. 20, No. 1, January 1999, 1–14

This paper estimates the effects of actual and potential rivalry on profitability of firms in the U.S. pharmaceutical industry during the 20-year period 1963–82. The results show that during the 1960s actual rivalry among the sampled firms did not materially affect firm profitability, but that during the 1970s competition among incumbents had an increasingly adverse effect on their profitability. The results also show that potential competition significantly reduced drug firms' profitability during the entire 20-year period.

Daily, Catherine M.

Governance Patterns in Bankruptcy Reorganizations

Vol. 17, No. 5, May 1996, 355–375

Recent research has suggested that effective monitoring may assist firms in preventing an eventual bankruptcy filing. Audit committees, board subgroups responsible for monitoring and evaluating the financial health of the firm, may exhibit varying degrees of effectiveness in monitoring firms' decline as a function of their composition. Another monitoring body which has become increasingly important in the corporate community is institutional investors. This study investigates the extent to which audit committee composition and institutional investor holdings are related to the incidence and nature (prepackaged plans and length of time spent in reorganization) of firms' bankruptcy filings. Results demonstrate no association between affiliated director representation on audit committees or institutional holdings and the incidence of bankruptcy. These two monitoring groups are, however, associated with the nature of bankruptcy filing. Both audit committee composition and the level of institutional holdings are significantly related to a prepackaged filing and the length of time spent in reorganization during the 5-year period preceding a bankruptcy filing.

Daily, Catherine M., S. Trevis Certo and Dan R. Dalton

A Decade of Corporate Women: Some Progress in the Boardroom, *None* in the Executive Suite

Vol. 20, No. 1, January 1999, 93–99

This study examines the extent to which women have circumvented the glass ceiling by empirically examining whether there has been an increase in women's representation on corporate boards and CEO positions over the 10-year period from 1987 to 1996. Results indicate greatly increased representation on corporate boards. There is, however, no evidence of progress in, or towards, the CEO suite. Moreover, there is no evidence of that circumstance abating in the next several years. The number of female inside directors, an intermediate, and requisite, position in the succession to CEO, is astonishingly small, only 0.006 percent. Notably, there has been no increase in that proportion over the last decade.

Daily, Catherine M. and Dan R. Dalton

CEO and Director Turnover in Failing Firms: An Illusion of Change?

Vol. 16, No. 5, June 1995, 393–400

Firms facing imminent bankruptcy would seemingly be under some pressure to demonstrate effective governance structures as a means for maintaining the support of important external constituents and initiating a turnaround. Little is known, however, about CEO and director turnover and its impact on the composition and structure of the board in failing firms. This study assesses both the incidence and form of governance changes in the 5-year period prior to corporate bankruptcy.

Despite extensive board member and CEO replacements, changes by firms at imminent risk of failure do not conform with the prescriptions favored by reform advocates and institutional investors.

Dalton, Dan R., Catherine M. Daily, Alan E. Ellstrand and Jonathan L. Johnson

Meta-Analytic Reviews of Board Composition, Leadership Structure, and Financial Performance

Vol. 19, No. 3, March 1998, 269–290

Careful review of extant research addressing the relationships between board composition, board leadership structure, and firm financial performance demonstrates little consistency in results. In general, neither board composition nor board leadership structure has been consistently linked to firm financial performance. In response to these findings, we provide meta-analyses of 54 empirical studies of board composition (159 samples, $n = 40{,}160$) and 31 empirical studies of board leadership structure (69 samples, $n = 12{,}915$) and their relationships to firm financial performance. These—and moderator analyses relying on firm size, the nature of the financial performance indicator, and various operationalizations of board composition—provide little evidence of systematic governance structure/financial performance relationships.

Daniels, Kevin

A Comment on Brockner *et al.* (1993)

Vol. 16, No. 4, May 1995, 325–328

In a paper concerned with the effects of layoffs upon survivors, Brockner *et al.* (1993) suggest that managers may make survivors with low self-esteem worried about future layoffs to increase work motivation. This conclusion may be suspect for a number of reasons: (a) only a small percentage of the variance was accounted for by the interaction in a field study; (b) measurements of self-esteem, worry and motivation were taken either concurrently or very close to each other in the two studies reported; and (c) potential health related consequences may eventually lead to decreased work motivation.

Datta, Deepak K. and Nandini Rajagopalan

Industry Structure and CEO Characteristics: An Empirical Study of Succession Events

Vol. 19, No. 9, September 1998, 833–852

Based on 134 CEO succession events in nondiversified, manufacturing firms, this study examines the relationships between industry structure and the characteristics of CEO successors. The paper also explores the performance implications of the fit between industry structure and CEO successors. Results indicate that industry structure plays an important, but not pervasive, role in explaining variations in newly selected CEOs. Specifically, the higher the level of industry product differentiation, the lower the organizational tenure, the higher the educational level and the greater the likelihood of a nonthroughput background in the CEO successor; the higher the industry growth rate, the lower the organizational tenure and age of the CEO successor. However, findings provide very limited support for the normative view that firms which match CEO successor characteristics to industry structure realize better postsuccession performance than those with lower levels of fit.

Davidson III, Wallace N., Dan L. Worrell and Carol Nemec

Ceo Duality, Succession-Planning and Agency Theory: Research Agenda

Vol. 19, No. 9, September 1998, 905–908

In response to Harris and Helfat's commentary on our article, 'One hat too many: Key executive plurality and shareholder wealth,' we suggest that their arguments are quite plausible, but we believe further empirical tests are needed. These proposed tests are described in our response.

Dean, Jr., James W. and Scott A. Snell

The Strategic Use of Integrated Manufacturing: An Empirical Examination

Vol. 17, No. 6, June 1996, 459–480

The increasing importance of advanced manufacturing technology, total quality management and just-in-time to manufacturing firms raises some basic questions as to the strategic use of these techniques in manufacturing. Does strategic use of these techniques influence performance? How is the impact of these techniques influenced by the competitive environment? Are the techniques actually being used strategically? A study in a large sample of manufacturing organizations confirms that the use of integrated manufacturing techniques—particularly total quality—influences performance, and that these effects are magnified or diminished by both the competitive environment and manufacturing strategy. It also shows that, in some cases, firms are missing opportunities to combine integrated manufacturing and strategy in ways that would substantially impact their performance.

Dean, Thomas J., Robert L. Brown and Charles E. Bamford

Differences in Large and Small Firm Responses to Environmental Context: Strategic Implications from a Comparative Analysis of Business Formations

Vol. 19, No. 8, August 1998, 709–728

Despite growing recognition of some strategic advantages held by small firms, little comparative research has been performed on the advantages and disadvantages accruing to firm size. In order to delineate the differential responses of small and large businesses to their environmental context, we perform a comparative analysis of the impact of industry structural characteristics on the formation of large and small businesses in a large sample of U.S. manufacturing industries from 1977 to 1987. The results suggest that small businesses possess certain resources that allow them to overcome some barriers which create greater difficulties for their larger counterparts, as well as allow small businesses to exploit certain industry opportunities more readily than larger ones.

DeCarolis, Donna Marie and David L. Deeds

The Impact of Stocks and Flows of Organizational Knowledge on Firm Performance: An Empirical Investigation of the Biotechnology Industry

Vol. 20, No. 10, October 1999, 953–968

The knowledge-based view of the firm is a recent approach to understanding the relationship between firm capabilities and firm performance. Specifically, this approach suggests that knowledge generation, accumulation and application may be the source of superior performance. Other research has conceptualized organizational knowledge in terms of stocks of accumulated knowledge in the firm and flows of knowledge into the firm. This paper tests the relationship between stocks and flows of organizational knowledge and firm performance in the biotechnology industry. We suggest that a firm's geographic location, alliances with other institutions and organizations and R&D expenditures are representative of knowledge flows, while products in the pipeline, firm citations and patents are indicative of knowledge stocks. Through factor analysis, we develop an aggregated measure of location from several variables. A regression model suggests that location is a significant predictor of firm performance as are products in the pipeline and firm citations. A major contribution of this investigation is the operationalization of geographic location and its statistically significant link to firm performance.

Deephouse, David L.

To Be Different, or To Be the Same? It's a Question (and Theory) of Strategic Balance

Vol. 20, No. 2, February 1999, 147–166

This paper addresses the performance consequences of firm-level strategic similarity. Past research observed that firms face pressures to be different and to be the same. By differentiating, firms reduce competition. By conforming, firms demonstrate their legitimacy. Both reduced competition and legitimacy improve performance. This paper begins building a theory of strategic balance by synthesizing the differentiation and conformity perspectives. The theory directs attention to intermediate levels of strategic similarity where firms balance the pressures of competition and legitimation. Empirical support for the theory is found in a longitudinal study of commercial banks. Several suggestions for developing a theory of strategic balance conclude the paper. The theory's major implication is that firms should be as different as legitimately possible.

Delios, Andrew and Paul W. Beamish

Geographic Scope, Product Diversification, and the Corporate Performance of Japanese Firms

Vol. 20, No. 8, August 1999, 711–727

The study extends research on the geographic scope, product diversification, and performance relationship by exploring both the antecedents and consequences of geographic scope. In so doing, it addresses a fundamental criticism of the geographic scope–performance relationship; namely, that the observed positive relationship between geographic scope and performance is spurious because it is the possession of proprietary assets that is the foundation of superior performance, not expansion into international markets per se. We tested the research model with data on the corporate performance of 399 Japanese manufacturing firms. In the partial least squares analyses used to examine the study's six main hypotheses, we demonstrate that geographic scope was positively associated with firm profitability, even when the competing effect of proprietary assets on firm performance was considered. Further, we find that performance was not related to the extent of product diversification, although investment levels in rent-generating, proprietary assets were related to the extent of product diversification.

Delios, Andrew and Paul W. Beamish

Ownership Strategy of Japanese Firms: Transactional, Institutional, and Experience Influences

Vol. 20, No. 10, October 1999, 915–933

We compare the effects of transactional, institutional, and experience influences on the ownership strategies of Japanese investors. Our theoretical development suggests that the equity position of a foreign investor should increase as the specificity of the assets transferred to the foreign affiliate increases, but a lower equity position should be assumed when the foreign investor requires complementary assets to establish a foreign entry. International experience and a strong institutional environment also should lead to increases in the equity position of the foreign investor. These relationships were tested with data on more than 1000 Japanese investments in nine countries of East and South-East Asia. The results demonstrate that experience and institutional factors were the most important influences on the ownership position taken in the foreign investment, while transactional factors had a much less important and a more ambiguous role.

Denis, David J., Diane K. Denis and Atulya Sarin

Agency Theory and the Influence of Equity Ownership Structure on Corporate Diversification Strategies

Vol. 20, No. 11, November 1999, 1071–1076

We articulate the agency theory view of managerial decision making and its implications for corporate diversification strategies. From agency theory, we generate testable predictions for the relation between equity ownership structure and diversification strategies and review the existing evidence on this relation. On balance, the evidence strongly supports the view that ownership structure influences corporate strategy.

Dess, Gregory G., G. T. Lumpkin and J. G. Covin

Entrepreneurial Strategy Making and Firm Performance: Tests of Contingency and Configurational Models

Vol. 18, No. 9, October 1997, 677–695

This field study explores the nature of entrepreneurial strategy making (ESM) and its relationship with strategy, environment and performance. In the first phase, we assess the independence of entrepreneurially oriented strategy-making processes through factor analysis. The second phase, using moderated hierarchical regression analysis, investigates the relative predictive power of two approaches for exploring the ESM–performance relationship: contingency and configuration. Findings from a sample of 32 firms competing in a wide variety of industries indicate that configurational approaches that align ESM strategy, and environment have greater predictive power than contingency approaches. However, not all high performance configurations are consistent with normative theory. Thus, alternate theories linking entrepreneurial strategy making

to competitive advantage should be developed and tested.

DeWitt, Rocki-Lee

Firm, Industry, and Strategy Influences on Choice of Downsizing Approach

Vol. 19, No. 1, January 1998, 59–79

This study represents a step toward a more sophisticated and grounded understanding of downsizing. The author sharpens the concept of downsizing by identifying and distinguishing among different resource-reduction approaches. Then, drawing upon exit and mobility barrier theory, firm, industry, and strategy influences on choice of downsizing approach are examined. Findings suggest that characteristics of a firm's resources and the resale market for those resources differentially influence and focus a firm's choice of downsizing approach.

Dollinger, Marc J., Peggy A. Golden and Todd Saxton

The Effect of Reputation on the Decision to Joint Venture

Vol. 18, No. 2, February 1997, 127–140

This paper focuses on the impact that reputation has on the decision to proceed with a strategic alliance. Employing reputation constructs adapted from the *Fortune* Corporate Reputation Survey, we manipulated a target firm's reputation in an experimental design. The subjects were placed in the role of CEO of the partner firm and asked whether they would engage in the alliance. Findings indicate that (1) reputation is a multidimensional construct, (2) the personal information-processing characteristics of the decision-maker mediate the reputation effect and may suppress the reputation information, (3) subjects may compensate weaker elements of reputation for stronger ones when making decisions, (4) product and management reputation are the most important factors, and (5) reputation is a factor affecting the decision regardless of whether the proposed target is a supplier or a competitor.

Dooley, Robert S., Dorn M. Fowler and Alex Miller

The Benefits of Strategic Homogeneity and Strategic Heterogeneity: Theoretical and Empirical Evidence Resolving Past Differences

Vol. 17, No. 4, April 1996, 293–305

Past research on the relationship between strategic variety and industry profitability has argued for either high homogeneity or high heterogeneity. In this paper, we review the literature on strategic variety and use it to develop hypotheses suggesting that the relationship between strategic variety and average industry profits is curvilinear. Based on our analysis of 61 industries, we find empirical support for our hypotheses, suggesting that very high levels of heterogeneity are more likely associated with industry profitability, while the industries in our sample displaying moderate levels of strategic variety are most likely to suffer from widespread financial losses.

Doz, Yves L.

The Evolution of Cooperation in Strategic Alliances: Initial Conditions or Learning Processes?

Vol. 17, Special Issue, Summer 1996, 55–83

We examine how the learning, along several dimensions (environment, task, process, skills, goals), that takes place in strategic alliances between firms mediates between the initial conditions and the outcomes of these alliances. Through a longitudinal case study of two projects in one alliance, replicated and extended in another four projects in two alliances, a framework was developed to analyze the evolution of cooperation in strategic alliances. Successful alliance projects were highly evolutionary and went through a sequence of interactive cycles of learning, reevaluation and readjustment. Failing projects, conversely, were highly inertial, with little learning, or divergent learning between cognitive understanding and behavioral adjustment, or frustrated expectations. Although strategic alliances may be a special case of organizational learning, we believe analyzing the evolution of strategic alliances helps transcend too simple depictions of inertia and adaptation, in particular by suggesting that initial

conditions may lead to a stable 'imprinting' of fixed processes that make alliances highly inertial or to generative and evolutionary processes that make them highly adaptive, depending on how they are set.

Dranove, David, Margaret Peteraf and Mark Shanley

Do Strategic Groups Exist? An Economic Framework for Analysis

Vol. 19, No. 11, November 1998, 1029–1044

This paper offers a framework and methodology for resolving the question regarding the existence of strategic groups. We say that a strategic group exists if characteristics of the group affect firm performance independently of firm-level and industry-level effects. We argue that group-level effects are a byproduct of strategic interactions among members, and develop an empirical testing model, based on the 'New Economics of Industrial Organization,' to distinguish true group effects from spurious effects. From this model, we derive a series of logically consistent propositions, suggesting that while strategic interactions are critical for a group-level effect on profits, mobility barriers are necessary to preserve both groups and their effects over time. A review of prior empirical studies of strategic groups suggests that the inconclusive nature of prior research has been due more to the lack of a theoretical foundation for empirical analysis than to the nonexistence of groups. To the extent that our methods have been employed, there is limited evidence that a rigorous search for strategic groups may prove fruitful.

Dranove, David and Mark Shanley

Cost Reductions or Reputation Enhancement as Motives for Mergers: The Logic of Multihospital Systems

Vol. 16, No. 1, January 1995, 55–74

This paper examines two motives for the formation of local multihospital systems: cost reduction and reputation enhancement. Systems may reduce costs by eliminating redundancies and reducing administrative costs. Integration may also lower costs for consumers seeking consistently high quality. We hypothesize that if systems achieve either cost or reputation benefits, then member hospitals will 'look' different from random collections of hospitals. We find that local systems do not appear to have lower costs but do appear to enjoy reputation benefits over nonsystem hospitals. Our findings challenge the assumptions behind popular health reform initiatives.

Dutton, Jane E., Susan J. Ashford, Elizabeth E. Wierba, Regina M. O'Neill and Erika Hayes

Reading the Wind: How Middle Managers Assess the Context for Selling Issues to Top Managers

Vol. 18, No. 5, May 1997, 407–423

Issue selling is an important mechanism for creating change initiative in organizations. This paper presents two studies that examine what middle managers think about as they decide whether or not to sell strategic issues to top management. In Study 1 middle managers identify themes that indicate a favorable or unfavorable context for issue selling. Top management's willingness to listen and a supportive culture were the most often named contributors to context favorability, while fear of negative consequences, downsizing conditions and uncertainty were thought to signal that a context was unfavorable for issue selling. Study 2 identifies factors that middle managers associate with image risk in the context of issue selling. Violating norms for issue selling, selling in a politically vulnerable way and having a distant relationship with top management were regarded as major contributors to a middle manager's level of image risk. Both studies enrich our understanding of the social psychological mechanisms that undergird the strategic change process.

Dyer, Jeffrey H.

Specialized Supplier Networks as a Source of Competitive Advantage: Evidence from the Auto Industry

Vol. 17, No. 4, April 1996, 271–291

This study examines the relationship between interfirm asset specificity and performance in the auto industry. More specifically, I examine the extent to which differences in supplier-automaker asset specialization may explain performance differences between Japanese automakers (Nissan and Toyota) and U.S. automakers (Chrysler, Ford, General Motors). The findings indicate a positive relationship between supplier-automaker specialization and performance. In particular, the data suggest a positive relationship between interfirm human asset cospecialization and both quality and new model cycle time. Moreover, site specialization is found to be positively associated with lower inventory costs. The findings suggest that in the auto industry a tightly integrated production network characterized by proximity and a high level of human cospecialization will outperform a loosely integrated production network characterized by low levels of interfirm specialization.

Dyer, Jeffrey H.

Effective Interfirm Collaboration: How Firms Minimize Transaction Costs and Maximize Transaction Value

Vol. 18, No. 7, August 1997, 535–556

This study of automotive transaction relationships in the U.S.A. and Japan offers data which indicate that transaction costs do not necessarily increase with an increase in relation-specific investments. We empirically examine the conditions under which transactors can simultaneously achieve the twin benefits of high asset specificity and low transaction costs. This is possible because the different safeguards which can be employed to control opportunism have different set-up costs and result in different transaction costs over different time horizons. We examine in detail the practices of Japanese firms which result in effective interfirm collaboration.

Elenkov, Detelin S.

Strategic Uncertainty and Environmental Scanning: The Case for Institutional Influences on Scanning Behavior

Vol. 18, No. 4, April 1997, 287–302

This study examined the relationship between perceptions of strategic uncertainty and environmental scanning behaviors. It has been postulated that the strength of this relationship will depend on the combined effect of the environmental constraints and the prevailing approach to strategic decision making. A sample of 141 medium-size Bulgarian companies, all of them operating in a highly constrained external environment and a business culture, characterized by a low degree of calculative strategic decision making, was used to test four hypotheses related to scanning behavior. The empirical findings of this study were then compared with the results of prior research on environmental scanning in the United States in order to draw conclusions for both the theory of scanning behavior and strategic management practice in various environments.

Farjoun, Moshe

The Independent and Joint Effects of the Skill and Physical Bases of Relatedness in Diversification

Vol. 19, No. 7, July 1998, 611–630

By examining the interdependent and joint effects of the skill and physical bases of relatedness, this study develops a multidimensional view of relatedness in diversification. The paper compares the ways the two bases identify relatedness, and examines empirically the relationship between relatedness and performance for a sample of 158 large diversified manufacturing firms. Each base of relatedness alone had no significant effect on financial performance. However, when the two approaches were combined, there was a strong positive effect on most indicators of performance. The findings demonstrate how different bases of relatedness complement and extend one another, and they clarify findings of previous studies that used a single base of relatedness.

Farjoun, Moshe and Linda Lai

Similarity Judgments in Strategy Formulation: Role, Process and Implications

Vol. 18, No. 4, April 1997, 255–273

Similarity judgments are an important and distinct aspect of strategy formulation. They are manifest in strategic decisions and errors, and in the construction of analytic concepts such as strategic groups and relatedness in diversification. However, existing models of strategy formulation either assume away the *process* of making similarity judgments or regard it as unproblematic. This paper highlights the role of similarity judgments in strategy formulation, and discusses cognitive findings showing that decision makers' assessment of similarity is not free from bias. The cognitive findings help construct a new process explanation for a wide range of apparently isolated strategic errors. The process explanation is contrasted and integrated with traditional explanations based on imperfections in decision inputs. Finally, in light of the cognitive findings, the methods and assumptions of existing approaches in strategy formulation research to the construction of analytic concepts are reexamined.

Ferguson, Tamela D. and David J. Ketchen, Jr.

Organizational Configurations and Performance: The Role of Statistical Power in Extant Research

Vol. 20, No. 4, April 1999, 385–395

The relationship between organizational configurations and performance has been a frequent albeit controversial subject of research in the field of strategic management. Many studies have failed to find a link between configurations and performance, leading prominent researchers to question the value of the concept of organizational configurations. Before the concept can be discarded, however, other plausible explanations for the lack of findings should be examined. This paper examines the possible role of statistical power. Specifically, it may be that the sample sizes in many studies are too small to detect relationships between configurations and performance when such links are, in fact, present. Analysis of 24 tests of the configurations–performance link revealed that only 8 percent had samples large enough to detect all important relationships. Thus, there is reason to suspect that insufficient statistical power may help to explain results. Given these findings, suggestions are presented for improving the ability of configurational studies to detect relationships.

Fiegenbaum, Avi, Stuart Hart and Dan Schendel

Strategic Reference Point Theory

Vol. 17, No. 2, March 1996, 219–235

How can executives achieve a match between expected external environmental conditions and internal organizational capabilities that facilitates improved performance? This paper argues that a firm's choice of 'reference points' can help achieve strategic alignment capable of yielding improved performance and potentially even a sustainable competitive advantage. Building upon prospect theory and other relevant theoretical perspectives, the strategic reference point (SRP) matrix is developed. A firm's SRP consists of three dimensions: internal capability, external conditions, and time. A theory is developed which posits an optimal SRP structure, and propositions are offered which articulate the expected relationships between the SRP, strategic choice behavior, and firm performance. The paper closes with some suggestions for using strategic reference points in both research and practice.

Fiegenbaum, Avi and Howard Thomas

Strategic Groups as Reference Groups: Theory, Modeling and Empirical Examination of Industry and Competitive Strategy

Vol. 16, No. 6, September 1995, 461–476

Previous studies on strategic groups have mainly focused on their static characteristics in order to test the theory of strategic groups and intraindustry performance differences (Porter, 1979; Cool and Schendel, 1988; Fiegenbaum and Thomas, 1990). In contrast, this study takes a longitudinal, dynamic perspective and describes the forces driving strategic group membership and structural evolution. It proposes that a strategic group acts as a reference point for group members in formulating competitive strategy. A partial adjustment model of strategic mobility is then developed which incorporates the idea of a strategic group as a reference group. It models strategic change in an industry both within and across strategic groups. The model is tested in the context of an in-depth industry analysis of the more significant firms in the insurance industry over the 1970–84 time period. The results suggest that strategic groups act as reference points for firm strategies and that predictions of future firm strategies and industry/group structures may also be successfully derived.

Fiegenbaum, Avi, J. Myles Shaver and Bernard Yeung

Which Firms Expand to the Middle East: The Experience of U.S. Multinationals

Vol. 18, No. 2, February 1997, 141–148

We examine the characteristics of U.S. multinationals that control operations in the Middle East, a geographic region in which the foreign investment climate has been unfavorable. By comparing U.S. multinationals in the Middle East to a random sample of U.S. multinationals absent from the region, we find that the former have significantly greater R&D intensity and sales than the latter. Dividing multinationals with a presence in the Middle East between those in Israel and those in other countries, we find that the former are more R&D intensive, have a greater proportion of overseas sales, but are smaller in terms of total sales. We discuss the strategic implications of these findings and highlight avenues for future research.

Finkelstein, Sydney

Interindustry Merger Patterns and Resource Dependence: A Replication and Extension of Pfeffer (1972)

Vol. 18, No. 10, November 1997, 787–810

This paper reexamines Pfeffer's (1972) classic study on interindustry merger patterns by replicating and then extending his findings. Pfeffer argued and found that resource dependencies, as measured by interindustry economic transactions, explained merger patterns. The replication investigates how robust the resource dependence explanation for interindustry mergers is when more precise methods are applied to a data set that essentially recreates Pfeffer's. The extension examines the strength of the resource dependence effect over time, and offers hypotheses that seek to explain both longitudinal and cross-sectional variation in the strength of this effect. Results indicate that while the significance of the resource dependence effect is once again observed, after applying more refined analytical methods to the data the explanatory power of resource dependence is greatly diminished. In addition, variation in the strength of the resource dependence effect suggests some boundary conditions for the theory, at least with respect to its ability to predict interindustry mergers.

