INSEAD

The Business School for the World®

Syllabus: Competitive Strategy Research

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Professor: Felipe Csaszar
felipe.csaszar@insead.edu
EW 1.07
Office hours: by appointment

Assistant: Jessica Verin
jessica.verin@insead.edu
EW 1.15

Course Objectives

This PhD seminar examines some of the central questions in the field of strategy research. This seminar is a required course for doctoral students in the strategy area at INSEAD.

The goals of the seminar are the following:

1. To familiarize you with the main theoretical, empirical, and methodological traditions in strategy research.
2. To help you develop the skills to understand, critique, and contribute to the field of strategy.

The course is informed by both economic and behavioral views of strategy. In order to cover a broad array of issues in strategy research, the readings are biased towards foundational and survey works, although most sessions include at least one empirical or modeling paper that exemplifies work that is done near the knowledge frontier.

Because of the breadth of strategy research, a course like this is inevitably incomplete. Hence, the course aims to inform you about the main conversations in the field, while you are responsible to master the specific literatures that matter to your research.

Requirements

You are required to read all the assigned materials for each session and be prepared to actively participate in the discussions.

In addition, the course has three other requirements:

1. *Puzzles & gaps.* For six sessions of the course (you choose which ones), you should prepare a one-page document with your critical thoughts about the readings assigned to that session. Do not write a summary of the readings (doing so will be penalized), but provide your own thoughts on what you find particularly remarkable or problematic about the readings, and what novel connections or extensions the readings spark on you. Please upload this document to our shared folder before 5pm (Fontainebleau time) of

the corresponding session.[1] You can prepare more than six of these documents, and the six with the highest grades will count towards your course grade.

2. *Paper discussion.* All the readings of the course will be evenly split among the students, so that each student will be in charge of leading the discussion of at most one reading per session.[2] For each reading (except for those that are marked with a ⋆) prepare no more than six slides (or an equivalent text outline) with the following suggested headings: (1) main question and why it matters; (2) method; (3) result; (4) implications; (5) discussion (i.e., thoughtful questions and ideas you pose to the class regarding key assumptions, problems, extensions, connections, etc.). You can add a sixth heading anywhere in the structure to delve into further detail about any other aspect of the paper you consider particularly relevant. Please bring to class enough printouts of this document for all the participants (if you prepare slides, print at two slides per page). Please upload this document to our shared folder before the beginning of the corresponding session.

   In most sessions one paper is marked with a ⋆. If you are in charge of one of these papers, prepare a slightly longer presentation that delves into the details of the methodology. Each student should present at least one of these papers.

3. *Term paper.* Each student is responsible for an individual research project. The project is due on session #11, at which time you should deliver a 10-minute presentation and a write up no longer than 30 pages of double spaced text. Please clear your proposed topic with me before session #8. You can choose between three types of papers:

   (a) Empirical paper. Ideally, you should be able to collect the data you need, but if that it is not possible, you can describe the type of data you would need and how you would analyze it.

   (b) Modeling paper. You can develop a closed form model or a simulation.

   (c) Literature survey. This consists in an survey article on a topic of your choice. You should cover both the foundational and current literature on that topic, and describe what are the questions that have been answered, what are the open questions, and how it relates to relevant managerial issues.

   Note: there will be no 'incomplete' grades—if you do not complete the paper in time, you will fail the course.

Grading

The final grade is computed using the following weights:

[1] The Internet address of the folder will be shared prior to the first session. All documents you upload to this folder must be in PDF format. You can use the free software PDFCreator to do this conversion. Please include your last name in the file name.

[2] I will assign the readings for session #1, for all the other sessions, you are in charge of assigning the readings among yourselves.

Class participation	20%
Paper discussions	20%
Puzzles & gaps	20%
Term paper	40%

Reading List

Note: for each session, all the readings are required, except those that appear below a horizontal bar, which are optional.

