This paper focuses on the impact of CEOs' power and preferences on their behavior and decision-making processes. It delves into how CEOs use their power to influence strategic decisions, particularly in the context of corporate restructuring. The study examines how CEOs' preferences and power affect the selection of restructuring tools, such as acquisitions versus divestitures, to achieve similar diversification objectives. The research also shows how CEOs balance the conflicts between their own preferences and those of the board of directors.

The study offers a more detailed understanding of how CEOs' preferences determine acquisition and divestiture activities by explicitly considering the specific diversification objectives. It highlights the importance of understanding the interactive dynamics between CEOs and the board of directors in making strategic decisions.

The Effects of Increased Managerial Discretion on CEO Compensation: The Case of Deregulated Industry

Theresa S Cho, Rutgers University

This study examines the linkage between managerial discretion and executive compensation using a sample of deregulated airline industry. The results indicate that the increase in CEO compensation was only marginally significant; (2) A linkage is established between changes in managerial discretion and pay-performance sensitivity. The results indicated that the structure of executive compensation changed in the airline industry following deregulation; (3) The moderating effect of organizational slack on pay-performance sensitivity was found. Only the airlines with low level of slack were found to adopt executive reward system more closely aligned with performance.

The Impact of the Distribution of Ownership on Risk-Taking in Family Firms

William S Schulze, University of Connecticut
Richard N Dino, University of Connecticut

A growing body of research indicates that the relationship between increased ownership by board members and firm conduct differs from that predicted by agency theory. However, researchers to date have focused on the relationship between agency cost and the distribution of ownership among different groups of board members. Departing from conventional wisdom, we focus on the within-group distribution of ownership, and find that it has a positive but curvilinear influence on risk taking within family firms after accounting for concentration of ownership. Specifically, we find that family firms tend to be risk averse when the principal has effective control of the board of directors and risk seeking when a collection of minority owners have effective control of the board.
Innovative Capability and Technology Adoption: Evidence From Oil Firms
Jaana Woiceshyn, University of Calgary

For most companies adopting new technology is a necessity of survival. But why do some firms fare better than others in adopting new technology? Why do some firms possess better innovative capabilities than others? These questions are addressed via a comparative case study of oil firms adopting horizontal drilling technology. Early and late adopters were identified and contrasted. They differed in their innovative capability on three interrelated dimensions: leadership (including culture, control, and learning style), strategy, and organizational structure. In contrast to the later adopters, the early adopters had a clear direction, explicit controls, and culture conducive to innovation. They learned by preparing carefully for adoption, followed explicit technological leadership strategy, and effectively utilized multidisciplinary teams. Causes and implications for managers and researchers are discussed.

Knowledge Flows Within the Firm and Corporate Strategy in Emerging Markets
Michael D Lord, Wake Forest University
Scott L Merriner, McKinsey & Company

This study investigates the corporate strategies of diversified multinational firms in several large emerging markets around the world using a knowledge-based view that focuses on the importance of market knowledge. Data were gathered through a large number of interviews and surveys of key corporate and divisional managers. Entry into these markets has proven a difficult challenge. Those firms able to capture and utilize market knowledge more effectively exhibit significant learning curve benefits in terms of improved strategy formulation and implementation. Flows of market knowledge are found to influence key strategy choices as well as performance outcomes.

The Influence of Leveraging Tacit Knowledge Across Borders for Global New Product Development Capability: An Empirical Examination
Mohan Subramaniam, University of Connecticut
N Venkatraman, Boston University

This paper explains the variance in global new product development capabilities among firms as a function of the tacit knowledge they transfer and deploy across country borders. We find that firms effectively leverage tacit overseas knowledge for greater global product development capabilities through a combination of 1) addressing more tacit as opposed to explicit differences among countries, and 2) employing teams that are either cross-national or with domestic members having prior overseas experience. The findings also suggest that teams with domestic members having prior overseas experience are effective at leveraging tacit overseas knowledge only when organizations have a high mobility of middle managers across borders. These findings are based on a survey of ninety global new product introductions from forty-four multinational companies across multiple industries.

Global Learning and Innovation in the Multinational
Subramanian Rangan, INSEAD

In the pursuit of profitable growth, multinational enterprises (MNEs) are increasingly emphasizing global learning and innovation. What is ‘global’ learning, and what explains it? After addressing the definitional question, this paper develops the hypothesis that the two key dimensions that influence the nature and magnitude of global learning and innovation in an MNE are the depth of ‘external ties’ to the operating environment and the strength of ‘internal ties’ among the MNCUs geographically dispersed units and employees. Cross-unit compatibility in terms of systems and market positions, and appropriability of returns to superior ideas and practices are also posited to influence global learning within MNEs. Research implications and the importance of recruitment and rotation in building external and internal ties are also developed.

Buyer-Supplier Contracting in Biotechnology: Governance Costs, Measurement Costs and Contract Complementarities
Kyle Mayer, University of California - Berkeley
Jackson Nickerson, Washington University - St Louis

Buyer-supplier contracts exhibit great variety. This paper develops a theory based on governance costs and measurement costs to predict variation in contract dimensions in biotechnology buyer-supplier contracts. The paper predicts that contract duration, contract customization, inspection of purchased supplies, and inspection of supplier plants are related to attributes of the transaction and the potential for supplier malfeasance to devalue a buyer’s downstream investments. Our empirical analysis employs a four-equation multivariate Probit to analyze 137 buyer-supplier contracts of a leading biotechnology firm. As predicted by our theory, we find that contract terms are chosen to minimize transaction costs stemming from hold-up, maladaptation, and moral hazard concerns. Also, the multivariate Probit analysis reveals complementarities in the structure of contracts terms.

Interorganizational Learning and Competitive Advantage: Does Supplier Performance Differ For Different Customers?
Jeff H Dyer, University of Pennsylvania

In a sample of U.S. automotive suppliers, I test the hypothesis that customers (i.e. Toyota versus the supplier’s largest “Big 3” customer) that provide technical assistance to suppliers can create competitive advantages through those suppliers. The findings indicate that greater knowledge sharing on the part of the buyer (i.e. Toyota) results in a faster rate of learning at the supplier. More specifically, by 1996 the supplier had achieved 10 percent higher output per worker and had roughly 25 percent lower inventories on their manufacturing cells for Toyota compared to the supplier’s largest U.S. customer. The supplier also had approximately 35 percent fewer defects (parts per million) for Toyota. The productivity/quality differences were found to persist due to barriers associated with intra-firm knowledge transfers.

Buyer Relationships and Supplier Performance Improvement: The Japanese and U.S. Automotive Industries Compared
Masaaki Kotabe, University of Texas - Austin
Xavier Martin, New York University

We examine sources of performance improvements among Japanese and American automotive suppliers. We study the impact of bilateral technology transfers, and how that impact varies with the duration of the underlying buyer-supplier relationship. The same fundamental mechanisms apply in the Japanese and American samples we surveyed. The contribution of informal, limited-scale technical exchanges does not vary with relationship duration. Formal technology transfers, however, only benefit supplier performance in those cases where the supplier and the buyer have developed strong relation-specific assets through long-term
interaction. The findings highlight the role of idiosyncratic buyer-supplier histories rather than broad “national” or “cultural” explanations. The research identifies under what conditions a supplier and its customers can effectively benefit from the adoption of “lean” supply practices.

**PERFORMANCE, REPUTATION AND RENTS: DYNAMIC PERSPECTIVES**

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<th>Paper</th>
<th>Track B</th>
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<td>Does Sticking to Knitting Unravel Your Corporate Reputation?</td>
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<td>Suzanne M Carter, University of Notre Dame</td>
<td>William Gerard Sanders, Brigham Young University</td>
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While conglomerates were the craze of the 70’s, they have currently come under disfavor. Indeed, heavy involvement in acquisitions and diversifying beyond core firm activities has been recently argued to reduce firm performance just as refocusing the firm on core activities by divesting periphery businesses has been argued to improve firm performance. We extend the study of the effects of acquisitions and divestitures by examining how key constituent views these activities, by assessing how these activities alter corporate reputation. We examine the influence of changes in corporate strategy on corporate reputation using a sample of 365 firms from the Fortune 500. Our results suggest that divestitures and acquisitions do influence corporate reputation, but this influence is moderated by the diversification level of the firm.


Mark Hives, Coopers & Lybrand
John McGee, University of Warwick
Yasmin Merali, University of Warwick

UK energy industries provide an excellent opportunity for studying the dynamics of industry change in which there is a premium on strategic commitment and strategic adaptation in a context of very high risk and uncertainty. The industries are highly interconnected, with strategic innovation and change having complex and unusual, even unpredictable, effects. The paper assesses the interactions between the dynamics of industry structure changes and the emergence of strategic choice and patterns of strategizing in these industries, and provides a framework for assessing future developments. The analysis of competitive dynamics employs the notion of “deep structure” coupled with strategic group analysis to concentrate on “long run” competition as opposed to the issues of rivalry which focus more closely on tactical moves and shorter term positioning.

**Persistence of Inter-Firm Differences in Quality: A Theoretical Explanation**

Arun Pillutla, Washington State University

Observation of certain industries reveals that inter-firm differences in quality persist over time. For example, Honda and Toyota have been ahead of General Motors and Ford for years, according to the reliability data from April 1998 issue of the Consumer Reports magazine, despite substantial efforts by the American automakers. This paper explores the role of total quality management (TQM) in generating a quality lead vis-à-vis competitors, and how learning (generated through practice of TQM) may allow a firm to maintain it and even build further. Separately, several studies show that superior quality relative to competitors can positively impact a firm’s performance. Thus, being an early implementer of TQM in an industry can have important implications for strategic management.

**New and Changing Structural Forms**

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<td>One Structure Does Not Fit All: Sony’s Strategic Renewal of Organizational Structure</td>
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<td>Kazuo Ichijo, Hitotsubashi University</td>
<td>Ikijro Nonaka, JAIST</td>
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Just as one strategy does not fit all, one structure does not fit all. Companies have various business units which have different strategic or operational requirements, and should create different structures which best fit to these requirements so that dynamic interaction between knowledge and business will occur. If we categorize these strategic or operational challenges paying attention to the interactions between new or existing knowledge and new or existing business, we find four different business objectives, each of which requires different structural approaches. Recent structural transformation at Sony can be interpreted as its effort for developing their competitive advantages not only for today but also for tomorrow by using this structure does not fit all approach.