Folta, Timothy B.

Governance and Uncertainty: The Tradeoff between Administrative Control and Commitment

Vol. 19, No. 11, November 1998, 1007–1028

This study elaborates upon the motives for initiating equity-based collaborations vs. acquisition of another firm already having a desired technology. We characterize both minority direct investments and joint ventures as options to defer either internal development or acquisition of a target firm. In domains where learning about growth opportunities dominates investment activity, this incremental mode of governance economizes on the cost of committing resources to a technology with an uncertain value. Using a sample of 402 transactions in the biotechnology industry, we find strong support for the theoretical model. The findings suggest that the cost of commitment in the face of technological uncertainty may offset the administrative benefits of hierarchical governance.

Galunic, D. Charles and Simon Rodan

Resource Recombinations in the Firm: Knowledge Structures and the Potential for Schumpeterian Innovation

Vol. 19, No. 12, December 1998, 1193–1201

Building on the resource-based view of the firm, this paper explores the notion of 'resource recombinations' within the firm. We suggest such recombinations can occur when competencies within the firm (which are interpreted as organized clusters of firm resources) either combine to synthesize novel competencies (synthesis-based resources) or experience a reconfiguration or relinking with other competencies (reconfiguration-based resources). Central to this paper is an examination of the antecedents necessary for such innovation to occur, and in particular the nature of knowledge in the firm. We argue that several characteristics of knowledge (tacitness, context specificity, dispersion) and its social organization (the way competencies come to be formed and institutionalized) will have important consequences on the likelihoods of resource recombinations. Our paper develops a model of resource recombination likelihoods and propositions.

Garud, Raghu and Arun Kumaraswamy

Technological and Organizational Designs for Realizing Economies of Substitution

Vol. 16, Special Issue, Summer 1995, 93–109

Today's industrial landscape is characterized by rapid change and systemic technologies. Rapid change results in ever shorter product life cycles that demand continual innovation from firms. The systemic nature of technologies makes it difficult, if not impossible, for any one firm to manufacture all components of a technological system. We propose that these challenges be met by designing technological systems that have the potential to yield economies of substitution. Additionally, we propose that these economies be realized by adopting the network mode of governance. We examine the network mode at three levels—intrafirm, interfirm, and institutional—to illuminate the inherent tension between cooperation and competition at each level, and to explore the implications of this tension for industrial dynamics.

Gedajlovic, Eric R. and Daniel M. Shapiro

Management and Ownership Effects: Evidence from Five Countries

Vol. 19, No. 6, June 1998, 533–553

Despite the growing recognition in the corporate governance literature that the relationship between ownership concentration and profitability is context dependent, this issue has not yet been subjected to direct empirical investigation using a single cross-national sample. This study empirically examines the ownership concentration–performance relationship across the nations of Canada, France, Germany, the United Kingdom, and the United States. Essentially, we argue that the correlation (if any) between ownership concentration and firm profitability differs across countries in a systematic way determined by the national system of corporate governance. Results indicate that important and statistically significant differences do in fact exist across the countries studied.

Geletkanycz, Marta A.

The Salience of 'Culture's Consequences': The Effects of Cultural Values on Top Executive Commitment to the *Status Quo*

Vol. 18, No. 8, September 1997, 615–634

While top executives are argued to play a central role in strategic adaptation, evidence suggests that they are not equally open to organizational change. This study extends earlier investigation of the determinants of top executive commitment to the *status quo* (CSQ) to the international arena, examining the influence of cultural values on executive open-mindedness toward change. Using data from a survey of top managers in 20 countries, analyses reveal that values of individualism, uncertainty avoidance, power distance, and long-term orientation are significantly related to executives' adherence to existing strategy and leadership profiles. Further, while confirming earlier findings that industry tenure is positively related to strategy CSQ, results show that tenure does not significantly affect leadership CSQ once cultural values are controlled. In summary, the findings reveal that culture has an important impact on executive mindsets, as demonstrated by the fact that executives of differing cultural background are not equally open to change in organizational strategy and leadership profiles. Second, the findings suggest that executives' views of appropriate leadership profiles reflect the imprint of cultural socialization more so than professional experience. Finally, and more broadly, the study offers empirical support for the view that values figure prominently in shaping executives' strategic and leadership orientations.

Ghemawat, Pankaj and Anita M. McGahan

Order Backlogs and Strategic Pricing: The Case of the U.S. Large Turbine Generator Industry

Vol. 19, No. 3, March 1998, 255–268

This paper illustrates the usefulness of game theory for strategic management through theoretical and empirical analysis of price competition in the presence of production backlogs. Game-theoretical analysis predicts a different relationship between relative prices and backlog levels than does analysis that ignores the sorts of interactive considerations emphasized by game theory. Empirical analysis based on data for the U.S. market for large turbine generators between 1951 and 1963 corroborates the game-theoretic prediction. The paper concludes with a discussion of the sorts of situations in which game-theoretic reasoning is particularly likely to prove useful.

Gimeno, Javier

Reciprocal Threats in Multimarket Rivalry: Staking Out 'Spheres of Influence' in the U.S. Airline Industry

Vol. 20, No. 2, February 1999, 101–128

The paper investigates the outcomes of multimarket competition among U.S. scheduled airlines when the interests and positions of the airlines differ in the mutually contested markets. Asymmetry in territorial interests provides multimarket competitors with footholds in important markets of their rivals, which can be used to deter the behavior of the rivals in other markets. Evidence suggests that airlines use footholds in their rivals' important markets (particularly in their hubs) to reduce the competitive intensity of those rivals in the airlines' own important markets (their hubs), and sustain their dominant positions (or spheres of influence) in those markets.

Godfrey Paul C. and Charles W. L. Hill

The Problem of Unobservables in Strategic Management Research

Vol. 16, No. 7, October 1995, 519–533

In this paper we argue that unobservable constructs lie at the core of a number of influential theories used in the strategic management literature—including agency theory, transaction cost theory, and the resource-based view of the firm. The debate over how best to deal with the problem of unobservables has raged in the philosophy of science literature for the best part of the current century. On the one hand, there are the positivists, who believe that theories containing unobservable constructs are only useful as tools for making predictions. According to positivists, such theories do not inform us about the deep structure of reality. On the other hand, there are the realists, who believe that our theories can give us knowledge about unobservables. Herein we review this debate, we argue for adopting a realist position, and we draw out the implications for strategic management research.

Goll, Irene and Abdul M. A. Rasheed

Rational Decision-Making and Firm Performance: The Moderating Role of Environment

Vol. 18, No. 7, August 1997, 583–591

This study investigates the moderating roles of environmental munificence and dynamism in the relationship between process rationality and organizational performance. Based on a sample of 62 manufacturing firms, the study found that environmental munificence and dynamism moderate the relationship between rationality and performance. Further, the study found that rationality is strongly associated with performance in environments high in munificence and dynamism.

Goodstein, Jerry, Warren Boeker and John Stephan

Professional Interests and Strategic Flexibility: A Political Perspective on Organizational Contracting

Vol. 17, No. 7, July 1996, 577–586

In this research we consider the interrelationships between professional interests and strategic flexibility. We specifically consider how the relative power of professional and managerial interests facilitate or constrain organizational contracting with external suppliers and providers. We explore these issues by focusing on hospitals competing in the health care industry during a period of heightened competitive and regulatory change. Our findings suggest that professional interests significantly influence the degree of external contracting. These findings have important implications for maintaining strategic flexibility in highly competitive environments.

Grant, Robert M.

Toward a Knowledge-Based Theory of the Firm

Vol. 17, Special Issue, Winter 1996, 109–122

Given assumptions about the characteristics of knowledge and the knowledge requirements of production, the firm is conceptualized as an institution for integrating knowledge. The primary contribution of the paper is in exploring the coordination mechanisms through which firms integrate the specialist knowledge of their members. In contrast to earlier literature, knowledge is viewed as residing within the individual, and the primary role of the organization is knowledge application rather than knowledge creation. The resulting theory has implications for the basis of organizational capacity, the principles of organization design (in particular, the analysis of hierarchy and the distribution of decision-making authority), and the determinants of the horizontal and vertical boundaries of the firm. More generally, the knowledge-based approach sheds new light upon current organizational innovations and trends and has far-reaching implications for management practice.

Greve, Henrich R.

Managerial Cognition and the Mimetic Adoption of Market Positions: What You See Is What You Do

Vol. 19, No. 10, October 1998, 967–988

Managers planning to abandon a market position need to find a promising alternative, and face a choice of inventing a new market position or entering an existing one. The great uncertainty on the consequences of different actions leads them to rely on other organizations for information on how to compete, making adoption of existing market positions likely. Their wish to avoid direct rivalry and maximize growth leads them to seek out information on new market positions with few incumbents. As a result, recently innovated market positions are mimetically adopted by organizations that can easily observe previous adoptions and see them as relevant to their market situations, increasing the market differentiation. This theory is tested and supported by analysis of the spread of new radio formats in the United States.

Gulati, Ranjay

Alliances and Networks

Vol. 19, Special Issue, April 1998, 293–317

This paper introduces a social network perspective to the study of strategic alliances. It extends prior research, which has primarily considered alliances as dyadic exchanges and paid less attention to the fact that key precursors, processes, and outcomes associated with alliances can be defined and shaped in important ways by the social networks within which most firms are embedded. It defines five key issues for the study for alliances: (1) the formation of alliances, (2) the choice of governance structure, (3) the dynamic evolution of alliances, (4) the performance of alliances, and (5) the performance consequences for firms entering alliances. For each of these issues, this paper outlines some of the current research and debates at the firm and dyad level and then discusses some of the new and important insights that result from introducing a network perspective. It highlights current network research on alliances and suggests an agenda for future research.

Gulati, Ranjay

Network Location and Learning: The Influence of Network Resources and Firm Capabilities on Alliance Formation

Vol. 20, No. 5, May 1999, 397–420

This paper presents a dynamic, firm-level study of the role of network resources in determining alliance formation. Such resources inhere not so much within the firm but reside in the interfirm networks in which firms are placed. Data from extensive fieldwork show that by influencing the extent to which firms have access to information about potential partners, such resources are an important catalyst for new alliances, especially because alliances entail considerable hazards. This study also assesses the importance of firms' capabilities with alliance formation and material resources as determinants of their alliance decisions. I test this dynamic framework and its hypotheses about the role of time-varying network resources and firm capabilities with comprehensive longitudinal multi-industry data on the formation of strategic alliances by a panel of firms between 1970 and 1989. The results confirm field observations that accumulated network resources arising from firm participation in the network of accumulated prior alliances are influential in firms' decisions to enter into new alliances. This study highlights the importance of network resources that firms derive from their embeddedness in networks for explaining their strategic behavior.

Gupta, Anil K., Vijay Govindarajan and Ayesha Malhotra

Feedback-Seeking Behavior within Multinational Corporations

Vol. 20, No. 3, March 1999, 205–222

Notwithstanding their concern with intra-MNC control mechanisms, scholars have overlooked the complementary phenomenon of self-regulatory behavior by subsidiaries. In this paper, we take the first steps towards addressing this gap by advancing and testing hypotheses dealing with the determinants of a major element of self-regulatory behavior at the subsidiary level, i.e., the performance-oriented feedback-seeking behavior of subsidiary presidents. Utilizing data from 374 subsidiaries of 75 MNCs, we test hypotheses regarding the impact of subsidiary task and organizational context on the feedback-seeking behavior of subsidiary presidents. The results of this study can be summarized as follows: (i) subsidiary presidents do engage in proactive performance-oriented feedback-seeking behavior; (ii) they vary in the extent to which they engage in such behavior; and (iii) these variations in feedback-seeking behavior are at least partially systematic.

Hagedoorn, John

A Note on International Market Leaders and Networks of Strategic Technology Partnering

Vol. 16, No. 3, March 1995, 241–250

Interfirm partnering has become a familiar aspect of corporate behavior as it is found in a large number of industries with many companies participating in strategic alliances. This paper focuses on questions that are related to market structural issues of this phenomenon in an international context. It raises the question whether alliances establish stable networks of firms, and whether market leading firms dominate the world of strategic partnering. Our contribution stresses the need for a further understanding of cooperative behavior in terms of the increase of corporate flexibility and extension of core competences of companies.

Hambrick, Donald C. and Sydney Finkelstein

The Effects of Ownership Structure on Conditions at the Top: The Case of CEO Pay Raises

Vol. 16, No. 3, March 1995, 175–193

We examine how ownership configuration affects the determination of CEO pay raises. Based on a sample of 188 firms over a 5-year period, it was found that pay raises were based on distinctly different factors, depending on the ownership profile of the firm. In management-controlled firms—where no single major owner exists—results suggest an overarching pay philosophy: *maximize* CEO pay, subject to demonstration of face legitimacy of that pay. In externally-controlled firms—where a major (nonmanager) owner exists—results suggest a very different philosophy: *minimize* CEO pay, subject to the ability to attract/retain a satisfactory CEO.

Hamel, Gary and C. K. Prahalad

Competing in the New Economy: Managing Out of Bounds

Vol. 17, No. 3, March 1996, 237–242

This commentary was distributed at the Mexico City meeting of the Strategic Management Society, and forms the basis for the Call for Papers made for the 1996 SMS meeting to be held in Phoenix, Arizona, USA, November 10–13, 1996 at The Pointe Hilton Resort. The Editors of the SMJ thought it worth drawing to our readers' attention and offer it here as an interesting perspective on our field, the issues it now faces, and by implication, what research and practice must confront over the years ahead.

Harris, Dawn and Constance E. Helfat

Specificity of CEO Human Capital and Compensation

Vol. 18, No. 11, December 1997, 895–920

Much research on top management compensation has focused on the relationship between pay and firm performance. Firms, however, may compensate executives for inputs such as skills, as well as for outputs such as firm performance. This study refocuses attention on the links between managerial abilities and compensation by examining pay differences between types of CEO successors who have differential skills—namely, internal and external successors.

Harris, Dawn and Constance E. Helfat

CEO Duality, Succession, Capabilities and Agency Theory: Commentary and Research Agenda

Vol. 19, No. 9, September 1998, 901–904

We offer a new explanation for the relationship between CEO duality and firm performance that accounts for managerial capabilities and succession planning. Our reinterpretation of findings by Worrell, Nemec and Davidson (1997) is consistent with the new explanation. We also make suggestions for future research.

Hatfield, Donald E., Julia Porter Liebeskind and Tim C. Opler

The Effects of Corporate Restructuring on Aggregate Industry Specialization

Vol. 17, No. 1, January 1996, 55–72

It has been widely argued that the purpose of corporate restructuring during the 1980s was to produce a population of more industry-specialized, competitive firms in response to intensifying global competition. A number of studies show that corporate restructuring resulted in increased corporate focus during the 1980s. However, no study has yet examined whether corporate restructuring resulted in increased specialization at the industry level during the 1980s. This study examines this issue. First, we examine whether or not aggregate industry specialization increased during the 1980s. That is, we ask: did the average firm in any given U.S. industry become more or less specialized *to that industry* during the 1980s? Second, we examine whether corporate restructuring was a significant determinant of change in aggregate industry specialization during the 1980s. Using a sample of 686 four-digit SIC industries and 63 two-digit industry groups, this study finds that aggregate industry specialization declined very slightly at both the four-digit and two-digit levels between 1981 and 1989. This study also finds that sell-offs of establishments through corporate control transactions or interfirm asset sales had no significant effect on aggregate industry specialization.

Helfat, Constance E.

Know-how and Asset Complementarity and Dynamic Capability Accumulation: The Case of R&D

Vol. 18, No. 5, May 1997, 339–360

Dynamic capabilities enable firms to create new products and processes and respond to changing market conditions. This empirical investigation of dynamic R&D capabilities deals with the role of complementary know-how and other assets in the context of changing conditions in the U.S. petroleum industry during the 1970s and early 1980s. The analysis suggests that, in response to rising oil prices, firms with larger amounts of complementary technological knowledge and physical assets also undertook larger amounts of R&D on coal conversion (a synthetic fuels process).

Henderson, Rebecca and Will Mitchell

The Interactions of Organizational and Competitive Influences on Strategy and Performance

Vol. 18, Special Issue, Summer 1997, 5–14

Despite much debate in the strategy literatures, there is little consensus as to whether organizational capabilities or market competition are more important in shaping firms' actions and performance. We suspect that simply comparing firm-level and industry-level influences will continue to prove fruitless for two reasons. In the first place, both organization and competition are clearly important in shaping strategy and performance. In the second place, we suspect that the inconclusive nature of much of the existing research reflects the fact that organizational capabilities, competition, strategy, and performance are fundamentally endogenous. That is, reciprocal interactions at multiple levels of analysis between the environment and the firm shape business strategy and performance, while interactions between strategy and performance, in turn, shape both organizational capabilities and competitive environments. This special issue of the *Strategic Management Journal* includes papers that focus attention on several dimensions of these interactions.

A common theme emerges from the work concerning the sequential nature of the interrelationships. The papers suggest that firms develop organizational capabilities as they act in competitive, institutional, and cognitive environments, where capabilities arise both by design and as the unexpected by-products of firm actions. The capabilities, managers' understanding of the capabilities, and the historical context that surrounds them then condition firms' reactions to changes in their environment. The reactions and firm performance in turn affect the structure of the industry, and all these changes generate new information which in turn creates new learning opportunities. Thus, the papers view strategy and performance as an ongoing sequence of capabilities-conditioned adaptations by firms which in turn become exogenous events in the environments of the managers of other firms. For strategy researchers, the important question is not that of which disciplinary perspective or mode of explanation is a more appropriate one, but rather that of the conditions under which a given mode of explanation is most appropriate.

Hennart, Jean-Francois and Sabine Reddy

The Choice Between Mergers/Acquisitions and Joint Ventures: The Case of Japanese Investors in the United States

Vol. 18, No. 1, January 1997, 1–12

This paper investigates the determinants of the choice between two alternative methods of pooling similar and complementary assets: the merger/acquisition and the greenfield equity joint venture. Two theories of the determinants of that choice are tested on a sample of Japanese investments in the United States. The results show that equity joint ventures are preferred over acquisitions when the desired assets are linked to nondesired assets because the U.S. firm owning them is large and not divisionalized, when the Japanese investor has little previous experience of the American market and hence seeks to avoid postmerger integration problems, when the Japanese investor and the U.S. partner manufacture the same product, and when the industry entered is growing neither very rapidly nor very slowly.

Hennart, Jean-Francois, Thomas Roehl and Dixie S. Zietlow

'Trojan Horse' or 'Workhorse'? The Evolution of U.S.–Japanese Joint Ventures in the United States

Vol. 20, No. 1, January 1999, 15–29

Foreign investors and their domestic joint venture partners must find ways to share the benefits of the venture if both sides are to be satisfied. Some work in the literature on joint ventures has asserted that there is a danger in all joint ventures, and especially joint ventures with Japanese, that one side will exploit the venture for its own gain, using it as a Trojan Horse. To test this assertion, we build a full data set of Japanese firms with joint ventures in the United States and track the ventures over time. Our data show that the Japanese partners do not take actions consistent with the Trojan Horse hypothesis.

Hillman, Amy J., Asghar Zardkoohi and Leonard Bierman

Corporate Political Strategies and Firm Performance: Indications of Firm-Specific Benefits from Personal Service in the U.S. Government

Vol. 20, No. 1, January 1999, 67–81

Firms employ a variety of political strategies (e.g., lobbying, contributions) in an attempt to gain influence or access to the public policy process. A variety of benefits may accrue to firms that are successful in creating a linkage with the government: information, access, influence, reduced uncertainty and transaction costs, etc. However, the direct benefits of such strategies are difficult to observe. One political strategy is studied here—personal service (having a firm representative serve in a political capacity). Event-study methodology results show that such linkages with the government positively affect firm value. These findings indicate that firm-specific benefits may result from political strategies.

Hinthorne, Tom

Predatory Capitalism, Pragmatism, and Legal Positivism in the Airlines Industry

Vol. 17, No. 4, April 1996, 251–270

This paper examines three of the primary structures of thought and some of the situational circumstances that enable and constrain the actions of corporate leaders in the airlines industry. It argues that lawyers and corporate leaders who understand the law and the structures of power in America have a unique capacity to protect and enhance share-owner wealth. Three examples are used to propose a model of force relations in complex, high-stakes situations.

Hitt, Michael A., M. Tina Dacin, Beverly B. Tyler and Daewoo Park

Understanding the Differences in Korean and U.S. Executives' Strategic Orientations

Vol. 18, No. 2, February 1997, 159–167

Competitive positioning in a global market requires an understanding of the decision processes and behavioral attributes of executives from different countries. These attributes reflect the executives' cultural background, the national policies under which they have worked, and their home country's level of economic development (institutional context). The current research compared strategic decision models of U.S. and Korean executives and the results suggest that criteria employed by the executives from the two countries differ. Differences in institutional context between Korea and the U.S.A. were reflected in the weightings of objective criteria used by the executives. Korean executives emphasized industry attractiveness, sales and market share (because of policies that encourage growth) and U.S. executives emphasized projected demand, discounted cash flow and ROI (because of policies and institutions that focus on profitability). The results suggest the importance of understanding the strategic orientations of international competitors, partners in international strategic alliances and managers of international subsidiaries or divisions.

Hodgkinson, Gerard P., Nicola J. Bown, A. John Maule, Keith W. Glaister and Alan D. Pearman

Breaking the Frame: An Analysis of Strategic Cognition and Decision Making under Uncertainty

Vol. 20, No. 10, October 1999, 977–985

This paper reports the findings of two experimental investigations into the efficacy of a causal cognitive mapping procedure as a means for overcoming cognitive biases arising from the framing of strategic decision problems. In Study 1, final year management studies undergraduate students were presented with an elaborated strategic decision scenario, under one of four experimental conditions: positively vs. negatively framed decision scenarios, with prechoice vs. postchoice mapping task orders (i.e., participants were required to engage in cognitive mapping before or after making a decision). As predicted, participants in the postchoice mapping conditions succumbed to the framing bias whereas those in the prechoice mapping conditions did not. Study 2 replicated and extended these findings in a field setting, on a sample of senior managers, using a decision scenario that closely mirrored a strategic dilemma currently facing their organization. Taken together, the findings of these studies indicate that the framing bias is likely to be an important factor in strategic decision making, and suggest that cognitive mapping provides an effective means of limiting the damage accruing from this bias.

Holl, Peter and Dimitris Kyriazis

Wealth Creation and Bid Resistance in U.K. Takeover Bids

Vol. 18, No. 6, June 1997, 483–498

In this paper we investigate the determinants of, and relationship between, wealth creation and bid resistance for a sample of 178 successful takeover bids in the U.K. Within the context of an event study approach we test a range of hypotheses against a background that recognizes the existence of agency conflict and the role of corporate governance mechanisms designed to mitigate its effect. The results obtained are interpreted within the context of the U.K. corporate environment. We find that wealth creation and bid resistance are mutually dependent on each other. We find evidence suggesting the presence of managerial and financial synergy but the absence of operational synergy. Our results also suggest that there is some conflict between managers and shareholders but that significant monitoring is exercised by the particular governance mechanisms we investigate.

Holm, Desiree Blankenburg, Kent Eriksson and Jan Johanson

Creating Value Through Mutual Commitment to Business Network Relationships

Vol. 20, No. 5, May 1999, 467–486

A structural model of business relationship development in a business network context is formulated and tested on data from the European International Marketing and Purchasing (IMP) project. The empirical analysis demonstrates a causal chain from business network connection through mutual commitment and mutual dependence to value creation in the relationship. The results show that mutuality in business network relationships is critical in developing interfirm systems of workflow interdependence that promote the creation of value. This also implies that, through their interaction in business network relationships, firms in business markets organize and share an unbounded structure of interdependent activities, enabling them to achieve greater value than would be the case if they did not engage in relationship development.

Homburg, Christian, Harley Krohmer and John P. Workman, Jr.

Strategic Consensus and Performance: The Role of Strategy Type and Market Related Dynamism

Vol. 20, No. 4, April 1999, 339–357

This paper examines the link between consensus among senior managers and performance at the SBU level and considers factors which may moderate the strength of this relationship. Using data from a cross-national study in three industry sectors, the authors find that consensus increases the performance of the SBU in the case of a differentiation strategy but not in the case of a low-cost strategy. Additionally, the relationship between consensus on a differentiation strategy and performance is negatively influenced by dynamism of the market. This research thus clarifies and extends prior consensus research by indicating the conditions under which consensus positively affects performance. For managers, our results indicate that investing managerial time in obtaining consensus is more important for a differentiation than for a low-cost strategy and is particularly important when using a differentiation strategy in a stable environment.