Session 1: Origins of Strategy

[Friday, January 21, 08:30-11:30 FT/15:00-18:00 ST]

Theories of choice:

1. H. A. Simon. A behavioral model of rational choice. *Quarterly Journal of Economics*, 69(1):99–118, 1955
2. A. Tversky and D. Kahneman. Rational choice and the framing of decisions. *Journal of Business*, 59(4, Part 2):S251–S278, 1986
3. D. K. Gode and S. Sunder. Allocative efficiency of markets with zero-intelligence traders: Market as a partial substitute for individual rationality. *Journal of Political Economy*, 101(1):119–137, 1993

Introduction to strategy:

4. P. Ghemawat. Competition and business strategy in historical perspective. *Business History Review*, 76(1):37–74, 2002
5. M. E. Porter. Towards a dynamic theory of strategy. *Strategic Management Journal*, 12:95–117, Win 1991. Special Issue
6. R. R. Nelson. Why do firms differ, and how does it matter? *Strategic Management Journal*, 12(Special Issue: Fundamental Research Issues in Strategy and Economics):61–74, 1991

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7. M. E. Porter. What is strategy? *Harvard Business Review*, 74(6):61–78, Nov-Dec 1996
8. J.T. Mahoney and A. M. McGahan. The field of strategic management within the evolving science of strategic organization. *Strategic Organization*, 5(1):79–99, 2007

Session 2: Diversification and industry effects

[Friday, January 28, 08:30-11:30 FT/15:00-18:00 ST]

Diversification:

1. C. A. Montgomery. Corporate diversification. *Journal of Economic Perspectives*, 8(3):163–178, 1994
2. C. A. Montgomery and B. Wernerfelt. Diversification, Ricardian rents, and Tobin's q. *RAND Journal of Economics*, 19(4):623–632, 1988
3. D. J. Teece, R. P. Rumelt, G. Dosi, and S. G. Winter. Understanding corporate coherence: Theory and evidence. *Journal of Economic Behavior & Organization*, 23(1):1–30, Jan 1994
4. B. Villalonga. Diversification discount or premium?: New evidence from the business information tracking series. *Journal of Finance*, 59(2):479–506, 2004

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5. E. T. Penrose. *The Theory of the Growth of the Firm*. Wiley, New York, NY, 1959. Chapters V ("Inherited resources and the direction of expansion") and VII ("The economics of diversification").
6. P. G. Berger and E. Ofek. Diversification's effect on firm value. *Journal of Financial Economics*, 37(1):39–65, Jan 1995

Firm and industry effects:

7. R. P. Rumelt. How much does industry matter. *Strategic Management Journal*, 12(3):167–185, 1991
8. ⋆A. M. McGahan and M. E. Porter. How much does industry matter, really? *Strategic Management Journal*, 18:15–30, Sum 1997. Special Issue

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9. R. Schmalensee. Do markets differ much. *American Economic Review*, 75(3):341–351, 1985
10. A. M. McGahan and M. E. Porter. What do we know about variance in accounting profitability? *Management Science*, 48(7):834–851, 2002
11. T. W. Ruefli and R. R. Wiggins. Industry, corporate, and segment effects and business performance: A non-parametric approach. *Strategic Management Journal*, 24(9):861–879, 2003
12. A. M. McGahan and M. E. Porter. Comment on 'industry, corporate and business-segment effects and business performance: a non-parametric approach' by ruefli and wiggins. *Strategic Management Journal*, 26(9):873–880, 2005

Session 3: Resources and rents

[Friday, February 4, 08:30-11:30 FT/15:00-18:00 ST]

1. B. Wernerfelt. A resource-based view of the firm. *Strategic Management Journal*, 5(2):171–180, 1984

2. I. Dierickx and K. Cool. Asset stock accumulation and sustainability of competitive advantage. *Management Science*, 35(12):1504–1511, Dec 1989

