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# **STRATEGIC MANAGEMENT**

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Course Outline

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Master in Business and Finance  
Department of Business Administration

## **Course Description, Objectives and Format**

The purpose of this course is to enhance students' knowledge on the foundations of strategic management research. The primary objective of strategic management is twofold: (1) to explain differences in firm behavior, as this is enacted at the organizational apex; (2) to explain differences in performance among firms, as well as provide suggestions on how to improve performance. We will review the main explanations offered by strategic management research and related topics, such as the industry-based view, the resource-based view, business and corporate strategies, and parameters related to the implementation of these strategies, in particular the governance context within which strategy is enacted and by whom. At the end of the course, students should be proficient on the foundations of strategic management research, and endowed with a greater ability to critically analyze research in this field, as well as to ask novel research questions.

The more specific objectives of the course are:

- Review the main explanations offered by strategic management research with regard to differences in firm behavior and performance. To do so, we will examine a list of articles that refer to the related key topics in strategy research.
- Critically analyze and comment theoretical and empirical issues in strategy from an interdisciplinary perspective.
- Integrate existing knowledge to develop an original research proposal with an interesting research question and propositions and/or testable hypotheses.
- Develop skills to present and defend your research proposal, and ideas more generally.
- Learn how to review a research paper.

The course emphasizes the in-depth discussions of the research papers assigned for each session. When you read every paper, I suggest that you pay particular attention to the following points:

- (1) What is the motivation/objective of this paper?
- (2) What is the theoretical model?
- (3) What is the key argumentation?
- (4) What are the main implications?

## Course Organization

The course is organized in two main sections, where the first part (the first 6 sessions) focuses on introducing the main theories and perspectives in strategic management and explaining how the governance context shapes strategic management. The second part (the next 6 sessions) is centered around a wide range of corporate strategies. The last 2 sessions are reserved for the presentation of the student's research proposals.

### Weekly sessions (1-12)

Each session will start with the review of one selected paper (identified as "core reading"), before moving on to a structured debate where two predetermined teams of students will defend opposite views related to the topic of the session (identified as "debate statements"). A short list of additional articles is provided for each session to help students prepare for these debates. For the review of the selected paper, students will be asked to identify the key research question(s), the main contribution, the theoretical framework and logic behind the arguments, the methodology used, the main results. In addition, students will be asked to identify limitations as well as future lines of research or related research questions.

### Final proposal (13-14)

Each student has to write an individual final proposal. The final proposal has to be the front end of a research paper, within the context of one of the topics covered in this course.

The deadline for **communicating** the **topic** of your final proposal: October 15

The final proposal should include:

- (1) An appealing introduction with a clearly formulated research question.
- (2) A sound theoretical framework, with its formulated propositions and/or testable hypotheses.
- (3) A tentative research design.
- (4) A discussion that emphasizes the expected contribution of the paper to the existing literature on the topic.

The maximum number of pages of text is 15 (without counting figures, tables and references). Each student is required to present her or his research proposal at the end of the course.

### Exam

A final exam will cover all the sessions taught during the course. The quality of your answers will determine the evaluation.

### Grading

Component	Weight
Article summaries and Group discussion	25%
Debates	25%
Final research proposal	25%
Exam	25%

## Session Title and Readings

### 1. Overview of the Strategic Management field and key tools.

#### core reading

Nag, Hambrick & Chen. 2007. What is strategic management, really? Inductive derivation of a consensus definition of the field. **Strategic Management Journal**, 28: 935-955.

#### additional readings

Hoskisson, Hitt, Wan & Yiu. 1999. Theory and research in strategic management: Swings of a pendulum. **Journal of Management**, 25(3): 417-456.

### 2. Defining the objectives of the firm – shareholder or stakeholder focus?

#### core reading

Sundaram, A., Inkpen, A. 2004. The Corporate Objective Revisited. *Organization Science* 15(3):350-363

Freeman, E., Wicks, A., Parmar, B. 2004. Stakeholder Theory and “The Corporate Objective Revisited”. *Organization Science* 15(3):364-369.

#### additional readings

Dorobantu, S., Henisz, W., Nartey, L. 2017. Not All Sparks Light a Fire: Stakeholder and Shareholder Reactions to Critical Events in Contested Markets. **Administrative Science Quarterly** 62: 561-597

#### debate statements (start of session 3)

Managers should focus on maximizing the value for all shareholders / stakeholders

### 3. The role of the external environment

#### core reading

Fosfuri A., Giarratana M. 2009. Masters of War: Rivals' Product Innovation and New Advertising in Mature Product Markets. *Management Science* 55(2), 181-191.

#### additional readings

Bamiatzi, V., Bozos, K., Cavusgil, S., Hult, G. 2016. Revisiting the firm, industry, and country effects on profitability under recessionary and expansion periods: A multilevel analysis. **Strategic Management Journal**, 37:1448-1471.