Hoopes, David G. and Steven Postrel

Shared Knowledge, 'Glitches,' and Product Development Performance

Vol. 20, No. 9, September 1999, 837–865

Much recent thought in strategy has stressed the importance of organizational integration for competitive advantage. Empirical studies of product development have supported this emphasis by correlating integrating practices and superior performance. We propose, from a resource-based or capability view, that this correlation results from integration leading to patterns of shared knowledge among firm members, with the shared knowledge constituting a resource underlying product development capability. To explore this connection, we examine the product development efforts of a scientific software company. We define the 'glitch' as a costly error possible only because knowledge was not shared, and measure the influence of glitches on firm performance. At this company, gaps in shared knowledge did cause the company to incur significant excess costs. We also identify a set of 'syndromes' that can lead to glitches, and measure the relative importance of these syndromes. The glitch concept may offer a general tool for practical measurement of the marginal benefits of shared knowledge.

Hopkins, Willie E. and Shirley A. Hopkins

Strategic Planning–Financial Performance Relationships in Banks: A Causal Examination

Vol. 18, No. 8, September 1997, 635–652

An integrative model of relationships among managerial, environmental, and organizational factors, strategic planning intensity, and financial performance was developed and tested using data from 112 banks. The results suggested that the intensity with which banks engage in the strategic planning process has a direct, positive effect on banks' financial performance, and mediates the effects of managerial and organizational factors on banks' performance. Results also indicated a reciprocal relationship between strategic planning intensity and performance. That is, strategic

planning intensity causes better performance and, in turn, better performance causes greater strategic planning intensity. Finally, the results hold implications for other financial services institutions subject to similar conditions that banks must operate under.

Hosmer, Larue Tone

Response to 'Do Good Ethics Always Make for Good Business?'

Vol. 17, No. 6, June 1996, 501

No summary given.

Houthoofd, Noel and Aime Heene

Strategic Groups as Subsets of Strategic Scope Groups in the Belgian Brewing Industry

Vol. 18, No. 8, September 1997, 653–666

This research report proposes a distinction between strategic scope groups and strategic groups whereby strategic groups are delineated within strategic scope groups. A strategic scope group (SSG) includes firms within an industry that define their business using a four-dimensional 'strategic space' consisting of buyer types, product types, geographical reach and level of vertical integration, in a similar way. Within each SSG there may be several strategic groups (SGs). An SG includes firms within an SSG that deploy their resources in a similar way and that compete in the same way. While all firms within an SSG may compete against each other, firms within the same SG compete against each other in a similar way. Within the brewing industry in Belgium five SSGs could be identified. These SSGs differ statistically significantly on a risk-adjusted return on assets measure. SGs themselves did not differ on this performance measure. One may therefore conclude that mobility barriers between SSGs are higher than they are between SGs.

Hubbard, Raymond, Daniel E. Vetter and Eldon L. Little

Replication in Strategic Management: Scientific Testing for Validity, Generalizability, and Usefulness

Vol. 19, No. 3, March 1998, 243–254

A number of studies have shown that little replication and extension research is published in the business disciplines. This has deleterious consequences for the development of a cumulative body of knowledge in these same areas. It has been speculated, but never formally tested, that replication research is more likely to be published in lower tiers of the journal hierarchy. The present paper indicates very low levels of replication in management and strategic management journals, regardless of their prestige. Moreover, even those replications that are published tend not to be critical—odd in applied social sciences that are largely preparadigmatic and where extensibility, generalizability and utility of scientific constructs tend to be low. The goal of science is empirical generalization, or knowledge development. Systematically conducted replications with extensions facilitate this goal. It is clear, however that many editors, reviewers, and researchers hold attitudes toward replication research that betray a lack of understanding about its role. Long-run strategies to dispel these misconceptions must involve changes in graduate training aimed at making the conduct of such vital work second nature. It is further suggested that journals in all tiers create a section specifically for the publication of replication research, and that top-tier journals take the lead in this regard.

Hulland, John

Use of Partial Least Squares (PLS) in Strategic Management Research: A Review of Four Recent Studies

Vol. 20, No. 2, February 1999, 195–204

Advances in causal modeling techniques have made it possible for researchers to simultaneously examine theory and measures. However, researchers must use these new techniques appropriately. In addition to dealing with the methodological concerns associated with more traditional methods of analysis, researchers using causal modeling approaches must understand their underlying assumptions and limitations. Most researchers are well equipped with a basic understanding of LISREL-type models. In contrast, current familiarity with PLS in the strategic management area is low. The current paper reviews four recent studies in the strategic management area which use

PLS. The review notes that the technique has been applied inconsistently, and at times inappropriately, and suggests standards for evaluating future PLS applications.

Hundley, Greg and Carol K. Jacobson

The Effects of the Keiretsu on the Export Performance of Japanese Companies: Help or Hindrance?

Vol. 19, No. 10, October 1998, 927–937

This study investigates the effect that membership in a financial keiretsu has on the export performance of Japanese manufacturing companies. Companies that belong to one of the six major financial keiretsu are found to have lower export ratios than similar companies who are not members. The negative effects of keiretsu membership appear confined to producer goods companies where intergroup linkages such as preferential trading relationships are tightest. Additional evidence from the producer goods sector showing that keiretsu members do less well on other measures of company performance supports the argument that the cartel-like properties sometimes ascribed to the keiretsu actually reduce competitiveness, thus dampening export performance. In general, the data do not support recommendations that non-Japanese companies might look to keiretsu-type alliances as an organizational strategy that will lead to competitive advantage in global markets.

Iaquinto, Anthony L. and James W. Fredrickson

Top Management Team Agreement about the Strategic Decision Process: A Test of Some of Its Determinants and Consequences

Vol. 18, No. 1, January 1997, 63–75

The level of agreement among a firm's top executives about how things are done in that firm has a variety of important implications. For example, agreement about a firm's decision-making norms may allow members of the top management team (TMT) to focus on the substance of their most critical decisions and not get bogged down in debates about the process. In the present study, data from 65 firms in two industries were used to identify determinants and consequences of TMT agreement about the comprehensiveness of the strategic decision process. Results for consequences indicate that the level of TMT agreement was positively related to organizational performance. As for the determinants of agreement, organizational size was negatively related to agreement but past performance exhibited no association. Therefore, the results suggest that it is TMT agreement that influences performance, not the reverse. In addition, a surprising result was that firms in an industry with an unstable environment exhibited significantly more agreement about the process than did their counterparts in an industry whose environment was stable.

Ilinitch, Anne Y. and Carl P. Zeithaml

Operationalizing and Testing Galbraith's Center of Gravity Theory

Vol. 16, No. 5, June 1995, 401–410

This paper develops and tests an expanded model of relatedness and firm performance, based on Galbraith's (1983) center of gravity concept. Traditional empirical approaches to relatedness have focused primarily on product similarities. This research operationalizes and tests a managerial dimension of relatedness, based on a firm's historical center of gravity, which assumes that businesses in the same vertical stage of the value chain are more similar to manage than those in different stages. Empirical results support Galbraith's hypothesis that this managerial dimension of relatedness may be more important than constrained product relatedness in achieving high performance. This finding suggests that diversified firms should operate in lines of business that are managerially similar in order to minimize complexity and apply core skills appropriately. Interestingly, while managerial relatedness was positively associated with firm performance in two out of three samples, constrained product relatedness was negatively associated with performance in two of the three samples. Taken together, these results suggest that optimal relatedness profiles may be industry specific, and that corporate relatedness may be more important in managing diversity than product relatedness. Future research should seek a better understanding of the specific dimensions which underlie both product and managerial relatedness.

Ingram, Paul

Organizational Form as a Solution to the Problem of Credible Commitment: The Evolution of Naming Strategies among U.S. Hotel Chains, 1896–1980

Vol. 17, Special Issue, Summer 1996, 85–98

This paper describes how organizational form can solve the problem of commitment that complicates exchange. I illustrate this by analyzing the commitment problem of hotel chains. Consideration of the commitment problem indicates that hotel chains are better off naming their units the same, so as to create the potential for future business from customers. However, some hoteliers believed units should be named differently so they are not identified with the chain. These two strategies illustrate a powerful tension between strategies that allow the organization to be more consistent, and strategies that facilitate adaptation to local conditions. I analyze the failure rates of hotel chains to show that selection favored chains that employed the naming strategy that generates commitment.

Ingram, Paul and Joel A. C. Baum

Opportunity and Constraint: Organizations' Learning from the Operating and Competitive Experience of Industries

Vol. 18, Special Issue, Summer 1997, 75–98

Organizational learning is central to a number of strategic theories. Recent arguments, however, identify risks associated with learning from own experience in the form of overattention to the short term and local conditions. The experience of the industry may offer opportunities for organizational learning that the experience of the organization does not, because industry experience is more varied, and not tied to the path-dependent history of any one organization. We investigate the influence of own experience and of two types of industry experience on the failure rates of U.S. hotel chains. The two types of industry experience are operating experience, which is a discounted sum of the units operated by U.S. hotel chains in the history of the industry, and competitive experience, which is a discounted sum of the number of failures of U.S. hotel chains in the history of the industry. We find that (a) organizations initially benefit from their own experience, but are harmed in the long run, (b) generalist organizations are more weakly affected by their own experience than specialists, (c) organizations benefit from their industry's operating experience, accumulated both before and after the organization's entry, and (d) organizations benefit from their industry's competitive experience, but only after the organization's entry.

Inkpen, Andrew C.

The Seeking of Strategy Where It Is Not: Towards a Theory of Strategy Absence: A Reply to Bauerschmidt

Vol. 17, No. 8, October 1996, 669–670

In this issue Bauerschmidt critiques a recent *Strategic Management Journal* paper dealing with the absence of strategy. In this paper (Inkpen and Choudhury, 1995), we argued that strategy absence should be viewed as a legitimate phenomenon of interest. Bauerschmidt maintained that we failed to instill a new strategy paradigm and challenged our arguments as a rhetorical ploy. Unfortunately, Bauerschmidt misinterpreted our intended message. Although we challenged the conventional wisdom that every firm must have an articulated strategy, instilling a new paradigm was not our objective. Our main argument was that the concept of absence may help strategy researchers better understand existing paradigms.

Inkpen, Andrew C. and Nandan Choudhury

The Seeking of Strategy Where It Is Not: Towards a Theory of Strategy Absence

Vol. 16, No. 4, May 1995, 313–323

Strategy researchers are preoccupied with the study of existing strategy systems and processes with the result that they do not question situations where a strategy is expected to exist but does not. The investigation of such voids is likely to enhance greatly the understanding of the nature of organizational strategy, both in its presence and in its absence. The perspective offered in this paper is that strategy absence is a legitimate phenomenon of interest to business management scholars.

Ito, Kiyohiko

Japanese Spinoffs: Unexplored Survival Strategies

Vol. 16, No. 6, September 1995, 431–446

This paper analyzes spinoffs of Japanese firms and the use of the spinoff as an instrument to achieve corporate growth objectives. The initial separation of the organizations and its governance mode are analyzed in the context of transaction costs theory. Spinoffs may be created in order to (1) balance costs associated with managing diversified businesses, (2) generate growth based on core competencies of a firm, and (3) pursue an efficient internal labor market. In a changing environment, the spinoff has been a widely used flexible organizational arrangement that is suitable to survival and offers an alternative way of diversification.

James, William L. and Kenneth J. Hatten

Further Evidence on the Validity of the Self Typing Paragraph Approach: Miles and Snow Strategic Archetypes in Banking

Vol. 16, No. 2, February 1995, 161–168

An analysis of 399 banks self typed as prospectors, analyzers or defenders indicated that the self typing paragraph approach was a useful measurement instrument which has reasonable convergent validity, supporting Shortell and Zajac (1990), and providing further evidence of the value of the self typing paragraph approach in strategy research.

Johnston, Stewart and Lynn McAlevey

Stable Shareholdings and Japan's Bubble Economy: An Historical Overview

Vol. 19, No. 11, November 1998, 1101–1107

This is an exploratory study aimed at establishing the existence of a strategy utilized by large Japanese industrial groups to protect themselves against external threats. A measure is developed to assess the stability of the top 10 shareholders of 134 leading companies in the six Japanese industrial groups—Mitsui, Mitsubishi, Sumitomo, DKB, Sanwa, and Fuyo—over the 1973–93 period. The results demonstrate the use by these companies of their networks of stable shareholdings as a strategic response to deal with threats to group company governance structures arising from the stock market and property boom of the late 1980s (known in Japan as the 'bubble' economy) and its aftermath. Some theoretical and practical reflections are presented.

Kabir, Rezaul, Dolph Cantrijn and Andreas Jeunink

Takeover Defenses, Ownership Structure and Stock Returns in The Netherlands: An Empirical Analysis

Vol. 18, No. 2, February 1997, 97–109

This study empirically examines the relationships between a firm's takeover defenses and its ownership structure and stock returns. Analyzing data of Dutch listed companies, we find that multiple antitakeover defenses are increasingly adopted when firms are characterized by relatively lower ownership concentration. The evidence supports that hypothesis that more concentrated ownership of shares provides more effective monitoring of managers. As defense by issuing preferred share has recently been the most widely adopted mechanism in the Netherlands, its impact on shareholders' wealth is also analyzed. We observe the presence of two opposing effects of this antitakeover measure.

Ketchen, Jr., David J. and Christopher L. Shook

The Application of Cluster Analysis in Strategic Management Research: An Analysis and Critique

Vol. 17, No. 6, June 1996, 441–458

Cluster analysis is a statistical technique that sorts observations into similar sets or groups. The use of cluster analysis presents a complex challenge because it requires several methodological choices that determine the quality of a cluster solution. This paper chronicles the application of cluster analysis in strategic management research, where the technique has been used since the late 1970s to investigate issues of central importance. Analysis of 45 published strategy studies reveals that the implication of cluster analysis has been often less than ideal, perhaps detracting from the ability of studies to generate knowledge. Given these findings, suggestions are offered for improving the application of cluster analysis in future inquiry.

Khanna, Tarun, Ranjay Gulati and Nitin Nohria

The Dynamics of Learning Alliances: Competition, Cooperation, and Relative Scope

Vol. 19, No. 3, March 1998, 193–210

We show how the tension between cooperation and competition affects the dynamics of learning alliances. 'Private benefits' and 'common benefits' differ in the incentives that they create for investment in learning. The competitive aspects of alliances are most severe when a firm's ratio of private to common benefits is high. We introduce a measure, 'relative scope' of a firm in an alliance, to show that the opportunity set of each firm outside an alliance crucially impacts its behavior within the alliance. Finally, we suggest why firms might deviate from the theoretically optimal behavior patterns.

Kim, W. Chan and Renee Mauborgne

Procedural Justice, Strategic Decision Making, and the Knowledge Economy

Vol. 19, Special Issue, April 1998, 323–338

Collective knowledge building is a key strategic task for firms' success today. But creating and sharing knowledge are intangible activities that can neither be supervised nor forced out of people. They happen only when individuals cooperate voluntarily. A key challenge facing strategic management is obtaining the voluntary cooperation of individuals as firms formulate and implement their strategic decisions. This essay draws on the rich body of procedural justice research to address this critical issue. We argue that when people feel their strategic decision-making processes are fair, they display a high level of voluntary cooperation based on their attitudes of trust and commitment. Conversely, when people feel that the processes are unfair, they refuse to cooperate by hoarding ideas and dragging their feet in conceiving and executing strategic decisions. We further develop this argument into team performance wherein the attitudinal and behavioral effects of procedural justice are corroborated with theory and initial evidence of their bottom-line performance consequences. We then build a theory, which we call *intellectual and emotional recognition theory*, that can explain why procedural justice invokes the side of human behavior that goes beyond outcome-driven self-interests and that is so critical in the knowledge economy.

Knight, Don, Craig L. Pearce, Ken G. Smith, Judy D. Olian, Henry P. Sims, Ken A. Smith and Patrick Flood

Top Management Team Diversity, Group Process, and Strategic Consensus

Vol. 20, No. 5, May 1999, 445–465

This study integrated concepts from upper echelons, group process and social cognition theories to investigate how demographic diversity and group processes influence strategic consensus within the top management team (TMT), where strategic consensus is defined as the degree to which individual mental models of strategy overlap. Data from 76 high-technology firms in the United States and Ireland were used to examine three alternative models. The results showed that while demographic diversity alone did have effects on strategic consensus the overall fit of the model was not strong. Adding two intervening group process variables, interpersonal conflict and agreement-seeking, to the model greatly improved the overall relationship with strategic consensus. For the most part, TMT diversity had negative effects on strategic consensus. The model with superior fit showed both direct and indirect effects of diversity on strategic consensus.

Koch, Marianne J. and Rita Gunther McGrath

Improving Labor Productivity: Human Resource Management Policies Do Matter

Vol. 17, No. 5, May 1996, 335–354

Despite the consistency with which the theoretical and normative connections between human resource management practices and firm-level performance outcomes are made, empirical studies that link the two are sparse. This paper presents results from a study of 319 business units that addresses this gap. Hypotheses are derived from a resource-based perspective on strategy. Positive and significant effects on labor productivity are found for organizations that utilize more sophisticated human resource planning, recruitment, and selection strategies. These effects are particularly pronounced in the case of capital-intensive organizations.

Kochhar, Rahul

Explaining Firm Capital Structure: The Role of Agency Theory vs. Transaction Cost Economics

Vol. 17, No. 9, November 1996, 713–728

The study of capital structure has increasingly gained importance in strategic management research. Paradigms derived from organizational economics have also gained popularity in explaining firm actions. Agency theory and transaction cost economics represent two such paradigms that rely on the notion of market imperfections. Notwithstanding the similarities between them, these two offer different explanations of the role of debt and equity in a firm. The governance abilities of the financing structures and the nature of assets of the firm provide two key sources of differences. Viewing capital structure from transaction cost economics gives rise to predictions that are contradictory to those presented by agency theory. It is argued that the extant evidence mainly supports the transaction cost viewpoint. Two organizational phenomena—leveraged buyouts and product diversification—are used to highlight the comparison.

Kochhar, Rahul and Michael A. Hitt

Linking Corporate Strategy to Capital Structure: Diversification Strategy, Type and Source of Financing

Vol. 19, No. 6, June 1998, 601–610

This study examines the relationship between corporate strategy and capital structure, specifically the diversification and financing strategies of a firm. The results show that equity financing is preferred for related diversification and unrelated diversification is associated with debt financing. Additionally, firms diversifying through acquisitions are more likely to use public sources of financing and those emphasizing internal development of new businesses depend primarily on private sources of financing. Using simultaneous equation estimation, we found a reciprocal relationship between a firm's financial strategy and its corporate diversification strategy. Mode and nature of diversification are also reciprocally interrelated.

Kochhar, Rahul and Parthiban David

Institutional Investors and Firm Innovation: A Test of Competing Hypotheses

Vol. 17, No. 1, January 1996, 73–84

There is much debate about the effect of institutional investors on firm innovation. This paper tests three competing hypotheses by including differences among institutions in their ability to influence firms. Results using an outcome-based measure of innovation indicate that institutions do not foster short-term orientation; instead they may influence firms to increase innovation.

Kotabe, Masaaki and K. Scott Swan

The Role of Strategic Alliances in High-Technology New Product Development

Vol. 16, No. 8, November 1995, 621–636

The authors examined 905 new product innovations introduced since September 1988 to determine the influences on product innovativeness, with a specific interest in strategic alliances, or cooperative strategies. Findings suggest that single firms, horizontal cooperative strategies, small and mixed-size firms, biochemical industries, cross-industry product offerings, cross-industry cooperations, the progression of time, and European firms tend to indicate significantly more innovative products. Implications are proposed for business practitioners and researchers with specific application to the diffusion of innovation.

Kotha, Suresh

Mass Customization: Implementing the Emerging Paradigm for Competitive Advantage

Vol. 16, Special Issue, Summer 1995, 21–42

In many industries the dominant paradigm, 'mass production,' is being challenged by the emerging paradigm, 'mass customization.' Accordingly, many researchers posit that firms which replace 'mass production' with 'mass customization' will gain a significant competitive advantage. Based on an in-depth study of the National Bicycle Industrial Company (NBIC), this paper explores the dynamics of pursuing both mass production and mass customization strategies simultaneously. At the operational level, the paper discusses the organizational mechanisms instituted by the NBIC in order to benefit from simultaneous pursuit of both approaches. At the competitive level, it isolates the relative contributions of both approaches to the overall competitive positioning of this firm in its industry. Based on this discussion, it provides a framework that illustrates the dynamics involved in the pursuit of both approaches. Implicitly, the paper argues that for firms competing in rapidly changing environments the ability to maintain a sustainable competitive advantage depends on the firm's capability to create knowledge by interacting both mass customization and mass production approaches. Finally, the paper concludes with managerial and research implications regarding the emerging paradigm of mass customization.

Kotha, Suresh, Roger L. M. Dunbar and Allan Bird

Strategic Action Generation: A Comparison of Emphasis Placed on Generic Competitive Methods by U.S. and Japanese Managers

Vol. 16, No. 3, March 1995, 195–220

The paper identifies similarities and differences in the emphases and patterns that U.S. and Japanese managers attribute to a set of 22 generic competitive methods. It highlights the different ways that Japanese and American managers combine these methods to form general business strategies. Using factor analyses and smallest space analyses, the study shows differences in business strategy patterns between managers in Japan and the U.S. Such differences reflect the organizing principles underlying the strategy approaches in U.S. and Japanese firms. The organizing principle underlying Japanese responses is a desire to establish a comprehensive, stable and defensible position. The paper discusses the implications of these results for strategic management and suggests directions for future U.S. and Japanese comparative strategy research.

Kotha, Suresh and Bhatt L. Vadlamani

Assessing Generic Strategies: An Empirical Investigation of Two Competing Typologies in Discrete Manufacturing Industries

Vol. 16, No. 1, January 1995, 75–83

In spite of the extensive empirical evidence supporting Porter's (1980) typology of generic strategies, many researchers have criticized it for its conceptual limitations. To address these criticisms, Mintzberg (1988) proposed an alternative typology of generic strategies. Our findings, based on a survey of executives in manufacturing firms, provide support for Mintzberg's typology and fail to support Porter's typology. Given the findings, we call for further empirical validation of competing typologies to revitalize research on generic strategies.

Kotha, Suresh and Anil Nair

Strategy and Environment as Determinants of Performance: Evidence from the Japanese Machine Tool Industry

Vol. 16, No. 7, October 1995, 497–518

This study examines the roles played by the environment and realized strategies on firm-level performance in the Japanese machine tool industry. We examine the effect of environment and strategy on performance using longitudinal data on a sample of 25 Japanese machine tool firms over the period 1979–92. Our results indicate that both firm strategies and the environment play significant roles in influencing profitability and growth. More specifically, whereas both strategy and environmental variables are significantly related to firm profitability, only environmental variables are associated with firm growth. Additionally, in contrast to U.S.-based studies, we find that capital expenditures and technological change are not negatively associated with profitability. Rather technological change has a positive impact on firm growth. We discuss the implications of these results for strategic management and provide suggestions for future research.

Krishnan, Hema A., Alex Miller and William Q. Judge

Diversification and Top Management Team Complementarity: Is Performance Improved by Merging Similar or Dissimilar Teams?

Vol. 18, No. 5, May 1997, 361–374

This study examines the impact of complementary top management teams (defined as differences in functional backgrounds between the acquiring and acquired firm managers) on post-acquisition performance. Based on a sample of 147 acquisitions completed during 1986–88, we find that complementary backgrounds have a positive impact on postacquisition performance in both related and unrelated acquisitions. Another major finding is that complementarity is negatively related to top management team turnover among acquired managers, suggesting that differences in functional backgrounds are more easily integrated into the new organization. Finally, top management team turnover among acquired managers is negatively related to postacquisition performance. These findings highlight the importance of examining complementarity in terms of differences, and reinforce the notion that differences have the potential to create unique value for the organization.

Kroll, Mark, Peter Wright and Richard A. Heiens

The Contribution of Product Quality to Competitive Advantage: Impacts on Systematic Variance and Unexplained Variance in Returns

Vol. 20, No. 4, April 1999, 375–384

In our study, we argue that product quality may enhance competitive advantage, leading to increased returns but a reduction in variance in returns. More specifically, based on our analyses of strategy-related theories, we propose a model in which a positive relationship is predicted between relative product quality and relative market share and between relative product quality and returns. An inverse association is predicted between quality and both systematic variance and unexplained variance in returns. Finally, relative product quality is expected to indirectly lower the variance in returns but enhance returns through the link between product quality, market share, and direct costs. Our findings are generally supportive of the model's stipulations.

Kroll, Mark, Peter Wright, Leslie Toombs and Hadley Leavell

Form of Control: A Critical Determinant of Acquisition Performance and CEO Rewards

Vol. 18, No. 2, February 1997, 85–96

Based on two research streams, we investigate whether acquiring firms' form of control might be associated differently with CEO rewards or excess returns. We theoretically reason that in manager-controlled corporations acquisitions may be detrimental to the interests of shareholders and CEO rewards might be based on nonperformance criteria. In owner-manager-controlled and owner-controlled firms acquisitions may benefit the stockholders. While CEO rewards of owner-controlled firms may be based on performance criteria, however, executive rewards of owner-manager-controlled firms may be based on both performance and nonperformance factors. The findings indicate that for manager-controlled firms acquisition announcements result in negative excess returns to shareholders. For owner-controlled and owner-manager-controlled firms such announcements result in positive excess returns. The findings also suggest that increases in corporate size due to acquisitions are significantly and positively associated with CEO rewards of manager-controlled and owner-manager-controlled firms. For owner-controlled firms, excess returns are significantly and positively associated with CEO rewards.