3. J. Barney. Firm resources and sustained competitive advantage. *Journal of Management*, 17(1):99–120, Mar 1991

4. S. G. Winter. Four Rs of profitability: Rents, resources, routines and replication. In C. Montgomery, editor, *Resource Based and Evolutionary Theories of the Firm: Towards a Synthesis*, pages 147–178. Kluwer Academic, Boston, MA, 1995

5. R. L. Priem and J. E. Butler. Is the resource-based 'view' a useful perspective for strategic management research? *Academy of Management Review*, 26(1):22–40, Jan 2001

6. ⋆R. Henderson and I. Cockburn. Measuring competence: Exploring firm effects in pharmaceutical research. *Strategic Management Journal*, 15:63–84, Win 1994. Special Issue

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7. J. Barney, M Wright, and D. J. Ketchen. The resource-based view of the firm: Ten years after 1991. *Journal of Management*, 27(6):625–641, 2001

8. M. A. Peteraf. The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 14(3):179–191, Mar 1993

Session 4: Dynamic capabilities and exploration

[Friday, February 11, 08:30-11:30 FT/15:00-18:00 ST]

Exploration, exploitation, and ambidexterity:

1. ⋆J. G. March. Exploration and exploitation in organizational learning. *Organization Science*, 2:71–87, 1991

2. S. Raisch and J. Birkinshaw. Organizational ambidexterity: Antecedents, outcomes, and moderators. *Journal of Management*, 34(3):375–409, 2008

3. T. E. Stuart and J. M. Podolny. Local search and the evolution of technological capabilities. *Strategic Management Journal Volume*, 17:21–38, 1996. Special Issue

Dynamic capabilities:

4. D. J. Teece, G. Pisano, and A. Shuen. Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7):509–533, Aug 1997

5. K. M. Eisenhardt and J. A. Martin. Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10-11):1105–1121, Oct-Nov 2000

6. M. Tripsas. Surviving radical technological change through dynamic capability: Evidence from the typesetter industry. *Industrial and Corporate Change*, 6(2):341–377, 1997

Session 5: Knowledge and learning

[Friday, February 18, 08:30-11:30 FT/15:00-18:00 ST]

1. F. A. Hayek. The use of knowledge in society. *American Economic Review*, 35(4):519–530, 1945
2. S. G. Winter. Knowledge and competence as strategic assets. In D. J. Teece, editor, *The Competitive Challenge: Strategies for Industrial Innovation and Renewal*, pages 159–184. Ballinger, Cambridge, MA, 1987
3. W. M. Cohen and D. A. Levinthal. Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 35(1):128–152, Mar 1990
4. B. Kogut and U. Zander. Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3(3):383–397, 1992
5. E. D. Darr, L. Argote, and D. Epple. The acquisition, transfer, and depreciation of knowledge in service organizations: Productivity in franchises. *Management Science*, 41(11):1750–1762, Nov 1995
6. ⋆P. Thompson. How much did the liberty shipbuilders learn? new evidence for an old case study. *Journal of Political Economy*, 109(1):103–137, 2001

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7. S. Brusoni, A. Prencipe, and K. Pavitt. Knowledge specialization, organizational coupling, and the boundaries of the firm: Why do firms know more than they make? *Administrative Science Quarterly*, 46(4):597–621, Dec 2001
8. J. G. March, L. S. Sproull, and M. Tamuz. Learning from samples of one or fewer. *Organization Science*, 2(1):1–13, 1991
9. G. Szulanski. Exploring internal stickiness: Impediments to the transfer of best practice within the firm. *Strategic Management Journal*, 17(Special issue: Knowledge and the firm):27–43, Winter 1996
10. J. Denrell and March J. G. Adaptation as information restriction: The hot stove effect. *Organization Science*, 12(5):523–538, 2001
11. J. Alcacer and W. Chung. Location strategies and knowledge spillovers. *Management Science*, 53(5):760–776, 2007