**Tailoring Strategy by Management Sourcing**

Bob de Wit, Maastricht University

By outsourcing a wide variety of services, companies currently concentrate on what they define as their core competencies, and form cooperative agreements with complementary partners. It is interesting to observe that companies are planning to go even further, by considering to outsourcing supporting management positions. The difference with previous outsourcing activities is that the board members responsible for logistics, purchasing, information technology, human resources, and other supporting management functions, will actually be employed by separate companies. The boundaries between companies become more blurred than ever before, and inter-dependencies further increase. Companies become semi-permanent networks of mass-tailored functions. The paper is based on a study on outsourcing management positions in a variety of European companies. We evaluate companies’ demands and visions on future management executive sourcing. We will also discuss the consequences of management sourcing on company structure and strategy, and industry structures.

**“Creative Destruction” or “Creative Cooperation”? A Tale of Three Industries**

Frank T Rothaermel, University of Washington

This paper deals with the question of how technological discontinuities affect the nature of competition as well as firm behavior and performance. The theoretical foundation is found in the Schumpeterian analy-
sis of competition as a process driven by innovation. A model of the nature of competition following a technological discontinuity is developed. Analyzing a significant technological discontinuity in the computer industry, pharmaceutical, and steel industry, this paper tests hypotheses derived from the Schumpeterian model as well as from theorizing efforts of the author. The importance of strategic management in the context of fast changing environments is highlighted.

**Formation Process of R&D Constoria: Which Path to Take? Where Does it Go?**

Yves Doz, INSEAD
Paul M Olk, University of California - Irvine
Peter S Ring, Loyola Marymount University

Numerous studies have investigated the formation of alliances but have not addressed the actual process of creating an alliance. This paper further our understanding of the dynamics of the formation process by examining the creation of U.S.-based R&D consortia. We develop and test an 8-stage model of the formation of a consortium. Drawing from survey data collected on the formation of 68 consortia, we examine variations in each stage of development as well as in the entire formation process, relating these to the context in which they are likely to occur and to their consequences. By providing a more detailed understanding of formation activities, this study helps research go inside the black box of strategic alliance formation.

**Different Industries and Different Customer Values Require Different Resources: Towards the Marriage of Strategic Positioning Theory and the Resource Based View of the Firm**

Jonathan Wilson, University of Surrey

The theoretical underpinnings of this paper come from the literature on the positioning theory of the firm and the resource based view of the firm. A synthesis of these theories is used to develop a new model of the firm. This model is tested empirically through a survey of a number of UK based manufacturing and service industries and concludes that there are significant differences in the positioning and resource requirements of the most successful firms within and between these UK industries. The implication for business of these findings is that industry managers need to consider resource types as heterogeneous in relation to heterogeneous customer values, in order to maximise business performance i.e. one size does not fit all!

**A Conceptualization of a Unifying Model of the I/O vs. Resource-Based Performance Debate: Not a Question of “If” but of “To What Extent”?**

Henry Moon, Michigan State University

This theoretical paper incorporates both the I/O and the Resource based models of firm performance into a single unifying model of strategy. The structure of the paper will be in response to the challenge issued by Porter’s (1991) four criteria for a truly dynamic theory of competition. This will be addressed through an incorporation of these two schools of thought within a simple depiction of a square bisected by a 45-degree line. Three opposing construct pairs will be incorporated within this model: internally and externally based resources (firm), turbulence and structure (environment), and cooperative and competitive behaviors (strategy). The explanatory power of either the I/O or Resource based model on a firm’s performance will be argued not to be a question of “if” but of “to what extent?”

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**Using Multiple Models to Tailor Strategy**

**Knowledge Management in Learning Organizations**

**Strategic Criteria: A Complement of the Strategic Models to Develop Tailoring Strategies**

Alejandro Carrera, University of Austra
Hector Rocha, University of Austra

"Tailoring strategies: one size does not fit all”. We need strategic solutions customized to the unique circumstances of each firm because of the diversity of its situations. We may think that with several models sorted according to those situations we will know which one to use in one specific internal or external situation. But the proponents of this approach recognize that it is a dynamic one and can include new variables. Therefore, we need to complement, not replace, the model dimension with another dimension in order to obtain a comprehensive approach. The paper discusses why the manager needs and which are the basic criteria that enable a firm to design itself, together with present models, the strategic solution that fits its own characteristics and circumstances.

**Core Values as a Driver for Strategy Development**

Johan Wallin, SMG Finland

In this paper it is argued that firms use their core values, the underlying assumptions about their way of being, to guide the decisions about how to change their business model as the underlying assumptions in the competitive environment change. A framework for analysing the role of values is developed, using a stakeholder approach and defining “generic” core values based on the cardinal sociological values. This framework is used to analyse actual value statements of big international firms. The paper identifies five major stakeholders a company may wish to serve: the company itself, customers, employees, shareholders, society (including other stakeholders). The preliminary findings indicate that successful companies to an increasing degree are considering values as an important part of their strategy.

**The Making of High Knowledge Acquirers: Understanding the Nature of Knowledge Enablers in International Joint Ventures and Their Foreign Parents**

John Harald Aadne, Intellectual Capital Services
Marjorie Lyles, Indiana University
Georg F Von Krogh, University of St Gallen

The increased emphasis on assessing knowledge management in organizations means an increased interest in what characteristics, processes and structures serve as enablers to knowledge creation. This paper addresses the role of knowledge enablers for knowledge acquisition in international joint ventures (IJVs). We consider the specific context and processes of knowledge acquisition from the foreign partners in IJVs by linking it to characteristics of the parent firm and the IJVs that enable transfer and acquisition to take place. We emphasize the foreign parent’s responsibility for sharing their resources and expertise, as well as facilitating the knowledge acquisition and utilization in the JV. A model distinguishing between high and low knowledge acquisition is derived and tested empirically.

**At the Crossroads: How Corporate and Business Unit Strategic Choices and Organizational Learning Impact Performance**

Constance R James, University of California - Los Angeles/Pepperdine University

This empirical study addresses how strategic choices and organizational learning at the corporate and business segment level affect business...
segment performance in 276 business segments and 120 Fortune 500 corporations. It analyzes strategic choices, using diversification strategies at the corporate level and competitive strategies at the business segment level. Organizational learning types are analyzed using exploration and exploitation learning. This study uses regression analysis and contribution to $r^2$ to analyze the performance impact of strategic choice and organizational learning types, using a national survey of over 3,000 respondents and COMPUSTAT’s financial data. Results indicate that performance is enhanced when certain strategic choices combine in unique ways with select learning types.

**Competing on the Edge: The Role of Knowledge and Technology**
Shona Brown, McKinsey & Company
Kathleen Eisenhardt, Stanford University

The focus of this discussion is on strategy in highly uncertain, fast-paced markets. These markets are typically emergent (blurred boundaries, competition, and business models), transforming (major shifts are occurring in technology, regulation, etc), or hypercompetitive (oligopoly of aggressive competitors). The discussion will center on the distinctive aspects of both business and corporate strategy in these markets. The discussion's ideas rest on field studies in major global corporations, and tie together complexity and time paced evolutionary theories. In particular, we highlight the unique facets of strategy in these markets: 1. the importance of the ability to change as a key performance driver, 2. the role of time as a critical aspect of strategy, and 3. organization as the precursor of strategy in these markets. We will compare these ideas to those in other strategic paradigms where markets are more stable, and offer some observations on teaching these ideas in strategy courses.

**Tailoring M&A Strategies to Encompass Relationships With Key Suppliers and Customers**
Helén Andersson, Linköping University
Asta Salmi, Helsinki School of Economics and Business

Earlier literature into mergers and acquisitions (M&As) concentrates on strategic or organizational fit between companies and on integration processes, but fails to recognize external exchange relationships of the merging companies. This paper elaborates on the various influences that M&As may have on these relationships. We argue that M&As always have implications - positive/negative, intended/unintended - for the involved companies’ relationships with key suppliers and customers, and the outcome of any acquisition depends on whether already established relationships can be taken over. Tailoring M&A strategies to encompass exchange relationships has both theoretical and managerial implications. Accordingly, one has to involve the exchange relationships within both the pre-merger phase where strategic evaluations are made, and the integration phase of a merger. Empirical examples from the Scandinavian graphics industry illustrate our conceptual argumentation.

**Leveraging Resources Across Multiple Business Activities: A Business Model for OEM Suppliers in Horizontally Configured Industries**
Jen-Shyang Chen, Ming-Chuan University
Ji-Ren Lee, National Taiwan University

While being weak in resource endowment and brand position, an original equipment manufacturing (OEM) supplier can sustain its competitiveness in horizontally configured industries by strategically managing the interplay across multiple business activities, an issue which received little attention in the previous literature. Based on transaction costs economies and a resource-based angle, we propose a business model which is critical to the growth and profitability of the OEM firm, and postulate that this business model can be understood as a process of resource building and leveraging in which synergistic dynamics are generated through a self-reinforcing cycle containing multiple business activities. An empirical investigation containing firm-level data pertaining to three computer peripherals industries in Taiwan shows support to the underlying rationale of the model.

**Supply Chain Structural and Strategic Evolution**
Richard A Betts, University of North Carolina - Chapel Hill
Warren Ritchie, Volkswagen of America
Jennifer Oetzel, University of North Carolina - Chapel Hill

Advances in technology, intense competition and environmental uncertainties have dramatically changed the economic and business landscape. Today, business is changing at a rapid pace and firms are discovering that neither producing a superior product, nor serving as low cost producer, guarantees competitive advantage. In this fast-paced environment, timing is critical. Firms are looking to improve production processes and increase efficiency by taking advantage of advances in information technology. One business process that has undergone significant transformation is the management of supply chains. In our paper and presentation, we will discuss this dramatic transformation in supply chain management and analyze the benefits and costs of reconfiguring supply chains for the information age.

**Vertical Control and Performance: The Role of Transaction Cost Analysis, Relational Norms and Power**
Phillip Samouel, Kingston University
Stravos Kalafatis, Kingston University

This paper focuses on role of transaction cost analysis, relational norms and power in governance structures that facilitate bilateral exchange in distribution channels. Industrial economists have argued that organizations are concerned with vertical control along the distribution channel to avoid competition and to improve performance by rationalizing costs arising from both production and market search (Williamson 1985, 1993; Grossman and Hart 1986; Blois 1972). The general proposition offered by this research is that within the transaction cost framework, the existence of supportive norms between interfirm relationships facilitates control over business operations. This vertical control, in turn, improves performance. The conceptual and empirical base for the study is reliant upon the work of Dwyer, et. al. (1987), Heide and John (1992), Heide (1994), Macneil (1978, 1980).