Krug, Jeffrey A. and W. Harvey Hegarty

Postacquisition Turnover among U.S. Top Management Teams: An Analysis of the Effects of Foreign vs. Domestic Acquisitions of U.S. Targets

Vol. 18, No. 8, September 1997, 667–675

An analysis of postacquisition top management turnover among 168 cross-border and 102 purely domestic acquisitions, and a control group of 120 nonacquired U.S. firms, revealed that turnover rates in firms acquired by non-U.S. acquirers were significantly higher than in firms acquired by other U.S. firms or the control group. Further, the timing of postacquisition turnover differed in the foreign vs. domestic acquisitions. Finally, the nationality of the foreign acquirer was found to be an important predictor of turnover in certain acquisition categories. Theoretical and practical implications are discussed.

Kumar, Sanjiv and Anju Seth

The Design of Coordination and Control Mechanisms for Managing Joint Venture–Parent Relationships

Vol. 19, No. 6, June 1998, 579–599

Joint ventures (JVs), defined as independent organizations formed by the pooling of resources and sharing of equity by two or more firms, are being formed at an increasingly rapid pace. While much empirical research has examined the conditions which favor the formation of JVs, less attention has been paid to the equally important issues of control and implementation which are the focus of interest in this study. We identify two factors which are expected to influence the design of control mechanisms, i.e., (1) the strategic interdependence between the JV and each parent and (2) the environmental uncertainty faced by the JV. Our empirical examination confirms the importance of the degree of strategic interdependence and the moderating role of environmental uncertainty in explaining the design of control mechanisms.

Lane, Peter J., Albert A. Cannella, Jr. and Michael H. Lubatkin

Agency Problems as Antecedents to Unrelated Mergers and Diversification: Amihud and Lev Reconsidered

Vol. 19, No. 6, June 1998, 555–578

Amihud and Lev (1981) are widely cited as providing evidence that managers, unless closely monitored by large block shareholders, will attempt to reduce their employment risk through unrelated mergers and diversification. These corporate strategies, however, may not be in shareholders' interests. Reconsidering the agency assumptions underlying Amihud and Lev's study and the methodology they used, we develop hypotheses regarding the association between ownership structure, board vigilance, corporate strategy, and corporate performance from management theory and test them using Amihud and Lev's data from the 1960s and new data from the 1980s. Neither study supports the conclusions of Amihud and Lev, nor the agency theory belief that monitoring efforts by principals affect the strategic behaviors of agents or the performance of firms that they manage.

Lane, Peter J., Albert A. Cannella, Jr. and Michael H. Lubatkin

Ownership Structure and Corporate Strategy: One Question Viewed from Two Different Worlds

Vol. 20, No. 11, November 1999, 1077–1086

In their response to our paper, Amihud and Lev (1999) and Denis, Denis, and Sarin (1999) claim that disciplinary differences don't matter and that methods and evidence should speak for themselves. In contrast, we argue that important differences exist between financial economics and strategic management, leading to differing beliefs, norms, methods, and interpretations of empirical results. Using a strategic management perspective to review the evidence presented by Amihud and Lev in their earlier study (1981) and in their and Denis *et al.*'s critiques of our work (1999), we find no reason to revise our original conclusion: there is little theoretical or empirical basis for believing that monitoring by a firm's principals influences its diversification strategy and acquisition decisions.

Lane, Peter J. and Michael H. Lubatkin

Relative Absorptive Capacity and Interorganizational Learning

Vol. 19, No. 5, May 1998, 461–477

Much of the prior research on interorganizational learning has focused on the role of absorptive capacity, a firm's ability to value, assimilate, and utilize new external knowledge. However, this definition of the construct suggests that a firm has an equal capacity to learn from all other organizations. We reconceptualize the firm-level construct absorptive capacity as a learning dyad-level construct, *relative* absorptive capacity. One firm's ability to learn from another firm is argued to depend on the similarity of both firms'

(1) knowledge bases, (2) organizational structures and compensation policies, and (3) dominant logics. We then test the model using a sample of pharmaceutical–biotechnology R&D alliances. As predicted, the similarity of the partner's basic knowledge, lower management formalization, research centralization, compensation practices, and research communities were positively related to interorganizational learning. The relative absorptive capacity measures are also shown to have greater explanatory power than the established measure of absorptive capacity, R&D spending.

Lassar, Walfried M. and Jeffrey L. Kerr

Strategy and Control in Supplier–Distributor Relationships: An Agency Perspective

Vol. 17, No. 8, October 1996, 613–632

This paper examines the influence of competitive strategy on the relationship between suppliers and their distribution networks. Drawing on agency theory, hypotheses are developed specifying the appropriate match between manufacturer strategies and systems of control within distribution channels. Cluster analysis is used to show distinct differences in channel management and structure for the three generic strategies of cost leadership, differentiation and focus. Results suggest that variation in control relationships may be explained by the demands posed by manufacturers' competitive strategies. This study therefore extends the applicability of Porter's typology to the specific structure of distribution channels and shows that agency theory can provide insights into the economic basis of interorganizational relationships.

Lee, Jangwoo and Danny Miller

People Matter: Commitment to Employees, Strategy and Performance in Korean Firms

Vol. 20, No. 6, June 1999, 579–593

The human element of enterprise is argued to be a vital resource for strategy execution. We show in a study of Korean businesses how an organization's commitment to its employees' well-being (OCE) can aid in the profitable execution of its positioning strategies. We found that OCE, by itself, sometimes has a weakly positive association with return on assets (ROA). But far more important, we found that ROA is strongly and positively influenced by the interaction between OCE and the dedicated pursuit of Porter's (1980) strategies for achieving competitive advantage: these are cost leadership, marketing differentiation and innovative differentiation. In short, dedicated positioning strategies appear to be executed more effectively where organizations exhibit a high level of commitment to their employees; and conversely, OCE is apt to have a strong impact on ROA only in the context of a dedicated, that is intensive and thorough, positioning strategy.

Lee, Peggy M.

A Comparative Analysis of Layoff Announcements and Stock Price Reactions in the United States and Japan

Vol. 18, No. 11, December 1997, 879–894

Downsizing and layoffs are an important mechanism for U.S. firms to cope with their strategic and economic environment. In contrast, the Japanese tradition of lifetime employment limits the ability of firms to employ layoffs as a strategic measure, relegating its use to conditions of financial distress. This paper provides the first comparison of layoffs in Japan and the United States and examines stock price reactions to layoff announcements in each country from 1990 to 1994. Agency theory and Aoki's cooperative game theory are employed to discuss differences in the governance structures of U.S. and Japanese firms and their implications for stock price reactions. Results show that layoff announcements trigger negative returns for both U.S. and Japanese firms. Specifically, layoff announcements of U.S. firms are associated with a negative 1.78 percent abnormal return, while layoff announcements for Japanese firms are associated with a negative 0.56 percent abnormal return. To better understand the impact of layoffs, this study examines the relationships between stock price reactions and various layoff characteristics (such as whether the layoff is proactive or reactive or whether the layoff is the first in the industry). Implications of the findings are discussed.

Lengnick-Hall, Cynthia A. and James A. Wolff

Similarities and Contradictions in the Core Logic of Three Strategy Research Streams

Vol. 20, No. 12, December 1999, 1109–1132

The logical foundations shaping three prominent streams of strategic management thought are summarized and then compared and contrasted. The intent is to determine whether these research streams are restatements of a single core logic using different terms to describe the same phenomena and relationships, or whether they provide alternate, and potentially competing, explanations for effective strategic action. Analysis reveals some concordant assertions, some similarities across pairs of frameworks, and some fundamental contradictions among the various logic sets. Since key elements in the fundamental premises of each research stream present logical contradictions with each of the other two, a strategy derived from an integration of these perspectives creates inconsistencies in a firm's enacted context, its assumptions about strategy making, and its administrative arrangements. As circumstances change, a firm may be required to undergo a 'core logic shift' to maintain consistency between its strategy and its strategic context. When a shift becomes necessary, a firm needs to overcome structural inertia, competitive inertia, organizational momentum, and its current management logic to maintain internal consistency. Additional implications of the comparison of these three logics for both theory and practice are discussed.

Lessard, Donald R. and Srilata Zaheer

Breaking the Silos: Distributed Knowledge and Strategic Responses to Volatile Exchange Rates

Vol. 17, No. 7, July 1996, 513–533

A model of effective decision-making in a situation of distributed knowledge is developed, drawing on three perspectives: the sociocognitive perspective, which focuses on framing issues; the economic perspective, which focuses on the role played by incentives in the integration of knowledge and decision-making authority; and the process perspective, which stresses the role of integrating mechanisms and of processes that either hinder or foster risk awareness and flexibility. The model is tested on a sample of managers from different functional areas of *Fortune* 500 firms, using strategic responses to exchange-rate volatility as the context. The results show that all three perspectives—framing, incentives, and process—are significant in explaining the effectiveness of strategic responses to volatile exchange rates. The findings suggest that simultaneously addressing managerial mindsets, incentives and process may be crucial to generating effective strategic responses across functions.

Li, Jiatao

Foreign Entry and Survival Effects of Strategic Choices on Performance in International Markets

Vol. 16, No. 5, June 1995, 333–351

This paper investigates effective strategies that can reduce the risk of failure in international expansion by examining the entry and survival of foreign subsidiaries in the U.S. computer and pharmaceutical industries over the 1974–89 period. Using a hazard rate model, we examine the effects of (1) diversification strategies, (2) entry strategies, and (3) organizational learning and experience on the survival probabilities of foreign subsidiaries. The results show a higher exit rate for foreign acquisitions and joint ventures than for subsidiaries established through greenfield investments. The results also indicate a higher exit rate for subsidiaries that diversify than for those that stay in the parent firm's main product areas. Finally, the results show that firms benefit from learning and experience in foreign operations, which improves the chances of success for subsequent foreign investments. These findings shed light on the dynamic process of international expansion and the evolution of the multinational corporation.

Li, Mingfang and Roy L. Simerly

The Moderating Effect of Environmental Dynamism on the Ownership and Performance Relationship

Vol. 19, No. 2, February 1998, 169–179

Agency theory posits a positive relationship between insider ownership and organizational performance. Past empirical studies examining this

issue have not firmly established this relationship. The current study postulates and tests the moderating effect of environmental dynamism on the insider ownership and performance nexus. Implications and future research directions are considered.

Lieberman, Marvin B. and David B. Montgomery

First-Mover (Dis)Advantages: Retrospective and Link with the Resource-Based View

Vol. 19, No. 12, December 1998, 1111–1125

This article reflects upon and updates our prize-winning paper, 'First-mover advantages,' which was published in *SMJ* 10 years ago. We discuss the evolution of the literature over the past decade and suggest opportunities for continuing research. In particular, we see benefits from linking empirical findings on first-mover advantages with the complementary stream of research on the resource-based view of the firm.

Liebeskind, Julia Porter

Knowledge, Strategy, and the Theory of the Firm

Vol. 17, Special Issue, Winter 1996, 93–107

This paper argues that firms have particular institutional capabilities that allow them to protect knowledge from expropriation and imitation more effectively than market contracting. I argue that it is these generalized institutional capabilities that allow firms to generate and protect the unique resources and capabilities that are central to the strategic theory of the firm.

Lorenzoni, Gianni and Andrea Lipparini

The Leveraging of Interfirm Relationships as a Distinctive Organizational Capability: A Longitudinal Study

Vol. 20, No. 4, April 1999, 317–338

In this paper we present a study of the structure of three lead firm–network relationships at two points in time. Using data on companies in the packaging machine industry, we study the process of vertical disintegration and focus on the ability to coordinate competencies and combine knowledge across corporate boundaries. We argue that the capability to interact with other companies—which we call relational capability—accelerates the lead firm's knowledge access and transfer with relevant effects on company growth and innovativeness. This study provides evidence that interfirm networks can be shaped and deliberately designed: over time managers develop a specialized supplier network and build a narrower and more competitive set of core competencies. The ability to integrate knowledge residing both inside and outside the firm's boundaries emerges as a distinctive organizational capability. Our main goal is to contribute to the current discussion of cooperative ties and dynamic aspects of interfirm networks, adding new dimensions to resource-based and knowledge-based interpretations of company performance.

Løwendahl, Bente and Øivind Revang

Challenges to Existing Strategy Theory in a Postindustrial Society

Vol. 19, No. 8, August 1998, 755–773

In the postindustrial era, firms are facing increasing complexity for a number of reasons, two of which are fundamentally altering the competitive context of firms and managers, namely knowledge and technology dissemination. In this article, we argue that these global changes at the societal as well as the individual level affect strategic management theory and practice in two ways: they alter the relationships between firms and external stakeholders (e.g., customers), and they alter the relationships between firms and internal stakeholders (e.g., employees). After briefly outlining the changes observed, we analyze a number of contributions to strategic management theorizing and argue that as researchers we tend to focus primarily on one of these dimensions of complexity: internal or external. We then continue by discussing how the postindustrial context will require fundamentally different approaches, as the dimensions of internal vs. external collapse, and as a result even the notion of an industry, becomes blurred. In this new context, we need to go beyond the theoretical lenses and paradigms we have been trained in, to explore the implications of these changes at a more fundamental level. For the traditional theories, we need to refocus attention on the underlying assumptions, in order to explore their areas of applicability and the limits to their relevance. In addition, we need to discover and invent new theories and approaches relevant to this specific context. Since we do not know at this point in time what the postindustrial organization may be, we must not limit our creativity as researchers nor as managers by prematurely investing in assumptions and frameworks which may turn out to be less than ideal for the new opportunities (and threats) to be discovered. We need to explore alternative solutions with managers dealing with extreme complexity on a day-to-day basis, try out alternative options and invent new ones, and more than ever be critical about the relevance of the existing body of knowledge as well as sensitive to the possibilities created in this new and exciting context.

MacIntosh, Robert and Donald MacLean

Conditioned Emergence: A Dissipative Structures Approach to Transformation

Vol. 20, No. 4, April 1999, 297–316

This paper presents a novel framework for the management of organizational transformation defined here as a relatively rapid transition from one archetype to another. The concept of dissipative structures, from the field of complexity theory, is used to develop and explain a specific sequence of activities which underpin effective transformation. This sequence integrates selected concepts from the literatures on strategic change, organizational learning, and business processes; in so doing, it introduces a degree of prescriptiveness which differentiates it from other managerial interpretations of complexity theory. Specifically, it proposes a three-stage process: first, the organization 'conditions' the outcome of the transformation process by articulating and reconfiguring the rules which underpin its deep structure: second, it takes steps to move from its current equilibrium: and, finally, it moves into a period where positive and negative feedback loops become the focus of managerial attention. The paper argues that by managing at the level of deep structure in social systems, organizations can gain some influence over self-organizing processes which are typically regarded as unpredictable in the natural sciences. However, the paper further argues that this influence is limited to archetypal features and that detailed forms and behaviors are emergent properties of the system. Two illustrative case vignettes are presented to give an insight into the practical application of the model before conclusions are reached which speculate on the implications of this approach for strategy research.

Madhavan, Ravindranath, Balaji R. Koka and John E. Prescott

Networks in Transition: How Industry Events (Re)Shape Interfirm Relationships

Vol. 19, No. 5, May 1998, 439–459

Interfirm relationship networks are strategic resources that can potentially be shaped by managerial action. As a first step towards understanding how managers can shape networks, we develop a framework which explains how industry networks evolve over time and in response to specific events. Our main thesis is that industry events may be either *structure-reinforcing* or *structure-loosening*, and that their potential structural impact may be predicted in advance. We validate our hypotheses with longitudinal data on the strategic alliance network in the global steel industry.

Madhok, Anoop

Cost, Value and Foreign Market Entry Mode: The Transaction and the Firm

Vol. 18, No. 1, January 1997, 39–61

This paper compares and contrasts the mode of foreign market entry decision from the transaction cost/internalization and organizational capability perspectives. Each of these perspectives operates at a different level of analysis, respectively the transaction and the firm, and consequently differs in the primary arena of attention, namely transaction characteristics and the capabilities of firms. In making the comparison, a key distinction is made between the cost and the value aspects in the management of know-how, based on which issues pertaining to the transfer of knowledge within and across firm boundaries and the exploitation and enhancement of competitive advantage are closely examined. The main purpose of this paper is to demonstrate the implications of a shift in frame from cost to value in the analysis of decisions related to firm boundaries. Entry into foreign markets is used primarily as a vehicle for the accomplishment of this purpose. The paper shows how the value-based framework of the organizational capability perspective radically and fundamentally shifts the approach towards the governance of firm boundaries and argues that, even though TC/internalization theory raises some valid concerns, the organizational capability framework may be more in tune with today's business context. Some of the assumptions of the TC/internalization perspective, both direct—opportunism, exploitation of existing advantage—and indirect—preservation of the value of know-how across locational contexts, asymmetry between bounded rationality for transaction and production purposes—are critically examined and questioned. Implications of a shift from a cost to a value-based framework are discussed and the need for a shift in research focus is emphasized.

Magnan, Michel L. and Sylvie St-Onge

Bank Performance and Executive Compensation: A Managerial Discretion Perspective

Vol. 18, No. 7, August 1997, 573–581

This study investigates how the relationship between bank performance and executive compensation is affected by the degree of an executive's managerial discretion. Managerial discretion is captured by two industry-specific attributes: a bank's strategic domain, and its regulatory environment. Executive compensation is found to be more related to bank performance in a context of high managerial discretion than in a context of low managerial discretion.

Maijoor, Steven and Arjen Van Witteloostuijn

An Empirical Test of the Resource-Based Theory: Strategic Regulation in the Dutch Audit Industry

Vol. 17, No. 7, July 1996, 549–569

The resource-based view of the firm is a recent strategic management theory that seeks to identify the resources that may provide firms with a sustainable competitive advantage. This paper has two purposes. First, the paper relates strategic management arguments to parallel lines of reasoning in industrial organization theory and argues that strategic regulation is a major source of sustainable competitive advantage. The second purpose of the paper is to report the results of an empirical test of the resource-based theory on the basis of a longitudinal data set on the postwar history of the Dutch audit industry. A key determinant of this history proves to be strategic regulation, which stimulates demand for audit services and protects rent-producing resources.

Majumdar, Sumit K.

On the Utilization of Resources: Perspectives from the U.S. Telecommunications Industry

Vol. 19, No. 9, September 1998, 809–831

The issue of resource utilization is important in the resource-based stream of work, since the ability of firms to utilize resources is a key indicator of their competitive abilities. This paper specifies why some firms might be better at utilizing resources than others. Thereafter, it demonstrates how to empirically ascertain differences in resource utilization patterns between firms using the U.S. telecommunications industry as a context. The data envelopment analysis procedure (DEA), which is a firm-level resource utilization measure, is used. This procedure can be useful for the resource-based approach research agenda since performance is measured in resource terms. DEA is applied to measure variations in different dimensions of resource utilization for the firms making up the local operating sector of the telecommunications industry. The use of DEA to guide empirical research and address theoretical issues within the resource-based paradigm is illustrated, using the resource utilization index for the telecommunications firms as the measure of strategic performance.

Majumdar, Sumit K. and Venkatram Ramaswamy

Going Direct to Market: The Influence of Exchange Conditions

Vol. 16, No. 5, June 1995, 353–372

When faced with the strategic choice of going direct to market versus the option of using intermediaries, a firm is posited to evaluate the benefits to customers from going direct to market, and the transaction costs involved in using intermediaries. In this paper, we discuss how these evaluations might differ depending upon the microcharacteristics of the exchange domain. Based on these theoretical considerations, specific propositions are offered regarding the conditions under which firms might rely more heavily on direct channels. These propositions are tested by conducting a cross-sectional empirical analysis using a large sample of manufacturing firms operating in diverse exchange domains. We also control for the impact of macrolevel environmental characteristics, as well as firm-level characteristics that may influence the direct to market decision. Our empirical results confirm that customer benefits and transaction costs are important considerations in going direct to market.

Majumdar, Sumit K. and S. Venkataraman

Network Effects and the Adoption of New Technology: Evidence from The U.S. Telecommunications Industry

Vol. 19, No. 11, November 1998, 1045–1062

This paper examines variations in the adoption of new technology by firms operating in a network-based industry: telecommunications. These variations are explained as a function of three network effects: the first is the conversion effect, driven by operations-related increasing returns to scale; the second is the consumption effect, driven by demand-side increasing returns to scale; the third is an imitative effect. We expect the conversion effect to be felt more strongly during earlier phases of a technology's evolution, while a strong consumption effect is felt throughout. The imitative effect is also expected to be felt throughout. These hypotheses are examined with respect to electronic switching adoption in the local operating sector of the U.S. telecommunications industry. An analysis of the variations in adoption levels of the 40 largest firms over a period lasting from 1973 to 1987 supports our expectations, except for the imitative effect.

Makadok, Richard

Can First-Mover and Early-Mover Advantages Be Sustained in an Industry with Low Barriers to Entry/Imitation?

Vol. 19, No. 7, July 1998, 683–696

This study examines whether first-mover and early-mover advantages can be sustained in an industry where the barriers to entry are generally low and new product innovations can be easily imitated—namely, the money market mutual fund industry. Using a simultaneous-equation supply-and-demand model of panel data from a variety of money market fund product categories, the study finds that first-movers and early-movers enjoy both a highly sustainable pricing advantage and a moderately sustainable market share advantage. These counterintuitive results are interpreted in terms of the structural characteristics of demand in the industry. Implications of these results for the ongoing debate between the 'sustainability' and 'hypercompetition' perspectives are discussed.

Makadok, Richard

Interfirm Differences in Scale Economies and the Evolution of Market Shares

Vol. 20, No. 10, October 1999, 935–952

Evolutionary and resource-based theories imply that firms in an industry with different resources and capabilities may differ in critical characteristics of their production functions, such as economies of scale. This paper measures these inter-firm differences in economies of scale and examines how they affect the subsequent evolution of the market share distribution in the money market mutual fund industry. The findings indicate that fund families with larger marginal benefits to increasing their scale do subsequently gain market share at the expense of their rivals, but that this effect diminishes as the fund family ages, perhaps as a consequence of imitation.

Makadok, Richard and Gordon Walker

Search and Selection in the Money Market Fund Industry

Vol. 17, Special Issue, Summer 1996, 39–54

This paper develops a dynamic, stochastic growth system for money market fund families and tests how search behavior within this system affects fund family exit. The outcome of search behavior is measured as the time-varying parameters of the growth system, estimated by the Kalman filter. The results provide no evidence that the continuously updated coefficients influence the risk of failure. However, the cumulative amount of search generally affects exit positively, consistent with Hannan and Freeman's (1984) structural inertia theory. Founding conditions and money market fund performance are also important predictors of money market fund failure. These findings are discussed in the light of Bowman's (1963) theory of managerial coefficients and its applicability to simple industries like money market funds. The implications for future empirical studies on evolutionary growth systems are also discussed.

Malnight, Thomas W.

Globalization of an Ethnocentric Firm: An Evolutionary Perspective

Vol. 16, No. 2, February 1995, 119–141

This paper investigates the globalization process at one traditionally ethnocentric firm. Whereas there has been substantial research on how multinational corporations (MNCs) structure and manage worldwide activities, little research has investigated how MNCs move toward proposed integrated network structures. The paper develops an evolutionary perspective of this process at traditionally ethnocentric firms, suggesting that it is driven by a shifting mix of strategic objectives over time, each of which differs in its impact on various functions. The paper suggests that globalization occurs at the level of the function, rather than the firm, and highlights important differences in the timing, sequence, and patterns across functions, as changes in one function create opportunities and requirements for changes in others. Finally, the paper develops a framework of the process that can be tested at subsequent sites.

Marcus, Alfred and Donald Geffen

The Dialectics of Competency Acquisition: Pollution Prevention in Electric Generation

Vol. 19, No. 12, December 1998, 1145–1168

Strategy researchers now recognize that distinctive competencies are critically important for sustained competitive advantage. The processes by which such competencies are acquired, however, has only started to be examined. Connections between macro-industrial system level properties and micro-developments in proprietary technology at the firm level need to be made. This paper argues that system-wide properties, such as long-standing elementary and opposing logics in societal forces like governments and markets, and micro-developments, such as the firm's capacity to search for talent, technology, and ideas and to harmonize what it learns internally, can contribute in significant ways to the creation and acquisition of new competencies. Based on the case of pollution prevention in electric generation, it shows how the system-wide properties channel and direct the paths that the acquisition of new competencies take and how they interact with micro-developments at the firm level.

Markides, Constantinos C.

Diversification, Restructuring and Economic Performance

Vol. 16, No. 2, February 1995, 101–118

During the 1980s, many conglomerates and other diversified firms reduced their diversification by refocusing on their core businesses. This paper provides an *economic* explanation for this phenomenon and empirically tests the hypotheses that emerge from the analysis. It is shown that refocusing is associated ex post with profitability improvements.

Marsh, Sarah J.