Session 6: Evolution and fit

[Monday, February 21, 10:30-13:30 FT/16:30-19:30 ST]

1. P. R. Milgrom and J. Roberts. Complementarities and fit: Strategy, structure, and organizational-change in manufacturing. *Journal of Accounting & Economics*, 19(2-3):179–208, Mar-May 1995

2. N. Siggelkow. Evolution toward fit. *Administrative Science Quarterly*, 47(1):125–159, Mar 2002

3. ⋆D. A. Levinthal. Adaptation on rugged landscapes. *Management Science*, 43(7):934–950, 1997

4. D. A. Levinthal. Random-walks and organizational mortality. *Administrative Science Quarterly*, 36(3):397–420, Sep 1991

5. R. Axelrod and M. Cohen. Selection. In *Harnessing Complexity*, pages 117–145. Free Press, New York, NY, 1999. Chapter 4

6. H. E. Aldrich. The evolutionary approach. In *Organizations Evolving*, pages 20–41. SAGE Publications, Thousands Oaks, CA, 1999. Chapter 2

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7. M. Porter and N. Siggelkow. Contextuality within activity systems and sustainability of competitive advantage. *Academy of Management Perspectives*, 22(2):34–56, 2008

Session 7: Value creation, value capture, and sustainability

[Thursday, March 10, 08:30-11:30 FT/15:00-18:00 ST]

1. A. M. Brandenburger and H. Stuart. Value-based business strategy. *Journal of Economics & Management Strategy*, 5(1):5–24, 1996

2. G. MacDonald and M. D. Ryall. How do value creation and competition determine whether a firm appropriates value? *Management Science*, 50(10):1319–1333, 2004

3. ⋆O. Chatain and P. B. Zemsky. Value creation and value capture with frictions. 2009. INSEAD Working Paper. Available at SSRN: http://ssrn.com/abstract=1424950

4. M. J. Lenox, S. F. Rockart, and A. Y. Lewin. Interdependency, competition, and the distribution of firm and industry profits. *Management Science*, 52(5):757–772, 2006

5. S. A. Lippman and R. P. Rumelt. Uncertain imitability: An analysis of interfirm differences in efficiency under competition. *Bell Journal of Economics*, 13(2):418–438, 1982

6. J. W. Rivkin. Imitation of complex strategies. *Management Science*, 46:824–844, 2000

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7. M. E. Porter. How competitive forces shape strategy. *Harvard Business Review*, 57(2):137–145, 1979

8. L. Makowski and M. Ostroy, J. Perfect competition and the creativity of the market. *Journal of Economic Literature*, 39(2):479–535, 2001

9. A. M. Brandenburger and H. Stuart. Biform games. *Management Science*, 53(4):537–549, 2007

Session 8: Technology and industry dynamics

[Thursday, March 17, 08:30-11:30 FT/15:00-18:00 ST]

1. S. G. Winter. Schumpeterian competition in alternative technological regimes. *Journal of Economic Behavior & Organization*, 5(3-4):287–320, 1984
2. D. J. Teece. Profiting from technological innovation: Implications for integration, collaboration, licensing and public-policy. *Research Policy*, 15(6):285–305, Dec 1986
3. R. M. Henderson and K. B. Clark. Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. *Administrative Science Quarterly*, 35(1):9–30, Mar 1990
4. S. Klepper. Industry life cycles. *Industrial and Corporate Change*, 6(1), 1997
5. ⋆A. A. King and C. L. Tucci. Incumbent entry into new market niches: The role of experience and managerial choice in the creation of dynamic capabilities. *Management Science*, 48(2):171–186, 2002
6. R. Adner and P. Zemsky. Disruptive technologies and the emergence of competition. *RAND Journal of Economics*, 36(2):229–254, 2005