**Does National Culture Really Count? Assessing When National Culture Drives Managerial Choices**
Roberto Ravagnani, Bocconi University
Carlo Turati, Bocconi University

Despite the huge amount of research on cross-cultural management, we are not able yet to assess the importance of culture compared to other influences on individual or organisational behaviour. Therefore, we propose an approach that helps to assess when culture is important and, on the contrary, when culture can be replaced by other criteria for action. In brief, culture and rationality are not alternative explanations, stricto sensu, but they act on different kinds of problems and on different stages of a
decision-making process. Furthermore, even if a problem is potentially culture-free, moving from the decision stage to the implementation stage, culture “strikes back”, in the sense that it appears not as a filter but as a facilitating or constraining factor. In other terms, culture can act as a resistance to change, if the chosen solution is not coherent with the cultural values of the organisational factors involved by the re-organisation process.

**Host Country Effects on Multinational Firm Performance**
Aleta D Best, University of Massachusetts - Dartmouth

Recognizing that the fit between a multinational firm’s external environment, including the host countries in which it is active, and its internal resources may impact performance, this paper derives hypotheses relating host country attributes to multinational firm performance. Exploratory factor analysis is used to identify a set of host factors from multiple measures of individual attributes. An awareness of the relevant factors may enable firms to better match their strategies and structures to the external host country environment in which they operate and/or to alter or revise their selection strategies when choosing host countries to enter or exit.

**Strategic Reward Systems: An International View**
Brian K Boyd, Arizona State University
Alain Salamin, United Bank of Switzerland

One important aspect of the strategy process is whether – and how much – firms tailor their compensation systems to fit their corporate strategies. Prior work in this area has been quite limited, and focused exclusively on U.S. firms. We address each of these issues by examining differences in pay practices across five strategic business units of a Swiss international financial institution. We collected actual data on pay practices for 399 bank employees, representing all SBUs and every hierarchical level in the firm. We find that each SBU tailors its pay practices according to its own strategic orientation; additionally, the degree of tailoring varies systematically across levels of the organizational hierarchy. Implications for theory and the optimum design of incentive systems are discussed.

**Strategic Management Processes and U.S.-Chinese Joint Ventures Teams: The Impact of Alternate Logic Paradigms on Negotiation**
Leslie E Pulich, Baylor University
Gary R Carini, Baylor University
Linda P Livingstone, Baylor University

In this paper we suggest a framework that illustrates the formidable task teams pursue when leading international joint venture efforts. The context for this perspective involves Chinese and American partners. Through our examination of the different logic paradigms that prevail in the East and West, we suggest ways in which these teams can manage strategic processes with greater success.

**THE VALUE AND LIMITS OF ORGANIZATIONAL LEARNING**

**Exploring the Process and Barriers in Knowledge Mobilization**
Kazuhiro Asakawa, Keio Business School
Tomoyoshi Noda, INSEAD

This paper explores the evolving nature of barriers to knowledge mobilization within a firm. Knowledge mobilization within a firm generates a major potential source of organizational capability and competitive advantage. But such mobilization of knowledge entails a tremendous degree of barriers. While our understanding of the factors influencing such barriers has been enhanced, we still know very little about the more dynamic nature of barriers. In this paper, we suggest that barriers and managerial challenges vary according to the different patterns of knowledge mobilization. Although still preliminary, the paper points to a potential direction to develop a process theory of barriers to knowledge mobilization within a firm.

**Organizational Learning, Knowledge and Wisdom: The Simplification of Increasingly Complex Information**
Paul E Bierly, James Madison University
Eric H Kessler, Pace University
Ed Christensen, Monmouth University

To improve our understanding of the process of organizational learning, we propose a framework that includes the organizational constructs of (1) data, (2) information, (3) knowledge, and (4) wisdom. Each of these levels is associated with a different level of learning. A key to organizational wisdom is judgement and decision making, which requires an understanding of the complexity of a situation, but also requires the ability to make sense and simplify so that action can be taken. Three important drivers for the development of organizational wisdom are (1) experience, (2) a passion to learn, and (3) spirituality.

**Knowledge Management as a Business Strategy: An Exploratory Study**
Kevin C Pitts, SMG Inc/University of Pittsburgh

Researchers in the areas of sustainable competitive advantage have come to the conclusion that the only thing that gives an organization a competitive edge is - what it knows, how it uses what it knows, and how fast it can know something new. The central theme of the strategic framework developed purports that competitive advantage is derived from effectively managing the fit between knowledge assets and the environment. The premise of the framework is that different types of knowledge assets are appropriate for different environmental situations (e.g., unpredictability, dynamism, and heterogeneity); and therefore, the choice of leveraging specific knowledge assets is critical in achieving above average profitability. In essence, high performing firms will match their knowledge development systems and knowledge assets to environmental conditions.

**Economizing on Learning**
Kate R Conner, Ohio State University
Al Warner, Ohio State University

This paper will 1) develop what we believe should be the central purpose of the knowledge-based theory of the firm and 2) use this perspective to critique popular notions of “employee empowerment” and the zeal for flat organizations. We argue that a main purpose of the firm is to economize on knowledge development, transmission and assimilation. Knowledge is valuable, but its generation, transmission and absorption are costly and pressures to economize arise. Prior work in this
theory has not focused on the knowledge-cost optimization problem as central. Second, we argue that it is not learning the most but rather learning efficiently that is important. Research and popular articles assume that more learning is always better but the costs associated are often forgotten.

**Standards: Technical, Firm and Industry Evolution**

**Paper** Track F Kahili

**Competitive Strategy in a Standard-Driven Society**
Scott R Gallagher, Rutgers University
Seung Ho Park, Rutgers University
Gerardo R Ungson, University of Oregon

This paper presents a framework of the strategic issues for firms in standard-driven industries, such as personal computers and VCRs. Standard-driven industries have drawn considerable attention from economists and business strategy scholars who have looked at the role of installed base, complimentary products, strategic alliances, and dominate designs in the creation of market standards. We integrate the existing literature on standard setting issues at the firm level into one framework that also addresses additional considerations such as the mode of standard setting, the dynamics of the importance of the standard, and the challenges of capturing and sustaining the performance advantages that result from establishing the industry standard.

**Standardization Strategy: Tactics, Timing and Cooperation**
Vittorio Chiesa, Politecnico di Milano/CNR-ITIA
Giovanni Toletti, Politecnico di Milano
Raffaella Manzini, Libero Istituto Universitario C Cattaneo

One critical aspect of the technology based competition, especially in network markets, is the choice whether to standardise or not one’s own products. In literature, referring to the definition of standard setting strategy, there is a lack of systematisation. In this paper, through integrating the literature with an empirical study, referred to the multimedia business, the authors propose a preliminary, systematic view on standard setting strategy. Firstly, the different elements defining the standardisation strategy are identified: tactics (i.e. how to sponsor a definite standard), timing (i.e. when to propose a standard to the market) and cooperation (i.e. how to exploit alliances to support standardisation). Then, their features and reciprocal interrelations are investigated.

**Facing the Uncertain Environment: Hedging as a Technology Strategy**
Donald E Hatfield, Virginia Polytechnic Institute & State University
Linda F Tegarden, Virginia Polytechnic Institute & State University
Ann Elizabeth Echols, Virginia Polytechnic Institute & State University

This study investigates the performance implications of pursing a hedging strategy in an emerging industry where there are technological uncertainties. Using the U.S. personal computer industry as a case study, this research shows that while pursing a hedging strategy increases the survival rate of the firm, it also decreases the firm’s market share performance. Finally, the study examines the conditions when a hedging strategy proved too successful in the personal computer industry.

**Overcoming a Standard Bearer: Institutional, Technologi-**

**Corporate Governance in the International Context**

**Paper** Track C Jasmine

**Governance Mechanism for Effective Leadership: The Case of Spain**
Joan E Ricart, IESE/University of Navarra
Miguel A Gallo, IESE/University of Navarra
Jose L Alvarez, IESE/University of Navarra

Most current work on boards of directors has been focused on what can be considered best practices for effective governance in terms of roles, composition, process and style. Furthermore, this literature can be divided between very practical oriented managerial work, and more rigorous work, theoretically based, and with most of the empirical research in this area centered in Anglo-Saxon countries. Some European countries, like Spain, have a very different governance tradition. Given this context, our present work deals with three complementary objectives: 1) To see what was the current situation of governance practices in Spain. 2) To get some evidence about which of these practices may be associated to effective governance. 3) To find out which factors explain the composition of General Managers’ compensation.

**International Governance Systems: Analysis and Strategic Implications**
Anju Seth, University of Illinois - Urbana-Champaign
Harald Hungenberg, Leipzig Graduate School of Management
Thomas Hutschenreuter, Leipzig Graduate School of Management

This paper investigates the corporate governance systems that prevail in the U.S. and Germany, and explains the genesis of each system by reference to the economic, legal, social and political context in which it is embedded. We explore whether one of these systems is relatively more efficient than the other, and if so, the circumstances under which it may be more efficient. We also address a fundamental debate regarding the goal of corporate governance and corporate strategy: should this be oriented towards creating shareholder wealth or value for multiple stakeholders, and why? From the foregoing analysis of governance systems in two specific national contexts, we develop a general model of the implications of differences among national governance systems for strategic management research and practice.

**Governance Through Strategy: Evidence From Boards and Directors in the UK**
Terry McNulty, University of Warwick
Andrew Pettigrew, University of Warwick
Clare Morris, University of Hertfordshire

Norms of director involvement in strategy are changing and there is increased pressure on boards and directors to become more active in strategic decision processes. This paper uses primary qualitative and
When “Peripheral” Activities Are at the Core (Track F)
Cliff Bowman, Cranfield University
Veronique Ambrosini, Cranfield University

It is widely acknowledged, notably within the resource-based view of the firm, that tacit knowledge can be a source of sustainable advantage. A lot of attention has been dedicated to the issue at the conceptual level, however, there is little empirical research on the topic. In this paper after defining what we mean by tacit knowledge, we report on a study of tacit knowledge carried out in a UK organisation. This study reveals that sources of competitive advantage are often at the periphery of top management’s attention. These sources of advantage are, therefore, vulnerable to inappropriate management interventions (like cost cutting), and they can remain in some important ways ‘unmanaged’.

Strategically Capitalizing on Competitive Advantages of the Inner City: Urban Rejuvenation Through Successful Business Entrepreneurship (General)
Marilyn L. Taylor, University of Missouri - Kansas City
faye l smith, University of Wisconsin - Milwaukee
Krishnan Ramaya, University of Missouri - Kansas City

Porter (1995) highlighted four often ignored characteristics of the inner city: location, clusters of related businesses, unmet local demand, and stable, employable workforce. A two year multi-constituency survey study of 180 of Kansas City’s urban businesses found strong support for locational centrality, availability of a strong and employable workforce, and unmet local demand. There was little support for linkages with business clusters. The study also discusses the process of business clustering, and methodological issues in the design and implementation of multi-constituent and action-oriented research. Implications for academics and practitioners are discussed.