McGahan & Porter. 1997. How much does industry matter, really? **Strategic Management Journal**, 18:15-30.

Karniouchina, E. Carson, S., Short, J., Ketchen Jr, D. 2013. Extending the firm vs. industry debate: Does industry life cycle stage matter? **Strategic Management Journal**, 34:1010-1018

#### 4. The resource-based view and firm capabilities

##### core reading

Helfat, C., Peteraf, M. 2015. Managerial cognitive capabilities and the microfoundations of dynamic capabilities. **Strategic Management Journal**, 36: 831-850

##### additional readings

Barney. 1991. Firm resources and sustained competitive advantage. **Journal of Management**, 17: 99-120.

Barreto, I. 2010. Dynamic Capabilities: A Review of Past Research and an Agenda for the Future. **Journal of Management**. 36(1):256-280

Teece, D. 2007. Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. **Strategic Management Journal** 28: 1319-1350

##### debate statements

What really explains firm's chances of survival/performance: (i) External Factors: Institutions and Industry characteristics or (ii) Internal Factors: firm level and management team characteristics?

#### 5. CEOs and Top Management Teams

##### core reading

Krause, R., Priem, R., Love, L. 2015. Who's in charge here? Co-CEOs, power gaps, and firm performance. **Strategic Management Journal** 36: 2099-2110

##### additional readings

Bennedsen, M., Pérez-González, F., Wolfenzon, D. 2020. Do CEOs Matter? Evidence from Hospitalization Events. *Journal of Finance* 75: 1877-1911

Graham, J., Kim, H., Leary, M. 2020. CEO-board dynamics. **Journal of Financial Economics** 137: 612-636

##### debate statements

Powerful CEOs are good/bad for performance (and survival)

#### 6. Boards of Directors

##### core reading

Park, D. Boeker, W., Gomulya, D. 2020. Political ideology of the board and CEO dismissal following financial misconduct **Strategic Management Journal** 41: 108-123

##### additional readings

Haynes, K., Hillman, A. 2010. The effect of board capital and CEO power on strategic change. **Strategic Management Journal** 31: 1145-1163.

Schnatterly, K., Calvano, F., Berns, J., Deng, C. (forthcoming). The effects of board expertise-risk misalignment and subsequent strategic board reconfiguration on firm performance. **Strategic Management Journal**

## debate statements

Diversity at the 'TMT' and board level is good/bad for performance (and survival)

----- End of the First Part -----

### 1. Industry Evolution (October 3<sup>rd</sup>)

Debate: Does industry life cycle stage matter?

#### Readings:

- Karniouchina EV, Carson SJ, Short JC, Ketchen DJ. (2013). Extending the firm vs. industry debate: Does industry life cycle stage matter? *Strategic Management Journal* 34(8): 1010–1018.\*
- Steven Klepper (1997). Industry Life Cycles. *Industrial and Corporate Change*, 6(1): 145-182.
- Pamela Adams, Roberto Fontana and Franco Malerba (2016). User-Industry Spinouts: Downstream Industry Knowledge as a Source of New Firm Entry and Survival. *Organization Science*, 27(1): 18-35.
- Franco Malerba, Richard Nelson, Luigi Orsenigo, and Sidney G. Winter (1999). 'History-friendly' models of industry evolution: The computer industry. *Industrial and Corporate Change*, 8(1): 3-40.
- Steven Klepper (2002). The Capabilities of New Firms and the Evolution of the U.S. Automobile Industry. *Industrial and Corporate Change*, 11: 645-666.

### 2. Market Entry and the Importance of Pre-History (October 7<sup>th</sup>)

Debate: How does pre-history affect market entry? Does it help or hurt market entry?

#### Readings:

- Jamie P. Eggers (2014). Competing Technologies and Industry evolution: The Benefits of Making Mistakes in the Flat Panel Display Industry. *Strategic Management Journal*, 35(2): 159-178.\*
- Glenn R. Carroll et al. (1996). The Fates of De Novo and De Alio Producers in the American Automobile Industry, 1885–1981. *Strategic Management Journal*, 17: 117-138.
- Helfat, C.E., M.B. Lieberman. (2002). The Birth of Capabilities: Market Entry and the Importance of Pre-history. *Industrial and Corporate Change*, 11(4): 725.
- Gino Cattani (2005). Pre-adaptation, Firm Heterogeneity and Technological

Performance: A Study on the Evolution of Fiber Optics, 1970-1995. *Organization Science*, 16(6): 563-580.

- William Mitchell (1989). Whether and When? Probability and Timing of Incumbents' Entry into Emerging Industrial Subfields. *Administrative Science Quarterly*, 34(2): 208-230.

### 3. **Firm Scope: Diversification and Performance (October 10<sup>th</sup>)**

Debate: Does diversification help or hurt performance?