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7. G. Dosi. Technological paradigms and technological trajectories: A suggested interpretation of the determinants and direction of technical change. *Research Policy*, 11:147–162, 1982
8. W. J. Abernathy and K. B. Clark. Innovation: Mapping the winds of creative destruction. *Research Policy*, 14(1):3–22, 1985
9. M. L. Tushman and P. Anderson. Technological discontinuities and organizational environments. *Administrative Science Quarterly*, 31(3):439–465, Sep 1986
10. R. E. Caves. Industrial organization and new findings on the turnover and mobility of firms. *Journal of Economic Literature*, 36(4):1947–1982, Dec 1998
11. F. F. Suarez and J. M. Utterback. Dominant designs and the survival of firms. *Strategic Management Journal*, 16(6):415–430, 1995

Session 9: Transaction costs and incentives

[Thursday, March 24, 08:30-11:30 FT/15:00-18:00 ST]

1. O. Hart. An economist's perspective on the theory of the firm. *Columbia Law Review*, 89(7):1757–1774, 1989
2. O. E. Williamson. Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, 36(2):269–296, Jun 1991
3. R. Gibbons. Four formal(izable) theories of the firm? *Journal of Economic Behavior & Organization*, 58(2):200–245, 2005

4. C. Prendergast. The provision of incentives in firms. *Journal of Economic Literature*, 37(1):7–63, 1999

5. L. Poppo and T. Zenger. Testing alternative theories of the firm: Transaction cost, knowledge-based, and measurement explanations for make-or-buy decisions in information services. *Strategic Management Journal*, 19(9):853–877, 1998

6. ⋆K.J. Mayer and N. S. Argyres. Learning to contract: Evidence from the personal computer industry. *Organization Science*, 15(4):394–410, 2004

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7. R. N. Langlois. Transaction cost economics in real time. *Industrial and Corporate Change*, 1(1):99–127, 1992

8. B. Holmstrom and P. R. Milgrom. The firm as an incentive system. *American Economic Review*, 84(4):972–991, 1994

9. B. Klein, R. Crawford, and A. Alchian. Vertical integration, appropriable rents, and the competitive contracting process. *Journal of Law & Economics*, (21):297–326, 1978

10. T. R. Zenger. Explaining organizational diseconomies of scale in research-and-development: Agency problems and the allocation of engineering talent, ideas, and effort by firm size. *Management Science*, 40(6):708–729, 1994

Session 10: Processes and organization design

[Thursday, March 31, 08:30-11:30 FT/14:00-17:00 ST]

1. M. D. Cohen, J. G. March, and J. P. Olsen. A garbage can model of organizational choice. *Administrative Science Quarterly*, 17:1–25, 1972

2. J. L. Bower and C. G. Gilbert. A revised model of the resource allocation process. In *From Resource Allocation to Strategy*, pages 439–455. Oxford University Press, Oxford, UK, 2005. Chapter 20

3. R. A. Burgelman. Fading memories: A process theory of strategic business exit in dynamic environments. *Administrative Science Quarterly*, 39(1):24–56, Mar 1994

4. S. Finkelstein and D. C. Hambrick. Top-management-team tenure and organizational outcomes: The moderating role of managerial discretion. *Administrative Science Quarterly*, 35(3):484–503, Sep 1990

5. S. K. Ethiraj and D. A. Levinthal. Hoping for A to Z while rewarding only A: Complex organizations and multiple goals. *Organization Science*, 20(1):4–21, 2009

6. R. Radner. The organization of decentralized information processing. *Econometrica*, 61(5):1109–1146, 1993

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7. L. Argote and H. R. Greve. A behavioral theory of the firm—40 years and counting: Introduction and impact. *Organization Science*, 18(3):337–349, 2007

8. G. Gavetti, D. A. Levinthal, and W. Ocasio. Neo-Carnegie: The Carnegie School's past, present, and reconstructing for the future. *Organization Science*, 18(3):523–536, 2007

Session 11: Presentation of student papers

[Thursday, April 28, 08:30-11:30 FT/14:00-17:00 ST]