Network as a Concept for Studying Industrial Competitiveness: The Case of Japanese Mechatronics Industry (Track A)
Michel Louazel, Groupe ESC - Nantes Atlantique

In order to explain industrial competitiveness, it is important to adopt a mesoeconomic approach that takes into account collaborative/privileged interfirm relationships and interactions with government policies. In this perspective, is there a concept allowing to describe this coordinated system of relationships? Here we suggest that a network-based analysis is an appropriate framework that lies between the traditional view of the firm and that of industry. To illustrate this hypothesis, we use the example of Japanese mechatronics industry success during the last decades. All studies concerned by the development of the Japanese machine tool industry note the existence of a particular industrial environment in which producers, users, banks, government, and R&D institutions interact, cooperate, share skills to develop new technologies and products. The concept of network allows us to describe the building process leading to the emergence of this “structural competitiveness”.

Horizontal Joint Ventures Among Potential Entrants: The Telecommunications Market in Argentina (Track A)
Marcelo Barrios, University Catolica - Argentina

Forming coalitions with other potential entrants can be powerful mechanism for entry into an industry. Coalitions allow potential entrants to pool resources, share the cost of attempting entry, and enhance the likelihood of successful entry. Analysis of a theoretical model suggests that firms prefer to entry through coalitions if; entry cost is high, the target industry is highly concentrated; and probability of successful entry is high. Trade off against these benefits are the higher administrative cost
of coalitions and having to share profits with the partner in case of successful entry. The model is applied to the case of entry by the international telecommunications companies in the Argentina telecommunications market.

Outsourcing? A New Way to Manage External Resources
(Track C)
Jérôme Barthelemy, Groupe HEC/Groupe ESC - Nantes Atlantique
Bertrand V Quelin, Groupe HEC

The aim of this paper is to show that outsourcing is a specific subject, which deserves an appropriate theoretical, treatment transaction cost economics alone cannot provide. Outsourcing has often been mixed up with the broader issue of subcontracting. However, it differs from subcontracting for at least two reasons: a past investment decision has been challenged and company resources have been transferred to a supplier. Outsourcing is basically a new organizational form that enables companies to manage external but strategic resources. Insights from the long term contract literature and from the resource based theory are, therefore, needed to study how the organizational form must be tailored to the actual outsourcing operation.

Measuring and Managing Performance: A New Approach
(General)
Vinod K Jain, Bowling Green State University
Kamlesh Jain, Golden Gate University

Performance measurement involves quantifying the necessary, but generally unknown, relationships between a firm’s actions and outcomes. The challenge for management researchers and strategists is to unlock the organizational “black box” that converts managerial actions into performance outcomes, i.e., to understand and quantify the input-output relationships. Data envelopment analysis (DEA) offers a set of techniques that do precisely that. Utilizing concepts from economics and operations research, DEA measures the performance of a set of firms (business units) relative to each other - based on multiple inputs, multiple outputs, and the underlying relationships between them. The DEA measure is theory-based, elegant, and intuitively meaningful. Also, DEA often provides unexpected managerial insights. We provide an illustration based on our consulting practice and offer guidelines for measuring and managing performance.

Learning Through Crisis: Lessons from the Rescuing of Business from a Crisis (Track F)
Carlos Ruiz-Gonzalez, IPADE

During the last years, the Mexican economy has endured many crises — economical, social, and political. At the same time, the “rules of the game” have changed. First It was the elimination of many trade barriers, then the entrance to GATT and after that the signing of NAFTA. At the same time there was a general crisis worldwide. Mexican enterprises, generally speaking had their own problems. First it was the type of business, generally speaking there were many family businesses with succession problems, having at the same time businesses that had to adapt to the changing realities. The author’s experience was presented at the SMS conference at Phoenix, now, they have applied learning to the process, and in this paper, these results will be presented. More than a paper on enterprises in crisis, this is a paper on “how to rescue enterprises that are in crisis,” enterprises that are so badly damaged that you have to take urgent special steps to put them back in normal conditions.
revealed not always successful due to: the attitude of production to “control” (and not to co-operate with) distribution, without necessary distribution skills; a re-configuration strategy that doesn’t fit identified segmentation criteria.

The Emergence of Global Alliance Systems: How Can We Understand and Influence Their Evolution?
Guenter Mueller-Stewens, University of St Gallen
Christoph Lechner, University of St Gallen

We have studied the evolution of complex alliance systems in the telecommunications industry covering a period of seven years. On their growth path these alliance systems develop several organizational capabilities which enable them to cope with arising problems and challenges; where this process fails they break apart or become marginalised by competitive systems. These capabilities, which are collectively based, structure the interactions between the participating organizations. Sometimes this leads to situations where the interests of the single members and the alliance system diverge. In order to understand their evolution we propose a theoretical perspective which is based upon the “new systems theory” and the “capability view of organizations”. Finally we draw some implications on how such evolutionary patterns could be influenced and supported.

The Structural Attractiveness of Activities: A Way Out From the Impasse in the Analysis of Complex Industries
Cinzia Parolini, Bocconi University

An increasing number of competitive systems is characterized by blurring boundaries, hypercompetition, convergence of previously separated industries, competitors which are very different from one another in terms of background, positioning and make/buy/connect choices. These kinds of industries (or clusters of industries such as telecommunication, IT, factory automation, electronic publishing, entertainment) can hardly be described using traditional strategic tools. The paper proposes the value net, a new strategic tool which: 1) overcomes the use of “industry” as the main concept in competitive systems analysis; 2) considers industries as a sub-set of activities within larger sets of activities creating value for end-users (that is within value creating systems); 3) shifts the structural attractiveness analysis from the industry level to the activity level.

Analyzing the Strategies of Collaborative Relationships:
What is Arm’s Length?
John W Clary, Montclair State University
Margaretha C Haussler, Arthur Andersen LLP

Collaborations among partners are replacing external markets in many industries. Privileged relationships create sustainable advantages; but cooperative transfers don’t follow arm’s length standards required by fiscal authorities for corporate taxation. Transaction cost economics explain motives for collaboration. Comparisons with unrelated exchange in two specialized industries analyze strategies in critical functions. Biotechnology firms enter alliances to fund R&D with richer partners; reduces market failures for financing new products and specialized intangibles. Auto parts firms enter vertical supply agreements for quality, delivery, and prices by repeated contracting and trust; unrelated parties benefit from collaboration in value chains. Contractual terms are contrasted with arm’s length benchmarks. Methodologies identify comparable transactions, but value migration among partners. Policy implications on taxation, multi-market competition, and vertical integration redefine arm’s-length standards, but new standards are set in industries, raising entry and mobility barriers against independent rivals.

Variations in Successful Acquisition Implementation:
Concepts and Evidence From Hi-Tech Acquisitions
Annette Ranft, West Virginia University
Michael D Lord, Wake Forest University

Many researchers and practitioners have lumped all types of acquisitions into a single category when discussing important variables and dynamics of successful acquisition implementation, regardless of the motive of the acquisition or the types of resources being acquired. Building on concepts from the knowledge management and acquisition literatures, an acquisition framework considering critical determinants of variations in successful acquisition implementation is developed and tested using data collected from a series of in-depth interviews and survey data from a sample of key executives involved in acquisitions. Specifically, this research compares and contrasts the implementation process of traditional types of acquisitions, in which tangible physical or financial assets are the primary motivation for the acquisition, with the implementation process of high-technology acquisitions, in which obtaining knowledge-based resources is the key motivation.

Resource Redeployment and Asset Divestiture Strategy in the Post-Acquisition Process: An Evolutionary View
William G Mitchell, University of Michigan
Laurence Capron, INSEAD
Anand Swaminathan, University of Michigan

This paper argues that many business acquisitions and post-acquisition asset divestitures are part of the process by which businesses attempt to respond to competitive changes in the face of the strong inertial forces that constrain their actions. Together, business acquisition, resource redeployment, and asset divestiture provide elements of a semi-endogenous Schumpeterian innovation process in which firms change by recombining internal and external resources. Analyzing 253 acquisitions, we show that target and acquirer asset divestiture increases with resource redeployment to the focal business. Further, post-acquisition redeployment increases with asymmetry of resource strength and similarity of competitive environments.

Reconfiguring Business: Bilateral Resource Redeployment Following Acquisitions
Laurence Capron, INSEAD

This paper studies the incidence and impact of bilateral redeployment of resources between target and acquiring firms following 253 horizontal acquisitions involving North American and European firms between 1988
and 1992. The resources include ten types of technical, commercial, administrative, and financial resources. We find that acquisitions often involve substantial technical and commercial integration of the resources of the acquirer and target, while representing managerial and financial expansion of the acquirer rather than the target. In turn, we show that bilateral redeployment improves five types of capabilities of the acquiring and target businesses, including R&D capabilities, time to market, product quality, product cost, and output flexibility. The empirical implications support the conceptual argument that acquisitions play a key role in business adaptation.

**Firm Adaptation to Discontinuous Competitive Chance**

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<td>Punctuated and Incremental Change: The UK Water Industry</td>
<td>Alison Dean, City University Business School</td>
<td>Charles Baden-Fuller, City University Business School</td>
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Punctuated change, usually defined as a discontinuity in organisational development, is traditionally associated with environmental turbulence and with step changes in an organisation’s performance. Starting from Gersick (1991) we discuss the foundations of the punctuated-incremental change paradox, and lay out hypotheses regarding the moments when such change is adopted and its economic effect. We explore these ideas through a UK water industry study: a contrived macro experiment. Following privatisation, the ten major companies faced similar pressures to adjust but adopted widely differing responses. We find that the response to privatisation was not always punctuated change, and that punctuated change processes were not necessarily superior to incremental processes. We contrast our findings with Romanelli and Tushman (1994), exploring the reasons for the dissimilarity of our results.

**How Established Leading Firms Respond to Threatening Strategic Innovations**

Costas D Charitou, London Business School

Following the successful introduction of a strategic innovation (i.e., the identification of a new strategic position in the same industry) the incumbent leading firms are faced with a big dilemma. Namely, whether and how they should respond effectively to this threat. Using an action-response framework, the paper examines the response by the respective established leaders to various strategic innovations introduced during the last decade in a number of UK and U.S. industries. Several dimensions of the response are analyzed (e.g., timing, type, and effectiveness). Also, the question whether incumbent firms can compete successfully in two different strategic positions in the same industry is addressed, and examples are discussed of how these firms can balance the various conflicts that exist between the two positions.

**Understanding the Origins of Discontinuous Technological Change: An Evolutionary Model**

Mary Tripsas, University of Pennsylvania

How can managers evaluate when and why technological discontinuities occur in an industry? This paper argues that discontinuous technological change from the perspective of one industry is often simply the application of incrementally developing technology from a different industry context. It proposes a model for understanding when technology from one industry merits application in a new context.