Creating Barriers for Foreign Competitors: A Study of the Impact of Anti-Dumping Actions on the Performance of U.S. Firms

Vol. 19, No. 1, January 1998, 25–37

This study investigates whether anti-dumping statutes are effective at improving the performance of U.S. firms. As international trade grows and competitors increasingly cross national borders to enter new markets, U.S. trade law becomes a potentially important tool for managers as they consider how to create barriers for foreign competitors. The results of this study suggest that the anti-dumping laws significantly increase returns of U.S. firms that pursue anti-dumping protection. The average petitioner between 1980 and 1992 received a $46 million increase in market value as a result of filing an anti-dumping petition. However, no significant change in market value was associated with preliminary or final determinations of the International Trade Commission, except when petitions received a negative determination at the final stage of the process. A negative determination at the final stage of the process resulted in a loss of market value.

Martin, Xavier, Will Mitchell and Anand Swaminathan

Recreating and Extending Japanese Automobile Buyer–Suppler Links in North America

Vol. 16, No. 8, November 1995, 589–619

We compare buyer-supplier links established by pairs of Japanese-owned automobile assemblers and component manufacturers operating in Japan and in North America during 1989–90. Eight assemblers and more than 170 Japanese component manufacturers had established North American manufacturing facilities. In total, Japanese automobile assembly organizations operating in North America had recreated about a quarter of their Japanese supply links. The suppliers that set up North American facilities had recreated almost 60 percent of their links with traditional buyers and formed more than 16 percent of the possible extension links with new assembler partners. We identify several economic and organizational factors that influence whether an existing buyer–supplier link will be recreated in a new location and whether firms that do not have a buyer–supplier relationship at home will form an extension link in the new location. We find that the presence of a long-term buyer–supplier relationship, buyer and supplier entry timing to the new location, the joint venture status of the buyer, supplier size, and the breadth of a supplier's sales base in the home market influence the likelihood that links will be recreated and extension links will be formed.

Mauri, Alfredo J. and Max P. Michaels

Firm and Industry Effects within Strategic Management: An Empirical Examination

Vol. 19, No. 3, March 1998, 211–219

This study brings out the complementarities between resource-based and industrial organization schools within strategic management through an empirical examination of firm and industry effects. A variance component analysis of 264 single-business companies from 69 industries using 5- and 15-year periods suggests that firm effects are more important than industry effects on firm performance, but not on core strategies such as technology and marketing. The findings also point to the need to study core strategies at lower levels of aggregation to understand the sources of competitive advantage.

McEvily, Bill and Akbar Zaheer

Bridging Ties: A Source of Firm Heterogeneity in Competitive Capabilities

Vol. 20, No. 12, December 1999, 1133–1156

What explains differences in firms' abilities to acquire competitive capabilities? In this paper we propose that a firm's embeddedness in a network of ties is an important source of variation in the acquisition of competitive capabilities. We argue that firms in geographical clusters that maintain networks rich in bridging ties and sustain ties to regional institutions are well-positioned to access new information, ideas, and opportunities. Hypotheses based on these ideas were tested on a stratified random sample of 227 job shop manufacturers located in the Midwest United States. Data were gathered using a mailed questionnaire. Results from structural equation modeling broadly support the embeddedness hypotheses and suggest a number of insights about the link between firms' networks and the acquisition of competitive capabilities.

McGahan, Anita M. and Michael E. Porter

How Much Does Industry Matter, Really?

Vol. 18, Special Issue, Summer 1997, 15–30

In this paper, we examine the importance of year, industry, corporate-parent, and business-specific effects on the profitability of U.S. public corporations within specific 4-digit SIC categories. Our results indicate that year, industry, corporate-parent, and business-specific effects account for 2 percent, 19 percent, 4 percent, and 32 percent, respectively, of the aggregate variance in profitability. We also find that the importance of the effects differs substantially across broad economic sectors. Industry effects account for a smaller portion of profit variance in manufacturing but a larger portion in lodging/entertainment, services, wholesale/retail trade, and transportation. Across all sectors we find a negative covariance between corporate-parent and industry effects. A detailed analysis suggests that industry, corporate-parent, and business-specific effects are related in complex ways.

McGee, Jeffrey E., Michael J. Dowling and William L. Megginson

Cooperative Strategy and New Venture Performance: The Role of Business Strategy and Management Experience

Vol. 16, No. 7, October 1995, 565–580

This paper reports the results of a study of new ventures which examine the relationships between performance and the experience of a new venture's management team, its choice of competitive strategy, and its use of various cooperative arrangements. The findings of the moderated regression analysis indicate that cooperative arrangements are most beneficial to those new ventures whose management teams possess the most experience.

McGee, John

Commentary on 'Corporate Strategies and Environmental Regulations: An Organizing Framework' by A. M. Rugman and A. Verbeke

Vol. 19, Special Issue, April 1998, 377–387

A significant issue that is increasingly affecting the operations of companies is the policies of governments with regard to the natural environment and the activities of nongovernmental organizations in promoting codes of practice and other forms of nonlegal regulation. The onset of new regulations and codes of conduct is placing significant operational burdens on firms to merely comply with new requirements and changed circumstances. Furthermore, there is a need in strategic terms to anticipate and to plan for environmental concerns and to incorporate this thinking into corporate strategy. Thus a new subfield of strategic management is beginning to emerge: that dealing with the natural environment as it affects corporate strategy. Alan Rugman and Alain Verbeke in their paper 'Corporate strategies and environmental regulations' organize the literature on environmental regulations and corporate strategy into a new managerial framework. They go on to develop a resource-based view of the interaction between the firm's key resources (core competences) and environmental regulations including the implications for the development of 'green' capabilities. Finally, they analyze the deployment of 'green' capabilities within a standard international business model and explore hypotheses on the relationships between environmental regulations, competitiveness, and corporate strategy. The question about how firms should respond to environmental regulations can be seen in broad terms as part of the debate on corporate social responsibility. A fundamental problem in this area has been that there are no definitions of corporate social responsibility or corporate social responsiveness that provide a framework or a model for consistent systematic collection, organization, and analysis of corporate data relating to these important concepts.

McGrath, Rita Gunther, Ian C. MacMillan and S. Venkataraman

Defining and Developing Competence: A Strategic Process Paradigm

Vol. 16, No. 4, May 1995, 251–275

In this paper, competence is defined in operational terms as the degree to which the firm or its subunits can reliably meet or exceed objectives. Two antecedents to competence (and thus competitive advantage) are then developed and defined. These are the 'comprehension' of the management team working on developing competence and the 'deftness' of their task execution. Empirical results from a study of 160 new initiatives in 40 organizations from 16 countries suggest that: (1) it is feasible to operationalize and measure these constructs; (2) comprehension and deftness are important correlates of an organization's degree of competence as defined; and (3) a process-centered paradigm for understanding competence development shows promise.

Mehra, Ajay

Resource and Market Based Determinants of Performance in the U.S. Banking Industry

Vol. 17, No. 4, April 1996, 307–322

This paper explores the implications of studying industry competitive patterns at the level of resource accumulation and the relationship between resource endowments and firm performance outcomes in the U.S. banking industry. It uses the strategic group framework to evaluate two models of rivalry and performance and concludes by discussing the implications of the findings for competitive analysis, strategic group theory and the banking industry.

Merino, Fernando and Diego R. Rodriguez

A Consistent Analysis of Diversification Decisions with Non-Observable Firm Effects

Vol. 18, No. 9, October 1997, 733–743

The empirical analyses of firm diversification decisions, both for new activities (new products) and markets (for example, new routes for airlines), have usually estimated a binary dependent variable model for each of the decisions the firm makes. To obtain consistent estimators, every relevant effect must be considered in the specification. As this will hardly happen, the presence of nonobserved firm effects (either because such data do not exist or because it is impossible to obtain them) must be econometrically treated, because it causes inconsistency in the estimations. In this paper we propose to use the estimators provided by the maximization of the conditional likelihood function in problems of this kind because they give consistent results even when unobserved effects are present. Finally, we apply this technique to an example of diversification among Spanish manufacturers.

Merz, G. Russell and Matthew H. Sauber

Profiles of Managerial Activities in Small Firms

Vol. 16, No. 7, October 1995, 551–564

This paper addresses the contingency issues of managerial activities and reports the results of a study that configures such activities in small firms. In a survey of CEOs and top executives, data on planning, organizing, and controlling activities as well as entrepreneurial orientation and environmental turbulence were collected and used in the development of a taxonomy. Findings demonstrate that (1) small firms can be classified based on perceived differences in strategy, structure, and the environments they face, and (2) they display managerial and structural consistency when faced with similar contextual situations. The taxonomy developed in this study suggests that four distinct configurations describe the managerial profiles among small firms. Each profile and its corresponding contingency characteristics are discussed and managerial and research implications elaborated.

Miller, C. Chet, Linda M. Burke and William H. Glick

Cognitive Diversity Among Upper-Echelon Executives: Implications for Strategic Decision Processes

Vol. 19, No. 1, January 1998, 39–58

Diversity among executives is widely assumed to influence a firm's strategic decision processes, but empirical research on this linkage has been virtually nonexistent. To partially fill the void, we drew upon three separate studies to examine the impact of executive diversity on comprehensiveness of strategic decision-making and extensiveness of strategic planning. Contrary to common assumptions of researchers and executives, our results suggest that executive diversity inhibits rather than promotes comprehensive examinations of current opportunities and threats, and inhibits rather than promotes extensive long-range planning. In light of the cumulative research showing that firm performance is related to both comprehensiveness and extensiveness, our results provide evidence for an indirect connection between executive diversity and firm performance.

Miller, Danny

Configurations Revisited

Vol. 17, No. 7, July 1996, 505–512

My 1986 article in *SMJ* represented an early attempt to apply the approach of configuration

to the field of strategy. Now, 10 years later, we still have far to go. What is often lacking from the configurational literature is the search for *configuration itself*: for complex systems of interdependency and their core orchestrating themes. In this note I address the two major approaches to configuration: conceptually derived typologies and empirically based taxonomies. Some shortcomings of this work are identified and a few ambitious remedial suggestions are advanced. I then propose a third approach—studying configuration as a variable or quality within each organization that can create or destroy competitive advantage.

Miller, Danny and Ming-Jer Chen

The Simplicity of Competitive Repertoires: An Empirical Analysis

Vol. 17, No. 6, June 1996, 419–439

This research explores the notion of competitive simplicity: a tendency of some firms to concentrate intensely on just a few central activities. Our focus here is the simplicity inherent in the repertoire of concrete, market-oriented actions used by companies to compete: these actions include product introductions, pricing or advertising decisions, and changes in market scope. The simplicity of a competitive repertoire can be assessed by its range of actions and its degree of concentration on one or a few dominant types of actions. We argue that competitive simplicity is largely a function of organizational and environmental properties that attenuate managerial search or restrict knowledge of competitive alternatives. These properties include good performance, munificent, homogeneous or certain markets, a lack of breadth in competitive experiences, and the complacency that may accompany age and size. Paradoxically, although good past performance may contribute to simplicity, simplicity can hurt subsequent performance, especially during periods of uncertainty and growth. Many of these ideas were borne out in a study of the major carriers of the post-deregulation domestic airline industry.

Miller, Kent D.

Economic Exposure and Integrated Risk Management

Vol. 19, No. 5, May 1998, 497–514

Most corporate risk management research focuses on particular risk exposures to the exclusion of other interrelated exposures. By contrast, this study models corporate risk exposures using a multivariate approach integrating the distinct exposures of interest to finance, international business, and strategy researchers. The paper addresses the implications of multivariate modeling for corporate risk management, some key methodological issues arising in empirical estimation of corporate economic exposures, and directions for research on integrated risk management.

Miller, Kent D. and Jeffrey J. Reuer

Measuring Organizational Downside Risk

Vol. 17, No. 9, November 1996, 671–691

Despite widespread incorporation of risk measures in strategy research, there is little consensus regarding the meaning and measurement of risk. In contrast to the variability measures widely used in strategy studies, this paper draws from behavioral decision theory, finance, and management theory to present an alternative perspective on organizational risk—downside risk. The paper explains three categories of organizational downside risk measures based on the concept of lower partial moments. The latter sections of the paper present considerations involved in specifying operational measures of downside risk and an empirical comparison of alternative downside risk measures.

Miller, Kent D. and Jeffrey J. Reuer

Asymmetric Corporate Exposures to Foreign Exchange Rate Changes

Vol. 19, No. 12, December 1998, 1183–1191

Research examining firms' economic exposures to exchange rate movements has not differentiated periods of foreign currency appreciation and depreciation when estimating exposure coefficients.

Recent theoretical developments regarding real options and pricing-to-market suggest corporate exposures may be asymmetric (i.e., the financial performance impact of a foreign currency appreciation may not be offset by the currency's depreciation). Our empirical analysis indicates that for the small percentage of U.S. manufacturing firms exposed to currency appreciations or depreciations, their exposures are asymmetric.

Mitchell, Will

Commentary on 'Entry Into New Market Segments in Mature Industries: Endogenous and Exogenous Segmentation in the U.S. Brewing Industry' by A. Swaminathan

Vol. 19, Special Issue, April 1998, 405–411

No summary given.

Mitchell, Will and Kulwant Singh

Survival of Businesses Using Collaborative Relationships to Commercialize Complex Goods

Vol. 17, No. 3, March 1996, 169–195

Authors with many theoretical and managerial perspectives argue that businesses commercializing technologically complex goods benefit when they collaborate closely with other businesses. Collaboration is viewed as a means for businesses to overcome competency limitations and to achieve the close configuration of components required for complex goods. We predict that collaborative relationships often assist businesses to produce complex goods, but that the relationships might also cause problems for the collaborating businesses. We find that firms using development-oriented and marketing-oriented collaborative relationships in the hospital software systems industry are less likely to shut down than businesses that follow independent approaches when the environment changes gradually, but businesses using collaborative relationships are sometimes susceptible to being acquired by other firms. Following a sudden environmental shock, businesses with collaborative relationships for activities central to the shock became more likely to shut down, while businesses with collaborative relationships for activities outside the focus of the shock became more likely to survive. The study critically evaluates and tests the widely stated but little-tested argument that interfirm collaboration is usually beneficial. The results address the issue of whether organizational choices affect comparative business performance.

Mosakowski, Elaine

Managerial Prescriptions under the Resource-Based View of Strategy: The Example of Motivational Techniques

Vol. 19, No. 12, December 1998, 1169–1182

Working from the perspective of the resource-based view of strategy, this paper addresses whether academics, consultants, and other sources of general managerial prescriptions can affect firms' long-run rent streams. The answer is affirmative. To demonstrate this, I discuss the use of motivational techniques as a well-understood and common managerial choice that may affect a firm's chance of generating rents. This paper interprets extant empirical research on goal setting and discusses the conceptualization of temporal rent patterns. I build upon an empirical finding in goal-setting research to compare the temporal patterns of rents for managerial choices embedded in path-dependent processes.

Mowery, David C., Joanne E. Oxley and Brian S. Silverman

Strategic Alliances and Interfirm Knowledge Transfer

Vol. 17, Special Issue, Winter 1996, 77–91

This paper examines interfirm knowledge transfers within strategic alliances. Using a new measure of changes in alliance partners' technological capabilities, based on the citation patterns of their patent portfolios, we analyze changes in the extent to which partner firms' technological resources 'overlap' as a result of alliance participation. This measure allows us to test hypotheses from the literature on interfirm knowledge transfer in alliances, with interesting results: we find support for some elements of this 'received wisdom'—equity arrangements promote greater knowledge transfer, and 'absorptive capacity' helps explain the extent of technological capability transfer, at least in some alliances. But the results also suggest limits to the 'capabilities acquisition' view of strategic alliances. Consistent with the argument that alliance activity can promote increased specialization, we find that the capabilities of partner firms become more divergent in a substantial subset of alliances.

Mudambi, Ram and Susan Helper

The 'Close but Adversarial' Model of Supplier Relations in the U.S. Auto Industry

Vol. 19, No. 8, August 1998, 775–792

While cooperative buyer–supplier relations are an important source of sustainable competitive advantage, noncooperative behavior persists widely. This paper tests a model incorporating noncooperative behavior within a context of formal commitment, using data from the U.S. auto industry. This 'close, but adversarial' model appears to be reasonably well supported by the data, suggesting that even within professed cooperative buyer–supplier relationships adversarial behavior persists. In contrast, a small but significant minority of the relationships were found to be characterized by high levels of trust as well as informal commitment. The results suggest specific strategies for developing cooperative supplier relations.

Murray, Janet Y. and Masaaki Kotabe

Sourcing Strategies of U.S. Service Companies: A Modified Transaction-Cost Analysis

Vol. 20, No. 9, September 1999, 791–809

Global procurement of services has been receiving an increasing amount of managerial attention in recent years. Service firms seem to have begun sourcing part of their service activities from abroad in much the same way as manufacturing firms have sourced components and finished goods in the past 30 years. However, little is known about the nature of service sourcing strategy. In this study, we employ a modified transaction cost analysis to examine empirically the locational (domestic vs. global sourcing) and the ownership (internal vs. external sourcing) aspects of service sourcing strategy. In addition, performance implications on both the locational and ownership aspects of service sourcing are investigated. The results show that, similar to components and finished goods procurement, supplementary services are sourced globally, either internally or externally. Furthermore, the relationship between asset specificity and internal sourcing of supplementary services is moderated by the level of inseparability and transaction frequency. Finally, internal sourcing and foreign sourcing of supplementary services are negatively related to a service's market performance.

Murtha, Thomas P., Stefanie Ann Lenway and Richard P. Bagozzi

Global Mind-Sets and Cognitive Shift in a Complex Multinational Corporation

Vol. 19, No. 2, February 1998, 97–114

This article investigates attitudes that underlie international strategy processes. We propose survey scales of these attitudes and describe tests that support their reliability and validity as measures of constructs—including integration, responsiveness, and coordination—that researchers have used for many years in case analyses of international strategy and organization. We also propose and validate scales to capture the perceived alignment with firms' international objectives of key business policies that affect individuals, including accountability for global results, career opportunity and a globally shared meaning system that informs communication and discussion about change. Our discussion of these tests offers an assessment of how changing patterns of association among the measures over time conform to expectations generated by the case-based empirical literature. We argue that these patterns document a process of organizational learning that can link managers' mind-sets with senior managers' intentions in the course of proactive international strategic change. The analysis relies on survey responses taken in 1992 and 1995 from 370 managers in 13 country affiliates and the head office of a U.S.-based diversified multinational corporation (DMNC).

Nagarajan, Anuradha and Will Mitchell

Evolutionary Diffusion: Internal and External Methods Used to Acquire Encompassing, Complementary, and Incremental Technological Changes in the Lithotripsy Industry

Vol. 19, No. 11, November 1998, 1063–1077

This study links theories concerning methods that firms use to acquire technology with theories concerning types of technological change. We place particular emphasis on interorganizational relationships. We predict that firms will often acquire know-how needed to encompassing technological change through equity-based arrangements with other organizations, complementary technological changes through nonequity interorganizational arrangements, and incremental changes through internal R&D. Our theory draws on perspectives that emphasize the need to develop new competencies within a business organization and to protect the value of existing competencies. Our empirical analysis examines methods of technology acquisition that firms have used in the commercialization of medical lithotripters, which are devices that fragment stones in the kidney and gall bladder. The analysis contributes to a better understanding of how technology acquisition methods vary with the manner in which technological change relates to a firm's existing capabilities. The study also helps develop our understanding of the evolutionary processes by which capabilities diffuse through an industry.

Nath, Deepika and Thomas S. Gruca

Convergence across Alternative Methods for Forming Strategic Groups

Vol. 18, No. 9, October 1997, 745–760

We studied the convergence of three different methods for identifying group structure (strategic groups) in a single competitive environment. Using a version of the MTMM matrix, we tested the convergent validity of the concept of strategic groups in a mature, geographically delimited competitive environment. We find significant evidence of convergence between competitive structures identified using archival and perceptual data as well as those identified using archival measures of strategy and direct measures of competitors. There is limited evidence of convergence between competitive structures identified from perceptual and direct measures. Taken as a whole, these results are consistent with the emerging theory of strategic groups. We conclude that strategic groups are a theoretical construct and not a methodological artifact, as is suggested by some authors.

Nayyar, Praveen R.

Stock Market Reactions to Customer Service Changes

Vol. 16, No. 1, January 1995, 39–53

Stock market reactions to a sample of customer service changes reported during 1981–91 were investigated. Customer service increases (decreases) were positively (negatively) valued. Stock market reactions varied depending on specific customer service actions and, therefore, on the four customer service objectives pursued.

Nehrt, Chad

Timing and Intensity Effects of Environmental Investments

Vol. 17, No. 7, July 1996, 535–547

This paper examines the investment timing and intensity conditions under which advantages may exist for first movers in environmental investments. The potential advantages on which the paper focuses are timing and intensity of investments in recent pollution-reducing manufacturing technologies that produce salable products at the same time that they reduce pollution. The data come from 50 chemical bleached paper pulp manufacturers in eight countries. The model measures the impact of the independent variables on growth in profits from the mid-1980s to the early 1990s, controlling for national differences in environmental regulations, among other variables. Results indicate a positive relationship between timing of investments and profit growth. There is also evidence that more intense investment patterns, when not tempered by sufficient time to absorb the investments, may lead to lower profit growth.

Nelson, Richard R.

Why Should Managers Be Thinking about Technology Policy?

Vol. 16, No. 8, November 1995, 581–588

Courses on the management of innovation and technology seldom treat government technology policies, and the issues they pose for business management. This is unfortunate. In many fields business has a big stake in government technology policies. They can help business, be a waste of money, or actually hurt business. This essay considers three broad issues in contemporary technology policy, that are of significant consequence to business: government support of applied research, the question of how to deal with the decline in business-funded basic research, and the complex questions about intellectual property rights.

Nobel, Robert and Julian Birkinshaw

Innovation in Multinational Corporations: Control and Communication Patterns in International R&D Operations

Vol. 19, No. 5, May 1998, 479–496

This paper addresses issues of global innovation in multinational corporations by examining the patterns of communication and control in international R&D operations. Using a sample of 110 international R&D units from 15 multinational corporations, we identify three types of R&D unit role (local adaptor, international adaptor, international creator). We show that: (1) each type of R&D unit is managed primarily through a different mode of control; (2) local and international adaptors both focus their communication on their internal corporate network; and (3) international creators have strong internally and externally oriented networks of relationships. The implications for the management of global innovation are discussed.

Nobeoka, Kentara and Michael A. Cusumano

Multiproject Strategy and Sales Growth: The Benefits of Rapid Design Transfer in New Product Development

Vol. 18, No. 3, March 1997, 169–186

This paper explores the impact on sales growth of different product development strategies, especially an approach that focuses on the coordination of multiple projects that overlap in time and share critical components. The data for our analysis come from the automobile industry, although the principles we discuss should apply to any industry where firms compete with multiple product lines and where the sharing of components among more than one distinct product is both possible and desirable. Some firms compete by trying to develop 'hit' products in isolation, with little or no reuse of components or coordination with other products. Another way to compete is to leverage a firm's investment in new technologies across as many new products as possible as quickly as possible, while the technologies are still relatively new. This paper proposes a typology that captures this effect by categorizing product development strategies into four types: *new design, rapid (or concurrent) design transfer, sequential design transfer, and design modification.* An analysis of 210 projects from the automobile industry between 1980 and 1991 indicates that firms utilizing the rapid design transfer strategy—quickly leveraging new platform components across multiple projects—increased sales more than when they or their competitors did not use this strategy. The study's results suggest that not only the *sharing of technology among multiple projects* but also the *speed of technology leveraging* are important to sales growth.

Noda, Tomo and Joseph L. Bower

Strategy Making as Iterated Processes of Resource Allocation

Vol. 17, Special Issue, Summer 1996, 159–192

Capitalizing on the Bower–Burgelman process model of strategy making in a large, complex organization, we investigate the multilevel managerial activities that lead firms facing similar new business opportunities to respond with different strategic commitments. Our field-based data provide evidence on (1) the role of 'corporate contexts' that reflects top managers' crude strategic intent in shaping strategic initiatives of business-unit managers; (2) the critical influence of early business development results on increasing or decreasing middle managers' enthusiasm to the new businesses and top managers' confidence in these middle managers in a resource allocation; (3) the escalation or de-escalation of a firm's strategic commitment to the new businesses as a consequence of iterations of resource allocation. We conclude that it is useful to conceptualize strategy making in a large, complex firm as an iterated process of resource allocation.

Ocasio, William

Towards an Attention-Based View of the Firm

Vol. 18, Special Issue, Summer 1997, 187–206

The central argument is that firm behavior is the result of how firms channel and distribute the attention of their decision-makers. What decision-makers do depends on what issues and answers they focus their attention on. What issues and answers they focus on depends on the specific situation and on how the firm's rules, resources, and relationships distribute various issues, answers, and decision-makers into specific communications and procedures. The paper develops these theoretical principles into a model of firm behavior and presents its implications for explaining firm behavior and adaptation.