#### **Readings:**

- Sorenson, O., McEvily, S., Ren, C.R., Roy, R. (2006). Niche width revisited: Organizational scope, behavior and performance. *Strategic Management Journal*, 27, 915–936.\*
- George P. Baker (1992). Beatrice: A Study in the Creation and Destruction of Value. *Journal of Finance*, 47(3): 1081-1119.
- Leslie E. Palich, Laura B. Cardinal and Chet C. Miller (2000). Curvilinearity in the Diversification–Performance Linkage: An Examination of over Three Decades of Research. *Strategic Management Journal*, 21(2): 155-174.
- Richard P. Rumelt (1982). Diversification Strategy and Profitability. *Strategic Management Journal*, 3(4): 359-369.
- Belen Villalonga (2004). [Does Diversification Cause the 'Diversification Discount'?](#) *Financial Management*, 33(2): 5-27.
- Birger C. Wernerfelt and Cynthia C. Montgomery (1988). Tobin's q and the Importance of Focus in Firm Performance. *American Economic Review*, 78: 246-250.

### 4. **Transaction Costs and the Nature of the Firm (October 14<sup>th</sup>)**

Debate: Which one is better for firms partnering or non-partnering?

#### **Readings:**

- Yang, H., Lin, Z. and Lin, Y. (2010), A multilevel framework of firm boundaries: firm characteristics, dyadic differences, and network attributes. *Strat. Mgmt. J.*, 31: 237-261\*
- Ronald H. Coase (1937). The Nature of the Firm. *Economica*, 4(16): 386-405.
- Mark Granovetter (1985). Economic Action and Social Structure: The Problem of Embeddedness. *American Journal of Sociology*, 91:481-510.
- Oliver E. Williamson (1979). Transaction Cost Economics: The Governance of Contractual Relations. *The Journal of Law and Economics*, 22: 233-261.
- Toby E. Stuart. (1998). Network Positions and Propensities to Collaborate: An Investigation of Strategic Alliance Formation in a High Technology Industry. *Administrative Science Quarterly*, 42: 668-698.

## 5. Behavioral Strategy (October 17<sup>th</sup>)

Debate: How do organizations search for and learn about strategic option? Should search processes be forward-looking, based on managers' cognitive map of action-outcome linkages, or should it be backward-looking, based on past experience?

### Readings:

- Greve, H.R. (2011), Fast and expensive: the diffusion of a disappointing innovation. *Strat. Mgmt. J.*, 32: 949-968\*
- Reitzig, M. and Sorenson, O. (2013), Biases in the selection stage of bottom-up strategy formulation. *Strat. Mgmt. J.*, 34: 782-799
- Greve, H.R. (2011), Positional rigidity: low performance and resource acquisition in large and small firms. *Strat. Mgmt. J.*, 32: 103-114.
- Giovanni Gavetti and Daniel Levinthal (2000). Looking Forward and Looking Backward: Cognitive and Experiential Search. *Administrative Science Quarterly*, 45: 113-137.
- Giovanni Gavetti (2012). Toward a Behavioral Theory of Strategy. *Organization Science*, 23(1): 267-285).
- Jerker Denrell, Christina Fang and Sidney G. Winter (2003). The economics of strategic opportunity. *Strategic Management Journal*, 24(10): 977-990.
- Linda Argote and Henrich R. Greve (2007). A Behavioral Theory of the Firm—40 Years and Counting: Introduction and Impact. *Organization Science*, 18(3): 337–349.

## 6. Competitive Sense-making (October 21<sup>st</sup>)

Debate: High levels of information access among firms will be positively / negatively related to their performance.

### Readings:

- Jalonen, K, Schildt, H, Vaara, E. (2018). Strategic concepts as micro-level tools in strategic sensemaking. *Strat Mgmt J.*; 39: 2794– 2826\*
- Adam M. Brandenburger and Harborne W. Stuart Jr. (1996). Value-based Business Strategy. *Journal of Economics & Management Strategy*, 5(1): 5-24.
- Gino Cattani, Daniel Sands, Joseph Porac and Jason Greenberg (2018). Competitive Sensemaking in value Creation and Capture. *Strategy Science*, 3(4): 632-657.
- Olivier Chatain and Denisa Mindruta (2017). Estimating Value Creation from Revealed Preferences: Application to Value-based Strategies. *Strategic Management Journal*, 38(10): 1964-1985.
- Mary Tripsas and Giovanni Gavetti (2000). Capabilities, Cognition, and Inertia: Evidence from Digital Imaging. *Strategic Management Journal*, 21: 1147-1161.
- James B. Thomas, Shawn M. Clark and Dennis A. Gioia (1993). Strategic Sensemaking and Organizational Performance: Linkages among Scanning, Interpretation, Action, and Outcomes. *Academy of Management Journal*, 36(2): 239-270.