**Firm Response to Industry Convergence: An Investigation of the Entry of Commercial Banks Into Investment Banking in the U.S.**

Ayesha Malhotra, University of Maryland

Anil K Gupta, University of Maryland

The topic of industry convergence has received less attention in the academic literature than in the practitioner literature. Towards addressing this gap, this paper investigates firm response to convergence between two industries: U.S. commercial and investment banking. The paper focuses on a type of firm response: the intensity of entry of commercial bank holding companies into investment banking. The question addressed by the research is: what factors determine the intensity of a commercial bank’s entry into investment banking? The paper is organized into two parts. The first part presents a definitional framework for industry convergence, and the second part contains an empirical study on the entry of U.S. commercial banks into the U.S. underwriting market. The empirical study tests our hypotheses about factors affecting individual bank entry into the underwriting market between 1987 and 1996.

**Role of Alliances in Knowledge Creation**

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<td>Joint Ventures Under Uncertainty: Learning Races vs. Prelude to Acquisition</td>
<td>Jay Barney, Ohio State University</td>
<td>Wonghee Lee, Ohio State University</td>
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In the strategy literature, two models of joint ventures have been proposed: Joint ventures under uncertainty as learning races and joint ventures under uncertainty as preludes to acquisition. The prediction about what happens after the joint venture governance structure is abandoned is quite different in these two models. In the learning race model, intermediate governance is replaced by market governance; in the prelude to acquisition model, intermediate governance is replaced by hierarchical governance. This paper resolves this apparent conflict by observing that the decision about whether to treat a joint venture under uncertainty as a learning race or as a prelude to acquisition depends upon the type of learning (i.e., endogenous vs. exogenous) that is most likely to decrease the uncertainty that firms face.

**The Institutional Context of Alliance Partner Selection: Eastern and Western European Perspectives**

M Tina Dacin, Texas A&M University

Michael Hitt, Texas A&M University

Jean-Luc Aregle, Groupe EDHEC

Anca Borza, University of Cluj

This research examines strategic alliance partner selection criteria by managers from Eastern (i.e., Poland and Romania) and Western Europe (i.e., France). This context provides a particularly rich transactional and institutional context to examine similarities and differences in partner selection. Data are collected via a survey instrument and executives responsible for the alliances in each firm were contacted by telephone and/or mail and requested to participate. We observe important similarities and differences in the partner selection criteria exhibited by managers from each of these countries. The results provide institutional, country heritage, resource-based and organizational learning explanations for partner selection. It is important for managers to recognize and understand important synergies as well as be ready to leverage their differences towards realizing alliance success.
Formalized Strategic Planning: A Critical Component of Strategic Management or an Illusion?
Chris Christodoulou, Swinburne University of Technology

On the basis of a longitudinal study, this paper presents findings which show the majority of large Australian manufacturing companies use formalised strategic planning as an integral part of their strategic management practices. A finding which does not accord with many of the current paradigms in strategic management literature. Five key research questions are examined: 1) To what extent do organisations use formalised strategic planning systems? 2) Does the use of formalised strategic planning systems contribute to enhanced organisation performance? 3) What adaptations have occurred in formalised strategic planning systems in the past decade? 4) When is it appropriate for organisations to use formalised strategic planning systems? 5) Is Australia failing to keep up with the most effective strategic management practices or are many espoused paradigms failing to reflect organisational realities?

Facilitating Relevance: Closing the Gaps Between Theory and Practice
John Harald Aadne, Intellectual Capital Services
Markus Venzin, Bocconi University
Dirk Kleine, University of St Gallen
Volker Mahnke, University of St Gallen

This empirical study sheds light on key determinants of relevance judgement in the dialog about strategy concepts among members of the ABC. Unlike previous studies, it systematically provides equal voice to representatives of all three groups of the ABC, rather than assuming the perspective of one of these groups. Understanding learning styles of the community’s groups (e.g. why and when different members search for inspiration (triggers), what or whom they consult (sources), and what specific outcomes they seek for), facilitates effective interacting, adds value through advancing conceptual dialogue about strategy, and identifies key drivers helpful for increasing mutual relevance.

The Management of Reputational Crises: One Size Does Not Fit All
Stelios Zyglidopoulos, Erasmus University
Humeira Iqtidar, Deloitte & Touche Consulting Group

The management of corporate reputation during reputational crises is a matter of great importance for business firms. Depending on the triggering event behind them, reputational crises can evolve in a number of ways and affect different stakeholder groups. In this paper, drawing on the literatures of crisis management and stakeholder theory, we use a typology of reputational crises to identify what managerial practices seem to be most appropriate for what kind of crises.

Strategic Decision Making in the 21st Century: A Creative Action-Based Model
dt ogilvie, Rutgers University
Frances Hauge, Tulane University

Organizations are increasingly internetted and digitized, using new information technologies to create synergy among their operating systems, organizations, and components. They face a paradox: how to use technology to make more effective strategic decisions when the technology itself may contribute to a “reasonable choice of disaster.” Seemingly inconceivable events within complex decision making systems can make the potential for accidents normal. Further, the informational advantages that technology provides can be offset by psychological and structural barriers to using information. Rationalistic decision making processes may exacerbate these problems, so we propose using a “creative action-based model” that stems from emerging research in cognition and creativity. We argue that action-based decision making provides a reason for attributes such as courage, boldness, intuition and insight in strategic decision making.

Dual Information Processing in Strategic Decision-Making? A Theoretical Framework and Some Empirical Data
Gerard P Hodgkinson, University of Exeter
Nicola J Bown, University of Leeds
A John Maule, University of Leeds
KW Glaister, University of Leeds
Alan D Pearman, University of Leeds

We advance a dual process model to explain how individuals internally represent decision problems and evaluate choice alternatives during the course of strategic decision-making. The model distinguishes two types of processing: Type I (heuristic) and Type II (elaborative). It is argued that the overall balance between these different modes of information processing depends on two sets of interacting variables, one at the organizational-level (decisional histories, performance records, politics and power) and the other at the individual-level (locus of control beliefs, need for achievement, need for cognition and cognitive style). We present preliminary findings of a series of laboratory and field studies designed to investigate the validity of key aspects of the proposed model.

Rebounds or Pre-Loved Strategy: It Sure Beats Throwing the Garment Away
G Michael McGrath, Macquarie University
Elizabeth More, Macquarie University

This paper deals with the development of the models we use to inform our understanding of an organisation, and to test and analyse policy alternatives. We employ our clothes metaphor to highlight the tendency to abandon previous models when new approaches come into fashion. We propose an abstract “conceptual schema” as a means of allowing concepts developed using different formalisms to be shared and transformed. In effect, it performs much the same function as the generic patterns, measurements and templates used by the tailor and seamstress. With both clothes recycling and business model development, our aim should be to maximise the time, money, effort and thought invested in (apparently) outdated resources.
Scenario Styles for Strategy Process: A Typology
Harold E Klein, Temple University

The style of scenario creation and presentation, as much as scenario substance, determines efficacy in strategic decision-making contexts. However, this important issue has not been examined systematically. Stylistic attributes can be broken down into two categories: characteristics of the scenario itself (i.e., whether it is quantitative or qualitative, how temporal issues are handled, representation form, scenario structure, number of scenarios and whether it is deterministic or probabilistic); and those of scenario-generating processes (i.e., scenarist’s orientation, generated inside or outside the organization and scenarist’s organizational position). A typology of scenario styles has been derived that suggests appropriateness for particular strategic thinking and decision-making applications. Conversely, results also suggest which combinations of scenario style and application will end up as inharmonious fits.

Technology Adoption Strategy

New Perspectives on the Creation of Technology Adoption Strategy Among Top Management Team (TMT) Members
Timothy R Kayworth, Baylor University
Gary R Carini, Baylor University

Given the strategic importance of information technology (IT) in today’s global arena, firms are compelled to articulate a clear IT strategy. The need for an IT strategy is critical, as it enables firms to utilize technology in a manner consistent with business objectives. We first present the process for determining IT strategy, as a function in the firm. More specifically, we identify a four stage process – awareness, initiation, negotiation, and convergence, to facilitate a sound IT strategy that is deeply embedded in the dimensions that many believe need to be a part of effective strategy. Each of these stages, we argue, establishes that “stage setting” from which strategy can emerge. Embedded within this process is manifestation of genetic diversity, new conversations, enthusiasm, and experimentation.

Technology Adoption Strategy for Small and Medium Sized Enterprises
Michele Bella, METIS spa
Lara Penco, University of Genoa

Extensive literature has been produced on organizational and technological innovation, yet the majority deals with large enterprises or those exceptional cases of enterprises which have become highly successful in a few years starting from nothing. But how can the average, common small-medium sized enterprise (SME) manage innovation? The internal resources are limited, so SME usually finds it difficult to develop innovation on its own. The entrepreneur can only overcome all the obstacles by opting for a process involving the transfer of technology. Our work – based on a study of 30 SMEs in the plant engineering and industrial automation sectors – focuses on the formulation of a model which will help the SME to develop innovation so as to confront the market with increased competitiveness.

Now You Are Talking!
Mary F Stober, BASF Corporation

An employee of a global firm can be confronted with several languages in the form of cross-border e-mails, faxes, phone calls, meetings. Some may be in the employee’s native language, others not. In meetings, participants may switch languages, or present slides in one language and speak in another. The introduction of second languages adds new layers of complexity to a firm’s ability to manage its knowledge: specifically, the introduction of a foreign way of thinking, and a higher potential for misunderstanding. This paper examines the learning potential of teams made up of both native and non-native speakers. It specifically looks at the causes and costs of misunderstandings, and recommends tools for enhancing knowledge by capturing the diversity of native and non-native speakers.

Transferring Knowledge in the New Economy

Dynamic Patterns: The Structuring of Organization in an Evolutionary Perspective
Luca Solari, Bocconi University

Organizations generate variation (embodied in knowledge or establishment of new routines), operate selection (by means, for example, of internal decision-making processes and HRM systems), and promote retention (by means, for example, of formalization of change, institutionalization of new ways to do things, etc.). Designing the organization in an evolutionary perspective is a matter of choosing how to manage and channel the flow of variation, and how to manage the process of selection and retention. The ability of a single organization in exploiting these internal resources, coped with the impact of chance and external factors, lays at the roots of continued performance and survival. The paper develops a model of evolutionary design within the organization, the organizational incubator, confronted with examples drawn from several business organizations.