Oliver, Christine

Sustainable Competitive Advantage: Combining Institutional and Resource Based Views

Vol. 18, No. 9, October 1997, 697–713

This article suggests that the context and process of resource selection have an important influence on firm heterogeneity and sustainable competitive advantage. It is argued that a firm's sustainable advantage depends on its ability to manage the institutional context of its resource decisions. A firm's institutional context includes its internal culture as well as broader influences from the state, society, and interfirm relations that define socially acceptable economic behavior. A process model of firm heterogeneity is proposed that combines the insights of a resource-based view with the institutional perspective from organization theory. Normative rationality, institutional isolating mechanisms, and institutional sources of firm homogeneity are proposed as determinants of rent potential that complement and extend resource-based explanations of firm variation and sustainable competitive advantage. The article suggests that both resource capital and institutional capital are indispensable to sustainable competitive advantage.

Olk, Paul and Candace Young

Why Members Stay in or Leave an R&D Consortium: Performance and Conditions of Membership as Determinants of Continuity

Vol. 18, No. 11, December 1997, 855–877

This paper jointly examines performance and conditions surrounding membership as determinants of the decision to stay or leave an R&D consortium. Hypotheses were developed for performance and, by drawing from power dependence and transaction cost theories, for conditions surrounding membership. Analysis of survey questionnaire data from 184 member organizations of U.S.-based R&D consortia indicates that performance and the conditions of knowledge-related involvement, network ties, learning, and alternatives are related to the decision to stay in or leave. These results provide limited support for power dependence but are more consistent with transaction cost theory. Subsequent analyses revealed an interaction between performance and membership conditions, suggesting performance leads to the conditions of membership, and that the continuity decision for a poorly performing consortium differs from that for one performing well.

O'Shaughnessy, K. C. and David J. Flanagan

Determinants of Layoff Announcements Following M&As: An Empirical Investigation

Vol. 19, No. 10, October 1998, 989–999

It is often argued that mergers and acquisitions (M&As) lead to employee layoffs. This paper examines factors that influence the probability that a layoff announcement will follow an M&A. A sample of 136 large M&As, involving U.S. targets, that occurred between 1989 and 1993 is analyzed. Analyses of this sample indicate that the probability of a layoff announcement is higher if the firms involved in the transaction are related. The probability that a layoff will be announced was not changed when the acquirer was a non-U.S. firm (cross-border transactions). Target revenue per employee before the M&A is negatively related to the probability that a layoff was announced. Target financial performance prior to the transaction and use of borrowed funds to finance the merger were not found to have an impact on the probability that a layoff will be announced.

Palmer, Timothy B. and Robert M. Wiseman

Decoupling Risk Taking from Income Stream Uncertainty: A Holistic Model of Risk

Vol. 20, No. 11, November 1999, 1037–1062

This paper builds and tests a holistic model of risk in organizations. Using structural equations modeling, we disaggregated risk into two distinct components, managerial risk taking and income stream uncertainty, or organizational risk. This allowed us to identify an array of organizational and environmental antecedents that have either been examined in isolation or neglected in previous studies about risk. Our results suggest that both organizational and environmental factors promote risk taking. Further, we found strong support for behavioral theory of the firm and agency theory on risk but not upper echelons theory. Our data also suggest that environmental characteristics have a negligible direct effect on organizational risk. Instead, the environment's impact on risk occurs primarily through managerial choices.

Pan, Yigang

The Formation of Japanese and U.S. Equity Joint Ventures in China

Vol. 18, No. 3, March 1997, 247–254

This study examines the characteristics of Japanese and U.S. equity joint venture (EJVs) in China over a 15-year period. These EJVs were announced between 1979 and the end of 1993. Substantial differences are found with respect to six key characteristics. They are: selection of the Chinese partner, selection of the second foreign partner (when more than one foreign partner is involved), foreign equity ownership, foreign capital contribution, EJV business scope, and the EJV location. Tentative explanations for these differences are offered from the perspectives of risk orientation, cultural similarities, and the impact of political events in China.

Pan, Yigang and Peter S. K. Chi

Financial Performance and Survival of Multinational Corporations in China

Vol. 20, No. 4, April 1999, 359–374

This study investigates the impact of entry timing, mode of entry, market focus, and location advantages on the financial performance and survival of multinational corporations (MNCs) in China. Three major results were found. First, MNCs that entered China in an earlier year had a higher level of profit than those that entered in a later year. Second, equity joint ventures (EJVs) had a higher profit level than cooperative operations or wholly foreign-owned subsidiaries. Third, MNCs that utilized well the location advantages in China had a higher profit. We also found that EJVs were more likely to survive compared to cooperative operations, while wholly owned subsidiaries did not differ from EJVs. The findings are based on a 2-year study of about 1000 MNC operations in China.

Papadakis, Vassilis M., Spyros Lioukas and David Chambers

Strategic Decision-Making Processes: The Role of Management and Context

Vol. 19, No. 2, February 1998, 115–147

This paper investigates the relationship between the process of strategic decision-making and management and contextual factors. First, drawing on a sample of strategic decisions, it analyzes the process through which they are taken, into seven dimensions: comprehensiveness/rationality, financial reporting, rule formalization, hierarchical decentralization, lateral communication, politicization, problem-solving dissension. Second, these process dimensions are related to (1) decision-specific characteristics, both perceived characteristics and objective typologies of strategic decisions, (2) top management characteristics, and (3) contextual factors referring to external corporate environment and internal firm characteristics. Overall, the results support the view that strategic decision processes are shaped by a multiplicity of factors, in all these categories. But the most striking finding is that decision-specific characteristics appear to have the most important influence on the strategic decision-making process, as decisions with different decision-specific characteristics are handled through different processes. The evident dominance of decision-specific characteristics over management and contextual factors enriches the traditional 'external control' vs. 'strategic choice' debate in the area of strategic management. An interpretation of results is attempted and policy implications are derived.

Park, Seung Ho and Michael E. Gordon

Publication Records and Tenure Decisions in the Field of Strategic Management

Vol. 17, No. 2, February 1996, 109–128

To better define levels of accomplishment for publishing journal articles in strategic management, a bibliometric study was performed on the publication records of 96 doctorates in the field whose first post-degree job was in academics. By examining 20 journals that are outlets for research in strategic management, publication records were developed for each individual for the first 5–10 years following receipt of the doctoral degree. Two factors influenced the publication records of these new faculty. Having publications prior to receiving the doctorate and getting a first job at an institution with a graduate program in management were associated with more frequent publishing after an academic career began. As expected, the number of papers published was related to the likelihood of receiving tenure. However, despite the fact that they had produced more papers during the first 5 years than male faculty members and had higher citation rates, female faculty members were less likely to receive tenure. The findings are discussed in terms of institutional policy for hiring and evaluating new faculty.

Penner-Hahn, Joan D.

Firm and Environmental Influences on the Mode and Sequence of Foreign Research and Development Activities

Vol. 19, No. 2, February 1998, 149–168

This paper develops an explanation for the mode and sequence of entry that firms select for their international research and development activities. The hypotheses are based on the internationalization and evolutionary theory perspectives. I first hypothesize that there is a sequence to the mode of foreign research and development activities initiated. I then discuss two firm capabilities and alternatives which might cause firms to omit parts of the sequence. The context of the study is the foreign research and development activities of incumbents and recent entrants to the Japanese pharmaceutical industry. The results indicate intriguing differences between the motivations of established firms and new entrants in establishing foreign research and development activities.

Peteraf, Margaret and Mark Shanley

Getting to Know You: A Theory of Strategic Group Identity

Vol. 18, Special Issue, Summer 1997, 165–186

This paper develops a theory of strategic group identity that explains how strategic groups emerge in an industry and how they can affect firm behaviors and outcomes. In so doing, it provides a theoretical basis for the existence of strategic groups. We argue that managers cognitively partition their industry environment to reduce uncertainty and to cope with bounded rationality. Social learning theory and social identification theory are used to describe how cognitive groups coalesce into meaningful substructures and how a group-level identify emerges. We describe the ways in which macro level factors condition the development of groups and their identities. We introduce the notion of a *strong identity*, which characterizes any group sufficiently recognized and attended to by members to affect individual action. Groups with 'weak identities' are no more than transient agglomerations of firms and do not exist in any meaningful sense. These ideas are developed into propositions that describe the conditions under which groups with strong identities are likely to emerge. A second set of propositions describes their transformation over time. Identity strength is linked to both positive and negative outcomes in a final set of propositions. We show how strategic groups with strong identities can affect firm performance, resolving a longstanding problem which has plagued strategic groups research and conclude by suggesting some approaches for measurement and future research.

Poppo, Laura and Todd Zenger

Testing Alternative Theories of the Firm: Transaction Cost, Knowledge-Based, and Measurement

Explanations for Make-or-Buy Decisions in Information Services

Vol. 19, No. 9, September 1998, 853–877

Firms' boundary choices have undergone careful examination in recent years, particularly in information services. While transaction cost economics provides a widely tested explanation for boundary choice, more recent theoretical work advances competing knowledge-based and measurement cost explanations. Similar to transaction cost economics, these theories examine the impact of exchange attributes on the performance of markets and hierarchies as institutions of governance. These theories, however, offer alternative attributes to those suggested by transaction cost economics or offer alternative mechanisms through which similar attributes influence make-buy choices. Traditional empirical specifications of make–buy models are unable to comparatively test among these alternative theories. By developing and testing a model of comparative institutional performance rather than institutional choice, we examine the degree of support for these competing explanations of boundary choice. Hypotheses are tested using data on the governance of nine information services at 152 companies. Our results suggest that a theory of the firm and a theory of boundary choice is likely to be complex, requiring integration of transaction cost, knowledge-based, and measurement reasoning.

Powell, Thomas C.

Total Quality Management as Competitive Advantage: A Review and Empirical Study

Vol. 16, No. 1, January 1995, 15–37

Total Quality Management (TQM) has become, according to one source, 'as pervasive a part of business thinking as quarterly financial results,' and yet TQM's role as a strategic resource remains virtually unexamined in strategic management research. Drawing on the resource approach and other theoretical perspectives, this article examines TQM as a potential source of sustainable competitive advantage, reviews existing empirical evidence, and reports findings from a new empirical study of TQM's performance consequences. The findings suggest that most features generally associated with TQM—such as quality training, process improvement, and benchmarking—do not generally produce advantage, but that certain tacit, behavioral, imperfectly imitable features—such as open culture, employee empowerment, and executive commitment—can produce advantage. The author concludes that these tacit resources, and not TQM tools and techniques, drive TQM success, and that organizations that acquire them can outperform competitors with or without the accompanying TQM ideology.

Powell, Thomas C.

How Much Does Industry Matter? An Alternative Empirical Test

Vol. 17, No. 4, April 1996, 323–334

Empirical studies using Federal Trade Commission Line of Business data have reported that industry membership explains between 17 percent and 20 percent of financial performance variance among firms. This study attempts to replicate these findings using an alternative sample and a methodology based on executives' perceptions. The results support those reported in previous studies, with industry factors explaining about 20 percent of overall performance variance. Moreover, the analysis produces empirically derived industry factors, and examines their relative power in explaining industry performance variance.

Powell, Thomas C. and Anne Dent-Micallef

Information Technology as Competitive Advantage: The Role of Human, Business, and Technology Resources

Vol. 18, No. 5, May 1997, 375–405

This paper investigates linkages between information technology (IT) and firm performance. Although showing recent signs of advance, the existing IT literature still relies heavily on case studies, anecdotes, and consultants' frameworks, with little solid empirical work or synthesis of findings. This paper examines the IT literature, develops an integrative, resource-based theoretical framework, and presents results from a new empirical study in the retail industry. The findings show that ITs alone have not produced sustainable performance advantages in the retail industry, but that some firms have gained advantages by using ITs to leverage intangible, complementary human and business resources such as flexible culture, strategic planning–IT integration, and supplier relationships. The results support the resource-based approach, and help to explain why some firms outperform others using the same ITs, and why successful IT users often fail to sustain IT-based competitive advantages.

Rajagopalan, Nandini

Strategic Orientations, Incentive Plan Adoptions, and Firm Performance: Evidence from Electric Utility Firms

Vol. 18, No. 10, November 1997, 761–785

This study examines the performance implications of the fit between strategic orientations and incentive plan characteristics. Research hypotheses are based on a framework that draws upon managerial discretion and agency theories to identify the links between firm strategy, managerial motivation and control, managerial risk-bearing, and incentive plan characteristics. A pooled cross-sectional, time series research design is used to test hypotheses in a sample of 50 electric utility firms. Consistent with theory, results indicate that annual bonus plans that use cash incentives and accounting measures of performance lead to better performance among firms with Defender strategic orientations. In contrast, firms with Prospector strategic orientations realize performance benefits when they adopt stock-based incentive plans and use market measures to evaluate managerial performance.

Ramírez, Rafael

Value Co-Production: Intellectual Origins and Implications for Practice and Research

Vol. 20, No. 1, January 1999, 49–65

This paper surveys the history of an alternative view of value creation to that associated with industrial production. It argues that technical breakthroughs and social innovations in actual value creation render the alternative—a *value co-production* framework—ever more pertinent. The paper examines some of the implications of adopting this framework to describe and understand business opportunity, management, and organizational practices. In the process, it reviews the research opportunities a value co-production framework opens up.

Rediker, Kenneth J. and Anju Seth

Boards of Directors and Substitution Effects of Alternative Governance Mechanisms

Vol. 16, No. 2, February 1995, 85–99

Research on the determinants and effects of various governance mechanisms typically assumes that these mechanisms operate independently. However, since a variety of mechanisms are used to achieve alignment of the interests of shareholders and managers, we propose that the level of a particular mechanism should be influenced by the levels of other mechanisms which simultaneously operate in the firm. We examine the substitution effects between alternative internal governance mechanisms for a sample of 81 bank holding companies in the postderegulation period. Specifically, we consider the relationship between monitoring by outside directors and the following mechanisms: monitoring by large outside shareholders, mutual monitoring by inside directors, and incentive effects of shareholdings by managers. Our results provide evidence consistent with the substitution hypothesis. We examine the implications of our findings for future research in the area of corporate governance.

Reuer, Jeffrey J. and Kent D. Miller

Agency Costs and the Performance Implications of International Joint Venture Internalization

Vol. 18, No. 6, June 1997, 425–438

Recent studies have examined the determinants of international joint venture (IJV) formations and stock market reactions to such investments. Less is known, however, about the evolution of IJVs and the attendant performance implications for parent firms. This paper examines one specific type of IJV evolution, IJV internalization, whereby one form acquires the IJV by buying out its partner(s). Standard agency theory variables are hypothesized to influence parent firm valuation effects. The results indicate that parent firm valuation effects are positively related to the parent firm equity owned by insiders and the interaction of debt financing and free cash flow.

Rindova, Violina P. and Charles J. Fombrun

Constructing Competitive Advantage: The Role of Firm–Constituent Interactions

Vol. 20, No. 8, August 1999, 691–710

Current models of competitive advantage emphasize economic factors as explanations for a firm's success but ignore sociocognitive factors. This paper integrates economic and cognitive perspectives, and shows how firms and constituents jointly construct the environments in which firms compete. We argue that competitive advantage is a systemic outcome that develops as firms and constituents participate in six processes that entail, not only use and exchange of resources, but also communication about and interpretations of those exchanges. The interpretations that firms and constituents make of competitive interactions affect decisions about how to exchange and use resources. As interpretations and evaluations of a given firm fluctuate, so do the resources the firm has access to and its competitive advantage in the marketplace. The actions and interpretations of constituents and rivals produce the shifting terrain on which competition unfolds. We illustrate these dynamics with a discussion of IBM's changing competitive advantage in the computer industry in the 1980s.

Roberts, Peter W.

Product Innovation, Product-Market Competition and Persistent Profitability in the U.S. Pharmaceutical Industry

Vol. 20, No. 7, July 1999, 655–670

Increasingly, strategy scholars are exploring the relationships between innovation, competition, and the persistence of superior profits. Sustained high profitability may result when a firm repeatedly introduces valuable innovations that service previously unmet consumer demands. While the returns to the firm from each innovation may erode over time, innovation ensures that, overall, the firm maintains a high performance position. At the same time, sustained high profitability may also accrue to firms that innovate less often, but effectively avoid the competition that otherwise erodes high returns. This paper elaborates these relationships before presenting an empirical analysis of the effects of differential innovative propensities and differential rates of competition on pharmaceutical firms' abilities to *sustain* profit outcomes that are above those earned by competing firms. The analysis, which is situated within the U.S. pharmaceutical industry, finds support for the expected relationship between high innovative propensity and sustained superior profitability, but no support for a link between persistence and the ability to avoid competition.

Robertson Thomas S. and Hubert Gatignon

Technology Development Mode: A Transaction Cost Conceptualization

Vol. 19, No. 6, June 1998, 515–531

Technology alliances have emerged in the past decade as a significant mode for the development of innovation. The present research assesses the factors explaining whether firms will engage in such technology alliances or utilize the more traditional mode of internal R&D. The hypotheses stem from a transaction cost conceptualization. Results suggest that firms which pursue technology alliances are likely to have less commitment to product category-specific assets, to face higher technological uncertainty, to be more capable at measuring innovation performance, to have more successful technology alliance experience, and to compete in lower growth product categories.

Robins, James and Margarethe F. Wiersema

A Resource-Based Approach to the Multibusiness Firm: Empirical Analysis of Portfolio Interrelationships and Corporate Financial Performance

Vol. 16, No. 4, May 1995, 277–299

The resource-based view of the firm has provided important new insights into corporate strategy (Barney, 1991; Peteraf, 1993); however, there has been only limited empirical research linked to the theory (e.g., Farjoun, 1994). Although a great deal of work has been done on corporate diversification, the measures and data typically have a weak connection to resource-based theory. Empirical research on resource-based corporate strategy has

been particularly difficult because key concepts such as tacit knowledge or capabilities resist direct measurement. This study is an effort to narrow the gap between theory and empirical research on the multibusiness firm. It develops a resource-based approach to modeling interrelationships among businesses and applies it to the analysis of corporate economic performance. This approach proves to be significant in explaining the financial performance of large manufacturing firms, and it promises to be an important source of insight into corporate strategy.

Robinson, Kenneth C. and Patricia Phillips McDougall

The Impact of Alternative Operationalizations of Industry Structural Elements on Measures of Performance for Entrepreneurial Manufacturing Ventures

Vol. 19, No. 11, November 1998, 1079–1100

Using a sample of 115 manufacturing ventures, this study examined elements of industry structure which prior theory and research in the fields of industrial organization economics, strategic management, and entrepreneurship suggest are the most important structural characteristics of industries. Future researchers should carefully select the particular operationalization of industry structure as our research demonstrates that the influence of industry structural elements on measures of firm performance is strongly dependent upon the particular operationalization utilized. In addition, measures of industry structure were found to have a differential impact on alternative measures of firm performance, suggesting that different performance measures are not interchangeable proxies for one another.

Rogers, Patrick R., Alex Miller and William Q. Judge

Using Information-Processing Theory to Understand Planning/Performance Relationships in the Context of Strategy

Vol. 20, No. 6, June 1999, 567–577

This study reveals the importance of viewing planning processes within the context of strategic orientation. Information-processing theory is used to examine the differences in planning processes given variable strategy content in the banking industry. Findings suggest that banks implementing different strategies require their planning systems to focus on different kinds and amounts of information. Moreover, the relationship between planning and bank performance is clarified when information requirements of a specific strategy are considered. It appears the strategy moderates the relationship between planning and performance.

Romme, A. Georges L.

A Note on the Hierarchy–Team Debate

Vol. 17, No. 5, May 1996, 411–417

This note explores the debate between proponents of organizational learning who have criticized hierarchy as an obstacle to learning and those who have defended hierarchy as indispensable for large organizations. By considering hierarchy and team as ideal-typical information systems, it is argued that both teams and hierarchies are essential for organizational learning in large organizations. Teams appear to be the key learning units which are indispensable for producing and understanding novel information, and hierarchies are indispensable for processing and storing important learning results. The trade-off between teams and hierarchies can be solved by emphasizing the idea of circularity, involving the ability to switch between teams and hierarchies as complementary information systems in the context of organizational learning.

Roquebert, Jaime A., Robert L. Phillips and Peter A. Westfall

Markets vs. Management: What 'Drives' Profitability?

Vol. 17, No. 8, October 1996, 653–664

This study addresses the issue of the relative degree of variance in ROA accounted for by industry, corporate, and SBU effects while controlling for the business cycle and the interaction between the business cycle and industry. Two key articles, Schmalensee (1985) and Rumelt (1991), are discussed in detail. Research results on a recent data base (COMPUSTAT), using variance components analysis (VARCOMP) are presented that not only confirm most of the Rumelt (1991) findings, but also suggest the existence of a corporate effect, heretofore undetected.

Rouse, Michael J. and Urs S. Daellenbach

Rethinking Research Methods for the Resource-Based Perspective: Isolating Sources of Sustainable Competitive Advantage

Vol. 20, No. 5, May 1999, 487–494

An exploration of traditional perspectives and contemporary propositions regarding sustainable competitive advantage points to the conclusion that the locus of advantage is located specifically within organizational effects. The key issue emerges that research investigating sources of sustainable competitive advantage must be done not only on organizations but also in organizations. The fallout from this conclusion is, however, that the research methodologies traditionally used in strategy research will not unambiguously uncover these sources of sustainable advantage. Using organizational culture as an example of a possible source of sustainable advantage within a resource-based paradigm, a four-step research framework is suggested for isolating these organizational effects.

Rowe, W. Glenn and Patrick M. Wright

Related and Unrelated Diversification and Their Effect on Human Resource Management Controls

Vol. 18, No. 4, April 1997, 329–338

This paper examines the link between related and unrelated diversification and human resource management (HRM) controls. The paper presents a model proposing that the type of corporate (macro) controls used by related or unrelated firms implies a relative emphasis on either flexibility or fit among HRM practices in that related firms emphasize flexibility and unrelated firms emphasize fit. This emphasis on flexibility or fit, in turn, has implications for the use of HRM (micro) controls such as clan, behavior, and outcome controls such that related firms exhibit the use of all three types of HRM controls, while unrelated firms exhibit a relative emphasis on the use of outcome controls.

Ruef, Martin

Assessing Organizational Fitness on a Dynamic Landscape: An Empirical Test of the Relative Inertia Thesis

Vol. 18, No. 10, December 1997, 837–853

This paper proposes an empirical framework for evaluating the relative structural inertia hypothesis, a central assumption of organizational ecology theories. In stark contrast to the tenets of strategic management, the relative inertia hypothesis claims that organizations are typically unable to match structural changes to their competitive environments in a timely fashion. The hypothesis is tested for the hospital industry in California during the 1980–90 time frame. Strategic movements in a competition 'landscape' are tracked using a variant of the Jaccard similarity coefficient, which has been applied in numerous studies of biological competition. Findings indicate that few hospitals are able to overcome inertial forces in adapting their service portfolios; furthermore, the ability of hospitals to strategically reposition themselves decreases markedly with provider density. Analyses also investigate the relation between organizational attributes (e.g., age, size, mission, and portfolio scope) and adaptability. Implications for both ecological and strategic theory are pursued.

Ruefli, Timothy W., James M. Collins and Joseph R. Lacugna

Risk Measures in Strategic Management Research: Auld Lang Syne?

Vol. 20, No. 2, February 1999, 167–194

Risk is an integral component of strategic management decisions and often appears as an element of empirical studies reported in the strategic management literature. Recent methodological research in the financial economics and management science literature has, however, raised serious questions about the strategic management literature's two most widely used measures of firm and business-level risk: beta (or its derivatives) from the Capital Asset Pricing Model and simple variance (or its variants). This research reviews risk studies published in leading management journals in the past 15 years and summarizes the recent methodological findings in the adjacent literatures. We discuss the implications of these findings for our understanding of risk in strategic management and assess alternative measures of risk and conclude with a discussion of directions for future strategy research.

Rugman, Alan M. and Alain Verbeke

Corporate Strategies and Environmental Regulations: An Organizing Framework

Vol. 19, Special Issue, April 1998, 363–375

An emerging subfield of strategic management is that dealing with the natural environment as it affects corporate strategy. To analyze this we organize the literature on environmental regulations and corporate strategy into a new managerial framework. Next we develop a resource-based view of the interaction between firm-level competitiveness and environmental regulations, including the conditions for the use of green capabilities. Finally, we analyze the green capabilities of multinational enterprises within a standard international business model, using firm-specific advantages (FSAs) and country-specific advantages (CSAs). We then use this FSA/CS configuration to explore hypotheses on environmental regulations, competitiveness, and corporate strategy.

St. John, Caron H. and Jeffrey S. Harrison

Manufacturing-Based Relatedness, Synergy, and Coordination

Vol. 20, No. 2, February 1999, 129–145

This paper explores the basic question of whether manufacturing-based relatedness between business units within a multibusiness firm serves as a basis for a competitive advantage at the business unit level. We developed a system for describing manufacturing relatedness that combines the study of value chain activities with 4-digit SIC codes, then we assessed presence of manufacturing synergies. We found no evidence that, on average, organizations involved in manufacturing-related businesses are reaping financial benefits from shared resources in manufacturing. However, some firms, through explicit commitment to coordination, do realize performance benefits from such involvement.