The Dynamic Transfer of Knowledge Practices
Ruey-Lin RL Hsiao, University of Warwick
Richard Ormerod, University of Warwick

The paper reviews the current emphasis on the transfer of knowledge practices as a way to achieve competitive advantage. The current knowledge practices focus on product innovation and process efficiency, emphasising the imitation of the content of knowledge practices. However, it may result in a lack of alignment and lead to organisational dysfunction. Therefore, managers need an effective way to transfer knowledge practices and avoid superficial imitation of the knowledge content. The paper concludes that knowledge transfer requires not only the imitation of knowledge content (know-what) but also the underlying strategic thinking (know-how). This ‘know-how’ requires an investigation of the alignment behaviour of knowledge practices with key organisational factors. A practical framework is suggested for the effective transfer of knowledge practices.

Reciprocal Learning Alliances
Michael Labatkin, University of Connecticut/Groupe ESC Lyon
Juan M Florin, University of Connecticut
Peter Lane, Arizona State University

Recent writings about learning alliances, suffer from an imbalance. Theory continues to primarily focus on knowledge appropriation, single-loop learning, adversarial intent, and one-way learning races. We argue that these traditional theories maybe useful for explaining why one-way learning alliances tend to fail but are not useful for explaining why some alliances succeed. Practice, however, is suggesting that a different kind of learning alliance is becoming more common place, based on knowledge reciprocation, collaborative intent, double-loop learning, and two-way learning partnerships. We propose a model of reciprocal interfirm learning, based on theories from sociology (relational governance) and educational psychology (jigsaw) to describe the processes and structural components of successful learning alliances.
Beyond the Firm vs. Market Dichotomy: A Structural Approach to Governance Choices
Michael G Jacobides, University of Pennsylvania

What drives vertical integration, and what makes parts of value chain “stick together”? In contrast to economic & strategic orthodoxy, we consider that firms and hierarchical structures serve the need to organize rich information in a manageable manner, and to coordinate effectively, even absent incentive or transaction problems. Decisions to vertically integrate or not, make use of open market or strategic supply partnership, are co-determined by coordination and information processing abilities of governance structures. The paper presents an integrated framework examining the trade-offs between transaction guarantees, incentive-intensity and information/coordination advantages of organizational alternatives. The framework is used to examine how changes in information technology affect coordination capabilities (and hence the merits) of firms, markets, networks or alliances.

Achieving Superior Performance in Strategic Alliances: The Role of Governance Structure, Mutual Hostages and Asset Specificity
Kendall Artz, Baylor University
Patricia M Norman, Baylor University

Despite the considerable attention that has been directed towards examining strategic alliances, almost no empirical research has been conducted that directly examines the performance implications of these alliances. This study attempts to address this shortcoming by investigating competitively relevant relationships between configurations of a key set of strategic variables and alliance performance. Specifically, we argue that the extent and balance of transaction specific assets and the presence of relational norms in a buyer-supplier relationship are important factors affecting partnership performance. Hypotheses were tested using data from 393 manufacturing firms. Results revealed that while specific investments by one participant in the relationship negatively impacted the indicators of performance, offsetting investments by the other party effectively increased performance. Relational exchange elements were positively related to performance.

Acquire or Ally? A Contextual Framework for Deciding Between Acquisition and Cooperation
Werner Hoffmann, Contrast Management-Consulting/Vienna University of Economics
Wulf Schaper-Rinkel, Berentzen AG

Although there is considerable literature dealing with alliances (joint ventures) and acquisitions, surprisingly little of it helps develop a basis for deciding between acquisitions and alliances as strategies for external growth. We develop such a framework, drawing on an extensive study and synthesis of the literature and on interviews with senior executives and consultants regularly handling comparable decisions. The data show that neither strategy is generally superior, with each specific context determining whether an acquisition or an alliance best meets the strategic objectives of the focal firm. Alliances provide advantages in the face of high environmental uncertainty and knowledge dispersion because collaborations provide higher strategic flexibility and foster rapid learning. Acquisitions are superior to alliances in situations with less need for strategic flexibility, and when the transaction aims to make the efficient utilization of the sustaining economies of scale and scope.

Performance vs. Stability in Strategic Alliances: An Empirical Investigation
TK Das, City University of New York
Bing-Sheng Teng, George Washington University

Two important aspects of the functioning of strategic alliances are their performance and their stability. In the literature, it is not uncommon to link alliance performance with alliance stability, and often times the two are used interchangeably. We argue in this study that the two constructs are in fact significantly different. We believe that it is the initial conditions of the alliances, rather than alliance performance, that significantly account for alliance stability. We call this “partner analysis” approach, which examines partners’ resource similarity and resource imitability. As this partner analysis is a new approach in alliance research, a second purpose of this study is to test its relevancy. We are currently in the midst of an empirical investigation with senior executives.
Blending While Building Internal Corporate Ventures  
(Track F)  
Anurag Sharma, University of Massachusetts

I report observations from a field study of new business ventures inside large firms. I argue that attempts to realize synergies with existing businesses can be counterproductive for new ventures — by making them prematurely vulnerable to pressures or circumstances outside their control. Hence, new ventures should temporarily manage their relationships with the operating divisions. First, they should focus their initial efforts toward developing very specific capabilities either by bootlegging resources or by obtaining quiet seed capital from those sympathetic to their objective — but away from the short-term profitability concerns of the divisions. Then, they should offer to trade or barter their unique capabilities for urgently needed help by clearly demonstrating the tangible benefits that the operating divisions can realize by sharing resources.

Effects of Industrial Design on Company Performance  
(Track D)  
Gerda Gemser, University of Groningen  
Mark MAA Leendeer, Erasmus University

This study sheds more light on the impact of industrial design on the competitiveness of companies. The basic premise is that an industrial design is positive effect of industrial design on performance is not unconditional, but dependent on industry evolution and design practice. Data were gathered in companies of two industries, i.e., home furniture and precision instruments. We found that integrating industrial design in the product development process strongly impacts on company performance whenever the design strategy is relatively new for the industry involved. At the case where a design strategy is rather mature, investing in a design strategy does not result in higher performance unless firms use professional design expertise in an innovative way that diverges from common industry practice.

Tailoring Corporate Entrepreneurship Strategy: A Framework for Analysis and Decision Making (Track C)  
Aart Willem Saly, Erasmus University

More and more managers and researchers argue that many large, established firms need more entrepreneurial behavior. Furthermore, there is also a growing amount of literature describing systems to intensify entrepreneurial activities. However, models that solve the questions ‘When should a firm try to build corporate entrepreneurship?’ and ‘What is the appropriate entrepreneurship system for a particular firm?’ are still lacking. Based on a review of corporate entrepreneurship literature, this paper proposes a firm-level model to explain both entrepreneurial intensity and the appropriateness of different entrepreneurship systems, dependent on a firm’s environment, strategy, and structure. The model can be used as a framework, both for managers’ decision making and empirical research. The paper finally reports first results of evaluating the model through case studies in large Dutch firms.

Signaling Product Quality as an Element in Business Strategy: Conceptual Issues and Empirical Evidence  
(Track B)  
David Asch, Open University  
Susan L Segal Horn, Open University  
Vivek Sunjaya, Open University

This paper makes a strong case for developing a strategic perspective in respect to the effective communication (‘signaling’) of product quality. Business strategies for signaling product quality should be based on an understanding of how consumers come to form perceptions regarding product quality. A number of factors may influence consumer perceptions regarding product quality, such as past experience with the brand, the amount of advertising by the firm and the product’s price. These influences are likely to vary according to product class and consumer characteristics. Our paper revisits the relevant theoretical and conceptual issues, and provides empirical evidence on how consumers form perceptions regarding product quality, based on extensive primary data derived from the domestic appliance industry. These findings yield insights into how firms can devise quality signaling strategies.

From Dual Monopoly to Hypercompetition in the Telecommunications Industry in Chile (Track B)  
Alvaro Cuervo-Cazurra, Massachusetts Institute of Technology

This study analyzes the evolution of the telecommunications industry in Chile after its deregulation in the 1980s and compares the transformation of the state-owned basic-telephony monopolist, CTC, and the state-owned long-distance monopolist, Entel, into private full line competitors. The paper argues that the combination of three forces deregulation and privatization, competition and technological change, transformed the industry from a dual monopoly structure to a hypercompetitive oligopoly. Incumbent firms managed to develop new competencies and transformed themselves into full line competitors aided by strategic links to foreign multinational enterprises. Their strategies differed based on the effect that the deregulation of the industry and the entry of new competitors had on the firm’s resources. The experience acquired in this hypercompetitive market helped the firms in their international expansion.

The Influence of Corporate Governance Structures on Investment Decisions in Central and Eastern Europe (Track E)  
Laszlo Tihanyi, California State University - Fullerton  
Alan E Ellstrand, California State University - Long Beach

The potential benefits and challenges associated with international expansion are well represented in investment decisions concerning entry into the Central and Eastern European market. Using an agency theory perspective, we seek to examine the influence of board composition and ownership structure on the decision to enter the transition economies of Central and Eastern Europe in the early 1990’s. Archival data from 133 large manufacturing firms reveals that firms with diffused ownership structures were more likely to invest in the region. Results indicate that while outsiders dominated boards tend to influence entry decisions at firms with poor prior performance, insiders dominated boards of firms with better performance are more likely to be associated with entry decisions into the Central and Eastern European market.

Competitive Positioning and Organizational Factors in Emerging Market Risk Assessment (Track G)  
Frank Linden, Tufts University  
Gerry M McNamara, Michigan State University  
Paul M Vaaler, Tufts University

Emerging market investment is increasing as is the number of credit rating firms vying to assess the riskiness of such investment. These developments let us address important research questions in strategy and organization theory regarding how and why risk assessments differ among firms competing for rating business in emerging markets. We examine sovereign credit risk ratings for 51 emerging market countries rated during the 1987-1996 period. We find that emerging market sovereign risk ratings are complex measures that, in addition to national economic conditions, are influenced by competitive and organizational factors. Findings suggest that existing emerging market risk models would benefit from additional explanation offered by assessing competitive structure in the risk-rating industry and by assessing organizational biases in the risk-raters themselves.
The Survival of New Foreign and Domestic Firms (Track B)
José Mata, Banco de Portugal
Pedro Portugal, Banco de Portugal

We compare the exit of new domestic and foreign-owned firms. We find the decision to exit to be determined by ownership advantages, size and growth strategies, the internal organization of firms, and by industry characteristics as economies of scale, previous foreign presence, and industry entry and growth. After controlling for these characteristics, we find that domestic and foreign firms do not exhibit different chances of survival, that they respond in similar fashions to the determinants of exit and display identical time patterns of exit.

Creating Relationship-Based Competitive Advantage
Panel Track B Salon 2

Ranjay Gulati, Northwestern University
Gautam Ahuja, University of Texas - Austin
M Tina Dacin, Texas A&M University
Jeff H Dyer, University of Pennsylvania
Ravindranath Madhavan, University of Illinois - Urbana-Champaign
Akbar Zaheer, University of Minnesota

The premise of this symposium is that it is possible to create competitive advantage through strategically designing and managing inter-firm relationships. This panel offers a perspective that a firm’s critical resources increasingly span firm boundaries and may be embedded in interfirm resources and routines. Thus, we argue that an increasingly important unit of analysis for understanding competitive advantage is the relationship between firms. Four papers are offered from different industrial settings which explore the creation of relationship-based competitive advantages.

Product Development Processes and Outcomes
Paper Track F Salon 1

What is the Role of Performance Goals in Product Development? A Study of Japanese Camera Manufacturers
Antonio Davila, IESE/University of Navarra
Kentaro Koga, Harvard University

This paper investigates the role of performance goals in product development. Specifically, the paper examines the practice of target costing, an innovative management control system that seeks to minimize those costs which are determined in product development. The sample includes 35 compact camera development projects of seven Japanese firms between 1991 and 1996. Data has been collected through a questionnaire survey of the project managers. The statistical analysis reveals that a surprisingly small number of projects achieve the cost targets despite severe price competition in the business. The results show that the cost targets trigger intense interactions between product designers and process engineers. Intensive interaction in turn is positively related to the cost reduction accomplishment. Overall, the findings suggest that performance goals are a catalyst for organizational learning.

Achieving Knowledge Integration in New Product Development Teams
Alan O’Sullivan, McGill University

Sustained product innovation depends significantly on cross-functional collaboration. This paper discusses social-psychological barriers to cross-functional collaboration in new-product development teams. I argue that team members’ perceptions of their organization’s identity are important in determining whether and how these barriers are overcome. Organizational identity provides a shared context for action, and this is important to sustained product innovation for two reasons. Firstly, it helps integrate knowledge drawn from different functional bases. Secondly, it allows a clearer understanding of what organizational changes will be required for implementing a product. The paper clarifies the role of knowledge integration in sustained product innovation, and offers suggestions for the effective design and functioning of new-product development teams.

The Role and Value of Knowledge Combination in Innovation and New Product Development: A Study of Project Management in the Software Industry
Patricia Murtagh, University of the West of England

This paper reports on a study of innovation and new product development projects in the software industry. The role of knowledge combination in creating and sustaining core competencies is examined in the context of innovation and new product development.

Strategy, Human Resource Management and Organizational Contingencies in the Effective Management of Multinational Subsidiaries
David Brock, University of Auckland
Julie Hickman Burg, William M Mercer Inc
Ilene Siscovick, William M Mercer Inc

We study a sample of multinational subsidiaries to discover effective combinations of strategic, human resource (HR), and organizational processes. We find that certain HR programs are more effective in some strategic and organizational contexts than others; and this effectiveness also has implications for overall organizational effectiveness.

Intrafirm and Intraindustry Human Capital Transfer and the Diffusion of Firm and Industry Practices
Tammy L Madsen, Southern Methodist University
Elaine M Mosakowski, Purdue University
Srilata A Zaheer, University of Minnesota

The mechanisms of knowledge transfer have increasingly gained attention in the strategy and organization’s literature as firms struggle with managing knowledge across the organization. Research tends to focus on the links between knowledge transfer and firm performance/survival, the processes underlying knowledge transfer or the impediments to knowledge transfer. Less attention has been directed to the effects of human capital transfer on the diffusion of common firm behaviors versus industry behaviors in a longitudinal context. We test how transfer-
Metaphorical Focusing Devices for Successful Technology Adoption and Implementation Strategies
Iwan von Wartburg, University of Zurich
Jetta Frost, University of Zurich

In this paper we show the importance of metaphors during the whole process of new product development. Firstly, metaphors drive managerial cognitive maps about market and technology trends, say they codetermine a company’s strategic scenarios. Secondly, by using metaphorical projections on other industries’ product designs, companies may derive at innovative NPD conceptualizations themselves. Thirdly, metaphors allow an efficient implementation of development projects because they help development teams to share tacit knowledge and to motivate development teams by serving as an intervention technique for systems divided by defensive perception and intragroup and intergroup conflict. Our research interest is in developing a conceptual map of how metaphors can be systematically used concerning the stage of development projects or strategic sensemaking.

Tailoring New Product Development Management Strategies to Prevailing Environments: Results From an Exploratory Study of 52 New Product Innovations in France
Thierry Gonard, Groupe ESC - Nantes Atlantique
William E Souder, University of Alabama - Huntsville
Claude Denisse, Institut National Agronomique Paris - Grignon

The notion has recently emerged that new product management is influenced by national context. This study, focused on the way French firms, compared to other countries, manage product innovation, is part of INTERPROD, an international study of 19 countries directed by CMOST at the University of Alabama in Huntsville. The results suggest that French new product development processes are tailored by the managers’ perceptions of the technology and the market. When both the technology and the market are perceived to be familiar, there is a tendency to underestimate obstacles. When the technology or the market is unfamiliar, managers tend to over-manage the process. When both are unfamiliar, new product development process is informal and managed by “champions”.

R&D Collaboration Between CERN and Industrial Companies: Organisational and Spatial Aspects
Michael Hahnle, Vienna University of Economics and Business Administration

This paper aims at providing answers to the question of how best to manage and organise R&D collaborations between industry and scientific centers like CERN, the European Laboratory for Particle Physics. A conceptual framework is designed based on previous findings in Transaction Cost Economics, Strategic Management and the findings of related Empirical Studies. Based on the conceptual framework, general problems and success factors of innovative collaborations are identified. The exploratory analysis of the collected empirical evidence from 21 case studies of R&D collaborations leads to the identification of critical issues encountered between conceptual design and managerial implementation of the projects. The exploratory analysis studies how the collaboration partners organised the projects in order to ensure effective communication and common learning despite geographical separation.
nance structures employed in technical alliances are more applicable in individualistic than in collective societies (Hofstede, 1991). To account for these findings, at the very least, cultural factors need to be controlled for if not integrated into theoretical models. Additionally researchers will have to consider the possibility that universalistic application of contemporary management theories may be unwarranted.

Henry W Chesbrough, Harvard University

The literature on Japanese supplier management practices has articulated the many benefits of close relationships between customers and suppliers, particularly in the automotive industry. However, this literature at this point is one-sided. Close supplier relationships have costs, as well as benefits. Using an organizational economics framework, these practices lie between arm’s length relations with unaffiliated suppliers, and internal production. In turbulent environments, these intermediate forms of organization contain limits to their ability to adapt to technological change. In information technology industries where broad technical standards have arisen, these standards allow relations with arm’s length suppliers to substitute for the close coordination observed in the auto industry. Empirical analysis of hard disk drive sourcing decisions in Japanese notebook computers shows that Japanese firms eschewed affiliated suppliers, turning instead to either internal drive suppliers, or unaffiliated U.S. suppliers.

The Role of Strategic Outsourcing in Competitive Strategy
Charles Baden-Fuller, City University Business School
Brian Hunt, University of Bath
David Targett, University of Bath

Traditional models suggest that outsourcing core activities is risky because the firm may lose its competencies, and become hollow (Prahalad and Hamel, 1990; Teece 1990). The dangers will be compounded if rival organisations are able to steal key aspects of a firm’s knowledge base and leap-frog in the competitive race. In our paper, we seek to challenge this conventional thinking. We have identified four different situations where outsourcing what seems to be a core competence does make sense. These are: to catch up; to meet changing customer needs; to face technological change; and to enter new markets. Our paper also addresses the critical issue of how firms should proceed in creating an outsourcing market where one does not currently exist.

U.S. Distribution Alliance Strategy of Japanese Manufacturing Firms: Knowledge Transfer or Keiretsu Governance?
Mariko Sakakibara, University of California - Los Angeles
Kenneth Servin, AT Kearney

This article offers the first study to identify determinants of forward vertical integration into foreign distribution activities by employing published firm-level data. Three entry alternatives are considered: arm’s-length contracts, joint ventures, and wholly-owned subsidiaries. We examine 310 Japanese manufacturers’ entries into the U.S. market, and find evidence that previous joint venture experience increases the likelihood that this mode of entry is chosen, most likely through the development of routines. Keiretsu affiliation significantly increases the likelihood that the market mode is chosen, suggesting that common keiretsu membership by manufacturers and general trading companies mitigates agency problems in contractual delegation of foreign distribution activities. Conditional on an integrated mode being chosen, however, relaxed capital and information constraints increase the likelihood that keiretsu firms establish wholly-owned subsidiaries.
Designing “Graduate School of Future Management”
Muhittin Oral, Sabanci University
Oguz Baburoglu, Sabanci University

The survival of organizations in the future requires special managers who can effectively deal with globalization and international competition. Future managers need to possess global vision, with local attachment and ecological responsibility. They are envisaged to be multi-cultural, team players, and eager to continuously learn, in addition to their widely sought conventional wisdom. These suggest that the managers of the future should be “future managers” who are not only capable of following the trends of globalization, competition, and environmental protection, and then react accordingly, but are also equipped and willing to shape them in such a way to gracefully and effectively serve humanity in general, and their own societies and organizations in particular. The Graduate School of Future Management of Sabanci University in Istanbul aims to graduate such managers.

COUNTRY SPECIFIC CONTEXT FOR STRATEGIC DECISION MAKING PROCESSES

Strategic Decision-Making in the Middle East
Abdul Rauf Parker, Q-TEL

The study looks at the strategic decision-making processes that are used in the Middle East. A strategic decision-making framework was developed based on institutional and resource dependency theories. This framework was tested in the telecommunications industry, using an instrument to measure: 1) The organizational pressures that are present within the telecommunications industry in the Middle East. 2) The strategies which the telecommunications organizations adopt due to pressures from external organizations such as the government. 3) The strategies which the telecommunications organizations adopt due to pressures from within their organization. 4) The level of environmental turbulence within the telecommunications industry in the region at the time of the study. The framework applied in the study provides a promising instrument to study environmental pressures and their effects on strategic decision-making.

State of the Art of Strategic Management Practice in Large German Corporations: First Results of Research Concerning the Use of Strategic Management Concepts to Support German Strategy Processes
Andreas Al-Laham, Universität Dortmund

The empirical study examines the question which strategic management concepts (models, theoretical frameworks and approaches) are used in large German companies. Instead of analyzing the singular use of individual concepts the study is based on a comprehensive research design which focuses on the use of strategic management concepts within the entire strategy process. Actually, the frame of reference distinguishes between the phases ‘strategic goal formulation’, ‘internal and external strategic analysis’, ‘strategy formulation’, and ‘strategy implementation’. The findings show many problems related to the use of concepts in the entire strategy process (for instance, the use of Porter’s five forces-framework; shareholder value analysis, benchmarking; PIMS; Value-Cain-Analysis; 7-S-Model was investigated) and altogether that the field of strategic management concepts in Germany has to be developed further.