Sakakibara, Mariko

Heterogeneity of Firm Capabilities and Cooperative Research and Development: An Empirical Examination of Motives

Vol. 18, Special Issue, Summer 1997, 143–164

This article proposes capability heterogeneity of R&D consortia participants as a condition to distinguish two competing motives for cooperative R&D: cost-sharing vs. skill-sharing. An analysis of 398 questionnaire responses from participants in Japanese government-sponsored R&D consortia finds that the relative importance of the cost-sharing motive in R&D consortia increases when participants' capabilities are homogeneous or projects are large, while the relative importance of the skill-sharing motive in R&D consortia increases with heterogeneous capabilities. The skill-sharing motive is likely to increase a firm's R&D spending, implying an additional consideration for management's evaluation of cooperative R&D participation, as well as adding a new public policy implication of cooperative R&D.

Sambharya, Rakesh B.

Foreign Experience of Top Management Teams and International Diversification Strategies of U.S. Multinational Corporations

Vol. 17, No. 9, November 1996, 739–746

This paper extends upper echelon theory to the international business arena and tests the hypothesis that the foreign experience of top management team (TMT) members is associated with international diversification strategies. Regression analyses indicate that TMTs with a higher mean, greater heterogeneity, and a higher proportion of managers with foreign experience in 54 U.S. multinational corporations were significantly associated with the firm's international involvement.

Sampler, Jeffrey L.

Redefining Industry Structure for the Information Age

Vol. 19, Special Issue, April 1998, 343–355

We are entering a new competitive age in which the basis of competition is being fundamentally altered through the introduction of advanced information technologies and public communication infrastructures, such as the Internet. In these environments, the nature and locus of competition will radically alter, as information becomes an increasingly important resource. This paper develops ideas around the strategic characteristics of information—information separability and information specificity. Moreover, it attempts to redefine the nature of industry structure in such a competitive environment by examining what constitutes the real boundaries of competition, industry concentration, related diversification, and innovation for firms competing in the Information Age.

Sanchez, Ron

Strategic Flexibility in Product Competition

Vol. 16, Special Issue, Summer 1995, 135–159

This paper investigates competition in dynamic product markets from combined resource base and strategic flexibility perspectives. A concept of strategic flexibility in product competition is developed in which flexibility depends jointly on (1) the *resource flexibility* of the product creation resources available to a firm and (2) the *coordination flexibility* of the firm in using its available resources in product markets. Two recent *technological innovations* affecting product creation processes—CADD/CIM systems and modular product design—are argued to have greatly increased the potential flexibilities of key product creation resources. *Managerial innovations* in the use of these technologies have also led to important new coordination flexibilities. The combination of recently achievable resource and coordination flexibilities is argued to have *transformed the competitive environments* of many product markets, leading to new kinds of product strategies, new organizational forms, and a *new dominant logic* for competing in dynamic product markets.

Sanchez, Ron and Joseph T. Mahoney

Modularity, Flexibility, and Knowledge Management in Product and Organization Design

Vol. 17, Special Issue, Winter 1996, 63–76

This paper investigates interrelationships of product design, organization design, processes for learning and managing knowledge, and competitive strategy. This paper uses the principles of nearly decomposable systems to investigate the ability of standardized interfaces between components in a product design to *embed* coordination of product development processes. Embedded coordination creates 'hierarchical coordination' without the need to continually exercise authority—enabling effective coordination of processes without the tight coupling of organizational structures. We develop concepts of *modularity* in product and organization designs based on standardized component and organization interfaces. Modular product architectures create *information structures* that provide the 'glue' that holds together the loosely coupled parts of a modular organization design. By facilitating loose coupling, modularity can also reduce the cost and difficulty of adaptive coordination, thereby increasing the *strategic flexibility* of firms to respond to environmental change. Modularity in product and organization designs therefore enables a new strategic approach to the *management of knowledge* based on an intentional, carefully managed *loose coupling* of a firm's learning processes at architectural and component levels of product creation processes.

Schendel, Dan

Editor's Introduction to the 1995 Summer Special Issue: Technological Transformation and the New Competitive Landscape

Vol. 16, Special Issue, Summer 1995, 1–6

No summary given.

Schendel, Dan

Notes from the Editor-in-Chief

Vol. 17, No. 3, March 1996, 167–168

No summary given.

Schendel, Dan

Editor's Introduction to the 1996 Summer Special Issue: Evolutionary Perspectives on Strategy

Vol. 17, Special Issue, Summer 1996, 1–4

No summary given.

Schendel, Dan

Editor's Introduction to the 1996 Winter Special Issue: Knowledge and the Firm

Vol. 17, Special Issue, Winter 1996, 1–4

No summary given.

Schendel, Dan

Editor's Introduction to the 1997 Summer Special Issue: The Interactions of Organizational and Competitive Influences on Strategy and Performance

Vol. 18, Special Issue, Summer 1997, 1–3

The 1997 Summer Special Issue of the *Strategic Management Journal* is introduced by the Editor-in-Chief, Dan Schendel. The Special Issue deals with what Guest Editors Rebecca Henderson and Will Mitchell call 'reciprocal interactions' among environment, strategy, capabilities and performance. Why study of these reciprocal interactions may be useful to better understanding of performance outcomes is discussed.

Schoenecker, Timothy S. and Arnold C. Cooper

The Role of Firm Resources and Organizational Attributes in Determining Entry Timing: A Cross-Industry Study

Vol. 19, No. 12, December 1998, 1127–1143

We investigate the factors that influence the timing of entry of firms into new industries based on new technology. Consistent with previous research, it is hypothesized that firm resources and organizational attributes influence entry timing. Unlike previous research, there is specific consideration of how industry setting—specifically, the extent to which it offers first mover advantages—influences the ability to predict timing of entry. The ability to explain entry timing differed across industries, with success occurring in the industry with strong first mover advantages. Two categories of resources, technological and marketing, were found to be associated with early entry. The organizational attributes that influenced early entry were commitment to a threatened market and (surprisingly) greater size.

Schwab, Bernhard

A Note on Ethics and Strategy: Do Good Ethics Always Make for Good Business?

Vol. 17, No. 6, June 1996, 499–500

Viewing business ethics as enlightened self-interest that *always* pays in the long run is too easy. While reputation can be a valuable asset, not being tied to a particular code of ethics has an option value. The need for widespread laws and regulations that restrict behavior confirms this. Being ethical may cost—it is still worth pursuing if we believe in goals that transcend shareholder value.

Segev, Eli, Adi Raveh and Moshe Farjoun

Conceptual Maps of the Leading MBA Programs in the United States: Core Courses, Concentration Areas, and the Ranking of the School

Vol. 20, No. 6, June 1999, 549–565

This paper captures the structure of MBA programs in 25 leading U.S. business schools at the beginning of the revolution these programs are undergoing. It is a study of strategic groups in the MBA industry, and a baseline for examining adaptation and strategic change in educational institutions. We use the Co-plot method to map the schools according to the 1993 structure of their core courses and existing areas of concentration. The maps indicate similarities among business schools and shed light on their 1994 ranking. Each of the five top schools has been found to be in a different cluster of MBA program structures. The findings suggest that program structure content—the particular mix of core and concentration areas—in itself is not a source of superior performance.

Seward, James K. and James P. Walsh

The Governance and Control of Voluntary Corporate Spin-Offs

Vol. 17, No. 1, January 1996, 25–39

We investigate the role that a voluntary corporate restructuring can play in the design of efficient internal corporate control mechanisms. To this end, we examine the post-restructuring internal control practices in 78 voluntary corporate spin-offs that were completed between 1972 and 1987. We find that the selection of the new CEOs, the design of their compensation contracts, and the staffing of the boards of directors and their compensation committees in the spun-off firms can be seen as *ex ante* efficient. These governance and control practices, however, are not strongly related to the observed positive market reactions to the spin-off announcements. The results indicate that equity reorganizations facilitate the implementation of efficient internal governance and control practices, but that other factors must influence the share price reactions to the announcement of such voluntary corporate restructuring.

Shane, Scott A.

Making New Franchise Systems Work

Vol. 19, No. 7, July 1998, 697–707

This paper argues that new franchise systems are more likely to survive if they are structured to economize on agency costs. After controlling for industry effects, and firm age and size, this paper shows empirical support for six of nine hypotheses about the linkage between mechanisms for economizing on agency costs and the survival of new franchise systems.

Sharma, Anurag

Mode of Entry and *Ex-Post* Performance

Vol. 19, No. 9, September 1998, 879–900

In this study I develop and empirically test hypotheses delineating how a set of industry- and firm-level factors are differentially associated with postentry performance of *de novo* and acquisitive entrants. First, I conceptualize structural entry barriers as sunk costs or irrecoverable investments that entrants must make in the entered industry to be competitive *vis-à-vis* incumbents. I then argue that *de novo* and acquisitive entrants differ in three important ways: (1) incremental vs. up-front sunk cost investments in overcoming impediments to entry; (2) increasing productive capacity vs. changing ownership in the entered industry; and (3) low vs. high costs of integration when realizing synergies with parent firms. I use the Trinet, FTC-ALB, and Compustat data bases to construct a sample comprising *de novo* and acquisitive entries made during the period 1980–82. Next, I evaluate postentry survival and growth between 1982 and 1986. Overall, empirical tests provided partial support for the hypotheses, and the explained variance in my models ranged from 17 percent to 37 percent.

Sharma, Sanjay and Harrie Vredenburg

Proactive Corporate Environmental Strategy and the Development of Competitively Valuable Organizational Capabilities

Vol. 19, No. 8, August 1998, 729–753

This article presents the results of a study conducted in two phases within a single industry context. The first phase involved comparative case studies to ground the applicability of the resource-based view of the firm within the domain of environmental responsiveness. The second phase involved testing the relationships observed during the case studies through a mail survey. It was found that strategies of proactive responsiveness to uncertainties inherent at the interface between the business and ecological issues were associated with the emergence of unique organizational capabilities. These capabilities, in turn, were seen to have implications for firm competitiveness.

Shaver, J. Myles, Will Mitchell and Bernard Yeung

The Effect of Own-Firm and Other-Firm Experience on Foreign Direct Investment Survival in the United States, 1987–92

Vol. 18, No. 10, November 1997, 811–824

We argue that foreign firms operating in a host country generate information spillovers that have

potential value for later foreign direct investment. We test two predictions. First, we expect foreign direct investments by firms with experience in a host country to be more likely to survive than investments made by first-time entrants. Second, foreign direct investments will be more likely to survive the greater the foreign presence in the target industry at the time of investment, subject to two contingencies. The first contingency is that the relationship will be weak or nonexistent among firms with no experience in the host country, because these firms have difficulty evaluating and taking advantage of the information spillovers. The second contingency is that the presence of other foreign firms will not affect investment survival among firms that already have a presence in the target industry and undertake expansion. These firms already possess general information about the target industries and are unlikely to gain additional benefit from information spillovers. We find supportive evidence based on the survival to 1992 among 354 U.S. investments undertaken by foreign firms in manufacturing industries during 1987.

Shrivastava, Paul

Environmental Technologies and Competitive Advantage

Vol. 16, Special Issue, Summer 1995, 183–200

In this decade and the coming century, the natural environment will be an important arena for economic competition. Ecological issues regarding energy, natural resources, pollution, and waste offer both competitive opportunities and constraints, and are changing the competitive landscape in many industries. Corporations can gain competitive advantage by managing ecological variables. This paper explains the concept of 'environmental technologies' as a competitive force and a tool for competitive advantage. Environmental technologies offer a new substantive orientation and a management process for minimizing ecological impacts of economic production while enhancing competitiveness of firms. The practical application of environmental technologies is illustrated using a mini case example of 3M Corporation. Strategic implications of environmental technologies for competitiveness are explored.

Silverman, Brian S., Jack A. Nickerson and John Freeman

Profitability, Transactional Alignment, and Organizational Mortality in the U.S. Trucking Industry

Vol. 18, Special Issue, Summer 1997, 31–52

The winds of creative destruction rarely blow more fiercely than in a newly deregulated environment. Managers simultaneously face a novel focus on operating efficiency and an onslaught of new competitors. What must managers do to enable their firms to survive in such an environment? What factors bear on firms' survival? This paper presents an analysis of mortality of large motor carriers in the U.S. interstate for-hire trucking industry after deregulation. It examines this phenomenon through a multidisciplinary lens that encompasses organizational ecology, neoclassical economics, and transaction cost economics. The paper posits that carrier mortality is a function of both firm-level and industry-level attributes, which are drawn from both ecological and economic theories. While each of these theories separately informs motor carrier mortality, the inclusion of predictions derived from both disciplines in one model significantly increases explanatory power over either theory evaluated alone. The empirical analysis is among the first to show increased mortality when firms do not adhere to operating policies consistent with transaction cost minimization principles. In sum, managers are well advised to adopt a multidisciplinary approach to strategy to ensure their firms' survival.

Simonin, Bernard L.

Ambiguity and the Process of Knowledge Transfer in Strategic Alliances

Vol. 20, No. 7, July 1999, 595–623

This research examines the role played by the 'causally ambiguous' nature of knowledge in the process of knowledge transfer between strategic alliance partners. Based on a cross-sectional sample of 147 multinationals and a structural equation methodology, this study empirically investigates the simultaneous effects of knowledge ambiguity and its antecedents–tacitness, asset specificity, prior experience, complexity, partner protectiveness, cultural distance, and organizational distance—on technological knowledge transfer. In contrast to past research that generally assumed a direct relation between these explanatory variables and transfer outcomes, this study's findings highlight the critical role played by knowledge ambiguity as a full mediator of tacitness, prior experience, complexity, cultural distance, and organizational distance on knowledge transfer. These significant effects are further found to be moderated by the firm's level of collaborative know-how, its learning capacity, and the duration of the alliance.

Singh, Kulwant and Will Mitchell

Precarious Collaboration: Business Survival after Partners Shut Down or Form New Partnerships

Vol. 17, Special Issue, Summer 1996, 99–115

Businesses often benefit by forming alliances with other firms but risk becoming dependent on their partners. We discuss two situations in which dependence may create serious problems: first, if a partner shuts down and, second, if a partner forms a relationship with a new partner. We examine collaborative relationships formed by businesses operating in the U.S. hospital software systems industry during the 1961–91 period. We find that businesses faced increased risk of dissolution if they did not form new partnerships after partners shut down or formed collaborative relationships with new partners. The results have implications for developing an evolutionary theory of business strategy and performance. Our approach implies that the performance of a focal business often depends on how the strategies of its business partners evolve over time. An evolutionary theory of strategy must incorporate key characteristics of actions and relationships throughout a web of business partnerships. The dual nature of interfirm relationships, which both help a business survive at one time and inhibit its ability to adapt at another, helps explain why so many successful businesses fail when their environments change.

Sinha, Rajiv K. and Charles H. Noble

The Performance Consequences of Subfield Entry

Vol. 18, No. 6, June 1997, 465–481

The emergence of technical subfields is a common phenomenon in dynamic as well as relatively stable industries. The proper strategic response to the emergence of a subfield, that is, the decision on whether to enter or not to enter, is a key determinant of future firm performance. We propose that this entry decision is not a simple one. The effects of subfield entry may be influenced by strategic factors related to the subfield as well as to the greater industry environment. In this study, we apply a population ecology framework to the study of subfield birth and evolution and use this perspective to develop and test several propositions related to the effects of subfield entry on performance. The data pertain to the evolution of the automatic teller machine subfield over the first 9 years of its existence for a population of over 3500 banks. Our results support the population ecology framework, generally emphasizing the positive performance consequences of early subfield entry.

Slater, Stanley F. and John C. Narver

Customer-Led and Market-Oriented: Let's Not Confuse the Two

Vol. 19, No. 10, October 1998, 1001–1006

Christensen and Bower (1996) report the results of a study of how customer power contributes to the failure of leading firms during a period of industry discontinuity. They conclude that developing a customer orientation appears not to be wise advice under these conditions. However, this conclusion is contradicted by long-standing theory and recent research in marketing. In this commentary we distinguish between two forms of 'customer orientation' that are frequently confused. The first, a customer-led philosophy, is primarily concerned with satisfying customers' expressed needs, and is typically short term in focus and reactive in nature. The second, a market-oriented philosophy, goes beyond satisfying expressed needs to understanding and satisfying customers' latent needs and, thus, is longer term in focus and proactive in nature. Based on theory and substantial evidence, the advice to become market-oriented appears sound regardless of the market conditions a business faces.

Slater, Stanley F. and John C. Narver

Market-Oriented Is More Than Being Customer-Led

Vol. 20, No. 12, December 1999, 1165–1168

Connor, in 'Customer-led and market-oriented: A matter of balance', argues, among other things, that we propose that market-oriented businesses focus on future customer needs to the neglect of current customer needs, that market-oriented businesses over-emphasize marketing activities in their value chains, that market-oriented businesses emphasize generative learning to the neglect of adaptive learning, and that only large companies have the resources to become market-oriented. These arguments are largely unfair extrapolations of our position and reflect a superficial understanding of the nature and benefits of being market-oriented. We use this response to clarify our position on these issues.

smith, faye l. and Rick L. Wilson

The Predictive Validity of the Karnani and Wernerfelt Model of Multipoint Competition

Vol. 16, No. 2, February 1995, 143–160

This study is the first to examine the predictive validity of the Karnani and Wernerfelt theoretical model. We developed measures for four variables, and explored whether they successfully operationalized the dimensions in the theoretical model. The model proposed four response strategies, and six were observed in the data. Incumbent firms most frequently did not respond at all to another firm's entry, even though a counterattack response was predicted by the model. Since the independent variables did not predict responses as proposed by the model, exploratory analyses identified 'best' predictors of responses.

Smith, Ken G., Curtis M. Grimm, Greg Young and Stefan Wally

Strategic Groups and Rivalrous Firm Behavior: Towards a Reconciliation

Vol. 18, No. 2, February 1997, 149–157

This research examines the question of whether rivalry is greater between or within strategic groups by utilizing more direct, dynamic and fine-grained measures of rivalry. Examining the competitive actions of firms in different strategic groups to determine if competitive responses were more likely to occur from firms in the same strategic group, or from firms in different strategic groups, the research found that competitive responses cannot be predicted by strategic group membership. Importantly, however, strategic group membership is a predictor of the manner by which firms compete with one another, or the frequency with which they undertake competitive actions, cut prices, instigate warfare and imitate rivals.

Song, X. Michael, C. Anthony Di Benedetto and Yuzhen Lisa Zhao

Pioneering Advantages in Manufacturing and Service Industries: Empirical Evidence from Nine Countries

Vol. 20, No. 9, September 1999, 811–836

Although one might expect differences between manufacturing and service firms in pioneering advantages, the extent of these differences has not yet been investigated. This is the first cross national study that compares such differences in nine countries/regions: the United States, the United Kingdom, Germany, Japan, China, Taiwan, Hong Kong, South Korea, and Singapore. We develop several hypotheses concerning the perceptions of managers of manufacturing firms and service firms regarding the benefits and post-entry risks of pioneering, and the cost and differentiation advantages accruing to the pioneering firm. We test the hypotheses with data from 2419 firms representing all nine countries and both industrial sectors. We find that: (1) managers from all countries perceive pioneering to be associated with higher market share and/or profitability; (2) manufacturing firm managers perceive pioneering risks to be significantly more important than do service firm managers; (3) cost and differentiation advantages of pioneering are, for the most part, more significant to manufacturing than to service firm managers; (4) Western manufacturing firm managers perceive the cost advantages to be more important than Asian Pacific manufacturing firm managers. We conclude by presenting the managerial implications of our findings.

Spender, J.-C.

Making Knowledge the Basis of a Dynamic Theory of the Firm

Vol. 17, Special Issue, Winter 1996, 45–62

Knowledge is too problematic a concept to make the task of building a dynamic knowledge-based theory of the firm easy. We must also distinguish the theory from the resource-based and evolutionary views. The paper begins with a multitype epistemology which admits both the pre- and subconscious modes of human knowing and, reframing the concept of the cognizing individual, the collective knowledge of social groups. While both Nelson and Winter, and Nonaka and Takeuchi, successfully sketch theories of the dynamic interactions of these types of organizational knowledge, neither indicates how they are to be contained. Callon and Latour suggest knowledge itself is dynamic and contained within actor networks, so moving us from knowledge as a resource toward knowledge as a process. To simplify this approach, we revisit sociotechnical systems theory, adopt three heuristics from the social constructionist literature, and make a distinction between the systemic and component attributes of the actor network. The result is a very different mode of theorizing, less an objective statement about the nature of firms 'out there' than a tool to help managers discover their place in the firm as a dynamic knowledge-based activity system.

Spender, J.-C. and Robert M. Grant

Knowledge and the Firm: Overview

Vol. 17, Special Issue, Winter 1996, 5–9

The explosion of interest in knowledge and its management reflects the trend towards 'knowledge work' and the Information Age, and recognition of knowledge as the principal source of economic rent. The papers in this Special Issue represent an attempt by strategy scholars (and some outside our traditional field) to come to terms with the implications of knowledge for the theory of the firm and its management. They are the product of a convergence of several streams of research which have addressed management implications of knowledge, including the management of technology, the economics of innovation and information, resource-based theory, and organizational learning. At the theoretical level, knowledge-centered approaches of Penrose, Arrow, Hayek and others have been enriched by contributions from evolutionary economists (notably Nelson and Winter) and epistemologists (notably M. Polanyi). At the empirical level, research into innovation and its diffusion originated by Mansfield, Griliches and others has been extended through studies which investigate tacit as well as explicit knowledge, and explore knowledge within as well as across firms.

Stabell, Charles B. and Øystein D. Fjeldstad

Configuring Value for Competitive Advantage: On Chains, Shops, and Networks

Vol. 19, No. 5, May 1998, 413–437

Building on Thompson's (1967) typology of long-linked, intensive, and mediating technologies, this paper explores the idea that the value chain, the value shop, and the value network are three distinct generic value configuration models required to understand and analyze firm-level value creation logic across a broad range of industries and firms. While the long-linked technology delivers value by transforming inputs into products, the intensive technology delivers value by resolving unique customer problems, and the mediating technology delivers value by enabling direct and indirect exchanges between customers. With the identification of alternative value creation technologies, value chain analysis is both sharpened and generalized into what we propose as a value configuration analysis approach to the diagnosis of competitive advantage. With the long-linked technology and the corresponding value chain configuration model as benchmark, the paper reviews the distinctive logic and develops models of the value shop and the value network in terms of primary activity categories, drivers of cost and value, and strategic positioning options.

Stacey, Ralph D.

The Science of Complexity: An Alternative Perspective for Strategic Change Processes

Vol. 16, No. 6, September 1995, 477–495

The two perspectives of strategy process most firmly established in the literature—strategic choice and ecology—assume the same about system dynamics: negative feedback processes driving successful systems (individual organizations or populations of organizations) toward predictable equilibrium states of adaptation to the environment. This paper proposes a third perspective, that of complex adaptive systems. The framework is provided by the modern science of complexity: the study of nonlinear and network feedback systems, incorporating theories of chaos, artificial life, self-organization and emergent order. Here system dynamics are characterized by positive and negative feedback as systems coevolve far from equilibrium, in a self-organizing manner, toward unpredictable long-term outcomes.

Stimpert, J. L. and Irene M. Duhaime

In the Eyes of the Beholder: Conceptualizations of Relatedness Held by the Managers of Large Diversified Firms

Vol. 18, No. 2, February 1997, 111–125

In this study, chief executive officers were surveyed to evaluate how they perceive their firms' businesses to be related. Responses from nearly 200 top executives provided the data for this study. Findings suggest that some managers think of relatedness in terms of similarities in products, markets, and technologies, a type of relatedness that is assessed by existing measures of diversification. The study also found, however, that managers hold additional conceptualizations of relatedness, including relatedness characterized by an emphasis on shared differentiation and marketing skills. The importance of the study's findings and its contributions to the diversification literature are discussed.

Stone, Melissa Middleton and Candida Greer Brush

Planning in Ambiguous Contexts: The Dilemma of Meeting Needs for Commitment and Demands for Legitimacy

Vol. 17, No. 8, October 1996, 633–652

This paper argues that ambiguity of context manifested in pressures for legitimacy and commitment affect planning processes. Ambiguity arises from multiple conflicting constituencies and the lack of direct control over resources. Using nonprofit and entrepreneurial organizations as examples of organizations facing ambiguous contexts, we examine their planning practices to develop an understanding of the relationship between commitment, legitimacy, and planning. From this analysis, we articulate a managerial dilemma: the need to use informality and vagueness to gain commitment from diverse interests, and the need to demonstrate formalization of managerial practices to acquire legitimacy from critical resource suppliers. Using elements of this dilemma, we present a new planning framework for organizations in ambiguous contexts that recognizes planning as a strategy for resource acquisition rather than a strategy for resource allocation.

Stuart, Toby E. and Joel M. Podolny

Local Search and the Evolution of Technological Capabilities

Vol. 17, Special Issue, Summer 1996, 21–38

The assumption that 'local search' constrains the direction of corporate R&D is central in evolutionary perspectives on technological change and competition. In this paper, we propose a network-analytic approach for identifying the evolution of firms' technological positions. The approach (1) permits graphical and quantitative assessments of the extent to which firms' search behavior is locally bounded, and (2) enables firms to be positioned and grouped according to the similarities in their innovative capabilities. The utility of the proposed framework is demonstrated by an analysis of strategic partnering and the evolution of the technological positions of the 10 largest Japanese semiconductor producers from 1982 to 1992.

Suárez, Fernando F. and James M. Utterback

Dominant Designs and the Survival of Firms

Vol. 16, No. 6, September 1995, 415–430

The economic, population ecology and strategic perspectives on firm survival are here complemented by viewing the same phenomenon from the viewpoint of technology evolution as well. The hypothesis tested is that the competitive environment of an industry, and therefore the survival of firms in it, is substantially affected by the evolution of the technology on which it is based. Survival analysis is applied to data from six industries. The results show that by explicitly including technology as a dynamic and strategic variable our understanding of firms' survival potential and success can be enhanced.

Sundaramurthy, Chamu

Corporate Governance within the Context of Antitakeover Provisions

Vol. 17, No. 5, May 1996, 377–394

This paper advances understanding of corporate governance relationships with a longitudinal study of multiple antitakeover options. Prior analyses have been primarily cross-sectional, focused exclusively on a single provision ignoring provisions which require subsequent stockholder approval. The current study uses agency theory, and broadens this perspective by examining the differential impact of institutional investors' stockholding, managerial stock ownership, and corporate board characteristics on the rate of adoption of six provisions, including provisions which do and do not require stockholder approval. Results of hazard analyses of the rate of amendment adoption of 185 firms between 1984 and 1988 indicate that the impact of governance variables on antitakeover provisions differ depending on whether these actions require stockholder approval or not. The pattern of differences indicates that institutional investors use their voting power when they are given an opportunity to vote and that substitution between direct shareholder control and managerial stock ownership exists.

Sundaramurthy, Chamu, James M. Mahoney and Joseph T. Mahoney

Board Structure, Antitakeover Provisions, and Stockholder Wealth

Vol. 18, No. 3, March 1997, 231–245

This paper's regression analyses from a sample of 261 firms that adopted 486 antitakeover provisions (supermajority, classified boards, fair-price, reduction in cumulative voting, anti-greenmail and poison pills) in the 1984–88 period indicate that the negative market reactions to antitakeover provisions vary depending on firms' board structures. This paper's empirical evidence indicates that while separating the positions of CEO and chairperson of the board reduces the negative effect, increased outsider representation increases negative market reactions.

Sutcliffe, Kathleen M. and George P. Huber

Firm and Industry as Determinants of Executive Perceptions of the Environment

Vol. 19, No. 8, August 1998, 793–807

This study examines variation in top executives' environmental perceptions within firms and within industries. More specifically, we investigate how industry and organizational membership affect top executives' perceptions of five environmental attributes. Results indicate that significant homogeneity of perceptions exists within firms and also within industries. Approximately 40 percent of the variance in individual top-level executives' perceptions of aspects of their respective organization's environment is explained by their organizational and industry membership. Implications of the findings for strategic management and organizational theory and for future research are presented.

Sutcliffe, Kathleen M. and Akbar Zaheer

Uncertainty in the Transaction Environment: An Empirical Test

Vol. 19, No. 1, January 1998, 1–23

Previous studies examining the relationship between uncertainty and vertical integration have produced a conflicting set of results. To clarify this puzzle we drew on the literature to conceptualize three distinct forms of uncertainty—primary, competitive, and supplier—and hypothesized that each had a different effect on vertical integration. The hypotheses were tested using experimental data collected from 308 managers. Consistent with our prediction of differential effects, we found that primary and competitive uncertainty were negatively associated with the decision to vertically integrate, but supplier uncertainty was positively related to the vertical integration decision. No interaction effects were found. Implications for theory and research are suggested.

Swaminathan, Anand

Entry into New Market Segments in Mature Industries: Endogenous and Exogenous Segmentation in the U.S. Brewing Industry

Vol. 19, Special Issue, April 1998, 389–404

I evaluate two processes, niche formation and resource-partitioning, that could independently account for the entry of firms into new market segments in mature industries. The niche formation argument focuses on environmental changes that promote the entry of new firms whereas the research-partitioning argument is based on the internal differentiation of a mature industry into subgroups composed of specialist and generalists. In other words, the niche formation and resource-partitioning accounts emphasize forces that are exogenous and endogenous to the industry, respectively. I attempt to resolve this theoretical tension by modeling the effects of niche formation and resource-partitioning together on the founding of firms in the microbrewery and brewpub segments of the U.S. brewing industry. I find that niche formation provides a better explanation for both microbrewery and brewpub foundings. In addition, I find limited evidence that the process of resource-partitioning is being played out again within the microbrewery segment of the industry. Implications for the evolution of organizational heterogeneity within industries are discussed.

Szulanski, Gabriel

Exploring Internal Stickiness: Impediments to the Transfer of Best Practice within the Firm

Vol. 17, Special Issue, Winter 1996, 27–43

The ability to transfer best practices internally is critical to a firm's ability to build competitive advantage through the appropriation of rents from scarce internal knowledge. Just as a firm's distinctive competencies might be difficult for other firms to imitate, its best practices could be difficult to imitate internally. Yet, little systematic attention has been paid to such internal stickiness. The author analyzes internal stickiness of knowledge transfer and tests the resulting model using canonical correlation analysis of a data set consisting of 271 observations of 122 best-practice transfers in eight companies. Contrary to conventional wisdom that blames primarily motivational factors, the study findings show the major barriers to internal knowledge transfer to be knowledge-related factors such as the recipient's lack of absorptive capacity, causal ambiguity, and an arduous relationship between the source and the recipient.

Taggart, James H.

Strategy Shifts in MNC Subsidiaries

Vol. 19, No. 7, July 1998, 663–681

This paper critically reviews the model of subsidiary strategy proposed by Jarillo and Martinez and, based on the data from a survey of 171 MNC manufacturing affiliates in the UK, proposes an extension of their model. The key finding is the identification of a group of affiliates (quiescent subsidiaries) in the low integration–low responsiveness quadrant, not previously identified in a study of this nature. Characteristics of the quiescent affiliate type are explored, and the determinants of strategy stability and strategy change over time are evaluated. It is concluded that differences between the extended model and the original may lie in basic strategic differences between Spanish and UK affiliates.

Tahai, Alireza and Michael J. Meyer

A Revealed Preference Study of Management Journals' Direct Influences

Vol. 20, No. 3, March 1999, 279–296

Our study develops and uses a new methodology for analyzing journal citations to recent publications to determine which management journals now have the greatest influence on the field of management. It analyzes the 23,637 academic journal references cited in the 1275 articles published in 17 key management journals during 1993 and 1994, focusing on citations to references published up to the modal vintage of 4 years earlier. Most cited as a percentage of all these references was *Strategic Management Journal* (11%), followed by *Academy of Management Journal*, *Journal of*

Applied Psychology, *Organizational Behavior and Human Decision Processes*, *Academy of Management Review*, *Administrative Sciences Quarterly*, and *Journal of Management*—accounting in total for 51 percent of all citations. *Strategic Management Journal*, whose subfield of strategic management has become a major concern of management in general, has developed as the predominant academic journal influencing the field of management. Our measures of journal influence provide information which can aid management scholars, practitioners, department heads, and university libraries to decide on efficient choices of journals for research and for manuscript submissions, for evaluation, and for subscriptions. Just seven management and social science journals, led by *Strategic Management Journal*, contain more than half of the cited articles published recently.

Tang, Charles Y. and Surinder Tikoo

Operational Flexibility and Market Valuation of Earnings

Vol. 20, No. 8, August 1999, 749–761

This paper examines the association between the stock returns and accounting earnings of firms that have different levels of operational flexibility. Operational flexibility is a firm's ability to respond profitably to environmental fluctuations by shifting factors of production within a multinational network of subsidiaries. The geographic breadth and depth of a firm's multinational network are used as indicators of operational flexibility. We find a significantly greater coefficient relating stock returns and accounting earnings for multinational firms that operate in many countries, but limit their concentration in any one foreign country, than for other multinational firms or domestic firms. This coefficient is significantly smaller for multinational firms whose foreign subsidiaries are highly concentrated in a few countries. When all multinational firms are pooled together, we find their earnings–returns association does not differ from that of domestic firms.

Taylor, Peter and Julian Lowe

A Note on Corporate Strategy and Capital Structure

Vol. 16, No. 5, June 1995, 411–414

The relationships between capital structure and corporate strategy in previous U.S. and Australian empirical studies, which use different definitions of capital structure, and hence have different functional relationships, are considered. A model using the U.S. specification with the Australian data is estimated, for which previous conclusions relating to profit are confirmed. The relationship between strategy and capital structure is thus shown to be less than robust. The conclusion that debt/equity ratios of highly diversified firms are more strongly affected by firm-level variables is supported. An explanation that the capital market rewards focused firms because they are easier to understand and price is offered.

Teece, David J., Gary Pisano and Amy Shuen

Dynamic Capabilities and Strategic Management

Vol. 18, No. 7, August 1997, 509–533

The dynamic capabilities framework analyzes the sources and methods of wealth creation and capture by private enterprise firms operating in environments of rapid technological change. The competitive advantage of firms is seen as resting on distinctive processes (ways of coordinating and combining), shaped by the firm's (specific) asset positions (such as the firm's portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited. The importance of path dependencies is amplified where conditions of increasing returns exist. Whether and how a firm's competitive advantage is eroded depends on the stability of market demand, and the ease of replicability (expanding internally) and imitability (replication of competitors). If correct, the framework suggests that private wealth creation in regimes of rapid technological change depends in large measure on honing internal technological, organizational, and managerial processes inside the firm. In short, identifying new opportunities and organizing effectively and efficiently to embrace them are generally more fundamental to private wealth creation than is strategizing, if by strategizing one means engaging in business conduct that keeps competitors off balance, raises rivals' costs, and excludes new entrants.

Tegarden, Linda F., Donald E. Hatfield and Ann E. Echols

Doomed from the Start: What Is the Value of Selecting a Future Dominant Design?

Vol. 20, No. 6, June 1999, 495–518

This study investigates how important it is for a firm to select what turns out to be a dominant design in a technology-driven industry. Using the personal computer industry as a case study, this research shows that firms are not doomed when their entry design choices turn out to be wrong. For early entrants, we found that switching to the dominant design is associated with increased chances of survival and market share. Contrary to our expectations, we found that even later entrants that switched to the dominant design also enjoyed higher survival rates and greater-market position.

Thomas, Louis A.

Advertising Sunk Costs and Credible Spatial Preemption

Vol. 17, No. 6, June 1996, 481–498

Large sunk investments in advertising allow managers to credibly preempt potential entrants by introducing new products prior to anticipated increases in market growth. Previous investment in advertising can lower a firm's cost to introduce new products allowing it to credibly preempt potential entrants. Entrants may not have enough residual share to find it profitable to enter later, and incumbents find it profitable to keep new products in the market even if entrants choose to enter. I present empirical evidence from the RTE cereal industry.

Thomas III, L. G. and Geoffrey Waring

Competing Capitalisms: Capital Investment in American, German, and Japanese Firms

Vol. 20, No. 8, August 1999, 729–748

This study explains one way the home country institutional environment causes strategy differences across firms from different countries. It contrasts the investment conduct of American, German, and Japanese firms in the 10 largest manufacturing industries. We find profound national differences among these firms that are stable across industries. These differing conducts are tied to the institutional environments of the home market. The *shareholder firms* of the United States make investments primarily in response to expected investment returns, measured by Tobin's Q ratio. The *coalitional firms* of Germany and Japan make investments primarily in response to the availability of internal finance, measured by operating cash flow.

Tripsas, Mary

Unraveling the Process of Creative Destruction: Complementary Assets and Incumbent Survival in the Typesetter Industry

Vol. 18, Special Issue, Summer 1997, 119–142

When radical technological change transforms an industry established firms sometimes fail drastically and are displaced by new entrants, yet other times survive and prosper. Drawing upon an unusually rich data set that covers the technological and competitive history of the typesetter industry from 1886 to 1990, this paper uses a combination of quantitative and qualitative analysis to unravel this process of creative destruction. It argues that the ultimate commercial performance of incumbents vs. new entrants is driven by the balance and interaction of three factors: investment, technical capabilities, and appropriability through specialized complementary assets. In this industry, specialized complementary assets played a crucial role in buffering incumbents from the effects of competence destruction, and an analysis that examined investment or technical capabilities in isolation would have led to misleading results. This work thus highlights the importance of considering multiple perspectives when examining the competitive implications of technological change.

Tsoukas, Haridimos

The Firm as a Distributed Knowledge System: A Constructionist Approach

Vol. 17, Special Issue, Winter 1996, 11–25

The organizational problem firms face is the utilization of knowledge which is not, and cannot be, known by a single agent. Even more importantly, no single agent can fully specify in advance what kind of practical knowledge is going to be relevant, when and where. Firms, therefore, are distributed knowledge systems in a strong sense: they are decentered systems, lacking an overseeing 'mind'. The knowledge they need to draw upon is inherently indeterminate and continually emerging; it is not self-contained. Individuals' stock of knowledge consists of (a) role-related normative expectations; (b) dispositions, which have been formed in the course of past socializations; and (c) local knowledge of particular circumstances of time and place. A firm has greater-or-lesser control over normative expectations, but very limited control over the other two. At any point in time, a firm's knowledge is the indeterminate outcome of individuals attempting to manage the inevitable tensions between normative expectations, dispositions, and local contexts.

Tyler, Beverly B. and H. Kevin Steensma

Evaluating Technological Collaborative Opportunities: A Cognitive Modeling Perspective

Vol. 16, Special Issue, Summer 1995, 43–70

Academic scholars, practitioners, and the public press have reported a number of factors believed to be relevant to decisions regarding technological collaboration. However, little is known about how executives actually weigh and integrate the available information during the evaluation process. This exploratory study uses policy capturing to examine managerial and economic information top executives consider when evaluating scenarios representative of cooperative technology development opportunities. Top executives are found to incorporate information associated with several prominent theories in the strategy literature (e.g., normative strategy, transaction cost economics, options theory). Executive cognitive limitations were also found to influence the evaluations. The study's results suggest a preliminary integrated behavioral model of the factors managers use in assessments of technological collaborative opportunities. Implications for research and practice are set forth.

Tyler, Beverly B. and H. Kevin Steensma

The Effects of Executives' Experiences and Perceptions on their Assessment of Potential Technological Alliances

Vol. 19, No. 10, October 1998, 939–965

Researchers have only begun to provide explanations of how top executives' experiences and perceptions influence organizational decision. Drawing from a broad theoretical base, this study tests the contention that top executives' personal experiences (age, educational background, and work experiences), their perceptions of their firms' attitudes toward technology and risk, and their perceptions regarding their firms' past success with collaborative technological development influence their cognitive assessments of potential technological alliances. Results from the study suggest that top executives with a technical education place more weight on the opportunities provided by the alliance than those with other types of education. Moreover, executives from firms that are perceived to emphasize technology and to have had success with technological alliances in the past tend to focus more on the opportunities provided by the alliance and less on the riskiness of the venture.

Very, Philippe, Michael H. Lubatkin, Roland Calori and John Veiga

Relative Standing and the Performance of Recently Acquired European Firms

Vol. 18, No. 8, September 1997, 593–614

This study draws on the concepts of relative standing to explain the post-merger performance of recently acquired European firms. We used a 2×3 sampling design where we surveyed top managers of British and French firms that were acquired by British, French, and U.S. firms as to their perceptions of cultural compatibility with the buying firms, their sense of loss of autonomy since the merger, and post-merger performance. While we found that the theory adequately explains the post-merger performance of both British and French firms, suggesting that this primarily 'made-in-the-United States' organization theory extends beyond the cultural domain of the United States, we also found an aspect of the theory that reflects a possible cultural bias.

Von Krogh, Georg and Johan Roos

A Tale of the Unfinished

Vol. 17, No. 9, November 1996, 729–737

Building on the work of Prahalad and Bettis (1986, 1995), the objective of this article is to generate dialogue for further understanding of the concept of dominant logic. *Our focus is on the level of basic assumptions.* First, we demonstrate the conceptual plasticity of 'dominant logic.' Then, we retrofit two relatively unknown concepts—self-reference and scale—with the concept of dominant logic, with its 1995 meaning. Finally, we discuss three implications of our venture.

Waddock, Sandra A. and Samuel B. Graves

The Corporate Social Performance–Financial Performance Link

Vol. 18, No. 4, April 1997, 303–319

Strategic managers are consistently faced with the decision of how to allocate scarce corporate resources in an environment that is placing more and more pressures on them. Recent scholarship in strategic management suggests that many of these pressures come directly from sources associated with social issues in management, rather than traditional arenas of strategic management. Using a greatly improved source of data on corporate social performance, this paper reports the results of a rigorous study of the empirical linkages between financial and social performance. Corporate social performance (CSP) is found to be positively associated with prior financial performance, supporting the theory that slack resource availability and CSP are positively related. CSP is also found to be positively associated with future financial performance, supporting the theory that good management and CSP are positively related.

Wade, James

Dynamics of Organizational Communities and Technological Bandwagons: An Empirical Investigation of Community Evolution in the Microprocessor Market

Vol. 16, Special Issue, Summer 1995, 111–133

In industries characterized by positive network externalities, the *market success* of a technology or design arises not simply because of its technological superiority, but from the level of organizational support that the technology attracts. Understanding the rate at which competing technologies gain organizational support is quite important because it yields insight into the factors that start technological bandwagons rolling or, correspondingly, bring them to a stop. I investigate this issue using data on all merchant producers of microprocessors from 1971 to 1989. I find that a community-level framework is useful in understanding this bandwagon phenomenon and I explore strategic and theoretical implications for industries characterized by network externalities and increasing returns.

Wagner III, J. A. and R. Z. Gooding

Equivocal Information and Attribution: An Investigation of Patterns of Managerial Sensemaking

Vol. 18, No. 4, April 1997, 275–286

Organizational research has revealed ample evidence of self-serving attributional patterns in managerial sensemaking, but has not yet resolved whether actor–observer attributional effects also influence managers' sensemaking tendencies. The primary purpose of this study was to investigate whether such actor–observer effects can be detected in managers' interpretation of equivocal information. Results indicate that managers receiving equivocal information about the performance of an organization described as their own credited positive outcomes to organizational strengths and blamed negative outcomes on environmental threats. In contrast, managers receiving equivocal information about an organization described as managed by others associated positive outcomes with environmental opportunities and linked negative outcomes to organizational weakness. Both self-serving and actor–observer attributional patterns were thus detected.

Wernerfelt, Birger

The Resource-Based View of the Firm: Ten Years After

Vol. 16, No. 3, March 1995, 171–174

The article reflects on the diffusion of the 'resource-based view of the firm' into academic and practitioner thought. The contributions of many people are noted. In closing, I offer some speculations about the future use of these ideas.

West, Jr., Clifford T., and Charles R. Schwenk

Top Management Team Strategic Consensus, Demographic Homogeneity and Firm Performance: A Report of Resounding Nonfindings

Vol. 17, No. 7, July 1996, 571–576

In this study, we hypothesized that relationships among top managers' goals consensus, means consensus, demographic homogeneity and firm performance would be positive and stronger in a stable industry environment than in a dynamic one. Utilizing a more rigorous methodology, the significant findings of earlier studies could not be replicated. Although the questions remain interesting and important ones, we believe pursuing this line of inquiry further will yield results inconsistent at best and fruitless at worst. Therefore, we urge future researchers to cautiously tread the perilous methodologic minefield that led to our nonfindings.

Wiersema, Margarethe F. and Julia Porter Liebeskind

The Effects of Leveraged Buyouts on Corporate Growth and Diversification in Large Firms

Vol. 16, No. 6, September 1995, 447–460

This study investigates the effects of LBOs on corporate growth and diversification in large U.S. firms which underwent leveraged buyouts during the 1980s. Based on the analysis, this study found that revenue and employee growth are significantly lower in LBO firms than in control firms that remained public. Strategically, we find that LBO firms decreased the size of both their periphery and core businesses more than public control firms and that LBO firms divested a significantly higher volume of periphery and core businesses than control firms. These post-buyout differences between LBO and public firms are consistent with the argument that LBO firms provide managers with incentives to downsize and prune lines of business resulting in overall firm size and diversification.

Williamson, Oliver E.

Strategy Research: Governance and Competence Perspectives

Vol. 20, No. 12, December 1999, 1087–1108

Business strategy is a complex subject and is usefully examined from several perspectives. This paper applies the lenses of governance and competence to the study of strategy.

Both the governance and the competence perspectives have had the benefit of distinguished antecedents. They have also had to deal with tautological reputations. I begin with the governance perspective, with emphasis on the six key moves through which it has been operationalized. I then examine the competence perspective in these same six respects.

Governance challenges the competence perspective to apply itself more assiduously to operationalization, including the need to choose and give definition to one or more units of analysis (of which the 'routine' is a promising candidate). The research challenges posed by competence to which governance can and should respond include dynamic transaction costs, learning, and the need to push beyond generic governance to address strategy issues faced by particular firms (with their distinctive strengths and disabilities). A lively research future for these two perspectives, individually and in combination, is projected.

Worrell, Dan L., Carol Nemec and Wallace N. Davidson III

One Hat too Many: Key Executive Plurality and Shareholder Wealth

Vol. 18, No. 6, June 1997, 499–507

Tracing backward the career paths of the key executives of *Business Week*'s 1990 listing of the 1000 most valuable publicly held companies, we empirically examined the impact of announced changes in key executive plurality on stockholder returns. We found the more complete the position consolidation, the more negative were the shareholder responses. To attempt to gain further understanding, the additional variables of executive's origin, the size of the board of directors of the firm, the proportion of outsiders on the board, and prior firm performance were examined.

Wright, Peter and Stephen P. Ferris

Agency Conflict and Corporate Strategy: The Effect of Divestment on Corporate Value

Vol. 18, No. 1, January 1997, 77–83

Among the various stakeholders of a firm, senior managers are the most likely targets for private and public political pressures. Other stakeholder groups are less visible and may be perceived as less influential in corporate strategy formulation and implementation. In some situations, consequently, senior executives may adopt corporate strategies in response to political pressures even if these strategies may be costly to shareholders. In this study, a special case is examined: the effect of divestment of South African business units on firm value. Using data from 1984 through 1990, we examine the impact that announcements of divestments have upon the stock return behavior of publicly traded firms. Our results indicate that significant and negative excess returns accrue to shares of companies announcing divestments of South African operations. These results are supportive of the premise that noneconomic pressures may influence managerial strategies rather than value-enhancement goals.

Yeoh, Poh-Lin and Kendall Roth

An Empirical Analysis of Sustained Advantage in the U.S. Pharmaceutical Industry: Impact of Firm Resources and Capabilities

Vol. 20, No. 7, July 1999, 637–653

The authors test a model of the relationships among firm resources, firm capabilities, and sustained competitive advantage between 1971 and 1989. Sustained comparative advantage was captured by two variables: therapeutic differentiation and global NCEs. The results show that R&D and salesforce expenditures have indirect and direct effects, respectively, on sustained competitive advantage. Firm capabilities were differentiated into component and integrative capabilities. Component capabilities were captured by the firm's internal R&D efforts and therapeutic market focus, while integrative capabilities were concerned with the firm's ability to obtain FDA approvals and to develop radical new drugs. Findings on each of these four capabilities on therapeutic differentiation and global NCEs are mixed. The direct and indirect effects of these resources and capabilities on therapeutic differentiation and global NCEs suggest important managerial implications in the way firms coordinate and combine their assets so as to achieve sustained competitive advantage.

Zaheer, Akbar and N. Venkatraman

Relational Governance as an Interorganizational Strategy: An Empirical Test of the Role of Trust in Economic Exchange

Vol. 16, No. 5, June 1995, 373–392

We develop a model of relational governance as a specific form of interorganizational strategy that is distinct from the traditional modes of *markets* and *hierarchies*. We conceptualize this form of strategy in terms of structural and processual dimensions and derive a model of its determinants through arguments drawn from transaction cost economics and the sociological exchange literature. Hierarchical regression modeling is employed to test the theoretical model on data collected from a sample of 329 independent insurance agencies. We include the relational variable of trust and demonstrate that the combined model explains relational governance better than a model with the traditional determinants of governance form alone. Further, we observe that governance structure and process are related and discuss implications of the dynamic link between them. Directions for extensions are developed for strategic management research and practice.

Zaheer, Srilata and Elaine Mosakowski

The Dynamics of the Liability of Foreignness: A Global Study of Survival in Financial Services

Vol. 18, No. 6, June 1997, 439–464

We study the impact of 'foreignness' on survival in interbank currency trading worldwide over the period 1974–93. In particular, we develop hypotheses on the behavior of the liability of foreignness over time, and on the consequences of evolving sources of firm-level competitive advantage on this liability. We test these hypotheses on the population of 2667 market-making trading rooms located in 47 countries worldwide that either existed in 1974 or entered the industry between 1974 and 1993. The results show that there is a liability of foreignness, and that it changes over time. Further, strategic and organizational factors such as the adoption of technology by these firms and their mode of internal control significantly influenced survival, as did location-related factors such as the intensity of local and foreign competition.

Zajac, Edward J.

SMJ 1993 Best Paper Award to Prahalad and Bettis

Vol. 16, No. 1, January 1995, 3–4

No summary given.

Zajac, Edward J.

Commentary On 'Alliances and Networks' by R. Gulati

Vol. 19, Special Issue, April 1998, 319–321

No summary given.