Business Strategy in Russia: From Central Planning to Contingency Planning
Daniel J McCarthy, Northeastern University
Sheila M Puffer, Northeastern University

This paper describes and analyzes the emergence of strategic management in Russian businesses as they adapted to an evolving market-oriented economy. The analysis is based on the authors’ longitudinal research in which they interviewed the senior executives of six Russian organizations, including entrepreneurial start-ups, state-owned enterprises, and quasi-privatized enterprises. The research was conducted in annual visits from 1993 to 1997. Generalized conclusions are presented about the planning approaches in these organizations in the context of their emerging strategic management systems. The central theme is the replacement of the traditional Russian state-controlled planning system by contingency planning approaches developed by business managers.

Why Should the Postman Always Ring Twice? Analyzing the Process of Strategic Renewal in State-Owned Postal Services
Carlo Carnevale-Maffé, Bocconi University
Markus Venzin, Bocconi University

How can we analyse and describe the process of strategy development in a state-owned company facing increased competition? Can we identify common strategic renewal patterns among postal services in European countries? May state-owned postal services exploit a “latecomer advantage” while searching for new business opportunities (e.g., face-to-face retail banking)? The financial and postal industries in Europe are currently facing many trends of change, including deregulation and re-regulation, the introduction of the Euro currency, the process of concentration through mergers and acquisitions, the impact of technology on logistics, telecommunication and electronic means of transaction. As part of the research project “Strategic Renewal within Large European Corporations”, this paper explores the above research questions for the case of “Poste Italiane” (Italian Postal Services), a 200,000-employee state-owned company.

OPTIONS AS MECHANISMS FOR PRESERVING STRATEGIC CHOICES

Corporate Level “Real” Options: The Strategic Equivalent of Genetic Variety
Rita G McGrath, Columbia University
Max Boisot, EXADE

Despite increasing attention to “real options” on the part of both practitioners and academics, the bulk of extant work has been at the level of individual projects. There is much the strategist may gain by broadening the focus to patterns of options at the corporate level. Following Ashby’s Law of Requisite Variety, the larger the range and variety of options a corporation holds, the greater the range of environments with which it will be able to cope without being selected out. We adopt an information-based approach, drawing on Boisot’s concept of “information space” and March’s ideas of exploratory and exploitative learning. These frameworks allow us to locate a firm’s portfolio of options with respect both to its core knowledge and environmental knowledge requirements. We develop new propositions relevant to the world of corporate strategy, such as different ways of conceptualizing traditional prescriptions for portfolio management, diversification and multiple-point competition.
Stabilizing Company Cash Flows: Strategy, Scope and New Alternatives
Jennifer Bethel, Babson College/U.S. Securities and Exchange Commission

Anecdotal evidence suggests that managers may try to stabilize cash flows by altering firm scope and strategy; that is, they may diversify into counter-cyclical or low-variability businesses to stabilize cash flows. Alternatively, managers can use financial products, such as derivatives and asset-linked securities, to stabilize certain types of cash-flow fluctuations. Managers' choice between using real and financial assets should depend, at least in part, on the costs and benefits of diversification into counter-cyclical or low-variability businesses, relative to the costs and benefits of using financial products. This paper develops a model for understanding why and under what circumstance managers might select financial, rather than asset-based methods to stabilize cash flows.

Getting There By Lurches: The Rugged Road to Globalization
Paola Dubini, Bocconi University
Ian C MacMillan, University of Pennsylvania

Despite the current attention in the popular press to the pace of globalization, many industries that appear to be prime candidates are globalizing more slowly than might be expected; global strategy is firm specific and needs simultaneously to be consistent both with the idiosyncratic resources available to the players as well as with the specific nature of the market environments in which the firm operates. The longitudinal study of the home appliance industry worldwide, and the application of Levithal’s (1997) model of adaptation on a rugged landscape and of Parolini’s (1996) description of value creating systems, lead to the identification of four critical issues for the development of a global strategy: 1) The effect of local competitive environments in globalization processes. 2) The persistent relevance of national boundaries. 3) The “lurching” nature of the globalization process. 4) The time-contingent nature of the competitive landscape, with its associated firm-specific and time-specific windows of strategic opportunity.

Overcoming Competitive Disadvantage With Resource Handicaps: An Option Theoretic Explanation
Timothy B Folta, Purdue University

While the resource-based view is helpful in diagnosing the factors which help sustain a competitive advantage, it has not been overly insightful in depicting a process for building a competitive advantage. We cast the firm as a portfolio of real options. Both scope and resource positions may vary in the flexibility they afford and the certainty of growth opportunities. Compared to successful firms, firms lacking competitive advantage may have different incentives to invest in strategic commitments versus strategic flexibility. Option theory is used to motivate a set of variables which may influence how disadvantaged firms can overcome their inferior resource positions. A simulation is used to test propositions.

DO CEOs MATTER?

**Are Chief Executives of the Most Admired Companies a Unique Group?**
Elisabeth Marx, Norman Broadbent International
David Norburn, University of London

Two studies investigate the relationship between the characteristics of Chief Executives and the reputation/type of their organisation. Study one shows that Chief Executives of the most admired UK companies are a unique group in terms of their career profile. International experience and combining the roles of Chairman and Chief Executive were two of the unique characteristics of this group. The results raise some questions on the recommendations on corporate governance in the UK. Study two analyses the ‘fit’ of Chief Executives to the type of organisations they are leading. Chief Executives who lead complex organisations have a career profile that matches this complexity: they are better educated, have more international experience, they stay longer with the company and are more likely to be internally promoted.

**The Rhetoric of Strategic Management: A Study of Speeches From Four Generations of CEOs**
Johan Stein, Stockholm School of Economics
Leif Melin, Jönköping University
Anders Melander, Jönköping University
Tomas Mullern, Jönköping University

The purpose of this paper is to create an understanding of how leaders in organizations, by rhetorical means, produce and reproduce strategic ways-of-thinking. Official speeches held by CEO’s in one of the largest forest companies (SCA) in Europe are used as empirical illustrations. We have been able to collect speeches from four generations of CEO’s of SCA, given at different official occasions. The speeches that have been collected cover the period from 1952 to 1993, a period during which the company has grown considerably and has gone through a whole series of strategic changes. The guiding theoretical idea of the project is that leaders use both logical and narrative rhetorical strategies when they deal with strategic change. We argue that informing, persuading and motivating people in and around an organization is not only a question of finding the right combination of “true” arguments, but also a question of creating meaning concerning the change project (that is, using narrative strategies to describe the project and the different actions needed to implement it).

**Firm Strategy, CEO Characteristics and Firm Performance: The Moderating Role of Managerial Discretion**
Deepak Datta, University of Kansas
Nandini Rajagopalan, University of Southern California
Yan (Anthea) Zhang, University of Southern California

This empirical paper examines the implications of fit between firm strategy and newly selected CEOs’ demographic characteristics for firm performance. Theoretical arguments grounded in a managerial discretion perspective predict that the fit between CEO characteristics and firm strategy will be more strongly associated with improvements in firm performance in high-discretion environments than in low-discretion environments. Hypotheses are tested in a sample of 140 CEO successions over a 10-year time period among relatively non-diversified firms from a variety of manufacturing industries. Preliminary findings indicate that firm strategies are strong predictors of newly selected CEO characteristics including age, firm tenure, education, and functional background. Further, the fit between CEOs and firm strategy results in superior performance in high discretion as opposed to low discretion environments.
CEO Reputations and Their Relationship to Company Performance
Joseph Porac, University of Illinois - Urbana-Champaign
James Wade, University of Illinois - Urbana-Champaign
Timothy G Pollock, University of Wisconsin - Madison

Using data from 292 firms in the S&P 500 this study investigates the determinants of CEO reputation and assesses the effects of a CEO’s reputation on salary and firm performance. CEO age, and firm size have a positive impact on CEO reputation, while CEO tenure and shareholder activism have a negative effect. Firm performance has a positive impact on a CEO’s reputation while industry performance has a negative effect, suggesting that high performance is discounted if the firm is in a high performance industry. Higher CEO reputations generally result in higher CEO salaries unless firm performance is extremely poor. CEO reputation, however, has no impact on future firm performance, suggesting that while a good reputation may enrich the CEO, its benefits to the firm are questionable.

MANAGING FOR COMPETITIVE ADVANTAGE IN NETWORKS AND ALLIANCES

PAPER TRACK D KAHILI

Transition Processes Towards the N-Form Corporation: Strategic Implications for Knowledge Flows
Frans AJ van den Bosch, Erasmus University
Raymond A van Wijk, Erasmus University

The N-form corporation has been advanced as an internal network and new strategic variable to redress the managerial challenge of intracorporate knowledge sharing. From a theoretical perspective, the key distinguishing characteristic of the N-form is its reliance on horizontal knowledge flows as a complement or alternative to vertical ones. However, empirical studies examining the N-form in practice and the transition processes of introducing the N-form remain sparse. This paper examines and compares two cases that recently underwent the transition to the N-form. In particular, the strategic implications for the configuration of knowledge flows are addressed, using the H/V ratio which relates horizontal to vertical knowledge flows. Unique circumstances and characteristics of both cases highlight a number of interesting issues for further research.

Resource and Capability Differences Between Networks and Dyads
Mark H Hansen, Brigham Young University
Robert E Hoskisson, University of Oklahoma

This paper examines important differences between firm resources and capabilities required to manage dyadic relationships and those required to manage network relationships. A key difference between networks and dyads is the number of relationships that must be managed simultaneously. We argue that the management of one or even several dyadic relationships would require different capabilities than would the management of a network. The results of this study are based on survey data gathered from 118 firms involved in collaborative relationships. We found that, whereas dyadic relationships benefit from more traditional governance arrangements based on written contracts, network coordination necessary to govern multiple exchanges is achieved more readily by reliance on interpersonal relationships among network partners.

Business Federation: Basic Design Dimensions and Their Adoption in European Management Consulting Companies
Joaquim Vilà, IESE/University of Navarra
Carsten Syvertsen, IESE/University of Navarra

The Business Federation form seeks that the different businesses (federated local units) act with autonomy but under a cohesive glue. The Federation provides a framework which provides responses to management issues for both large, complex companies as well as smaller ones. This research illustrates the extent to which key aspects of this new form are being adopted in management consulting firms across Europe. This implies new rules of thinking about autonomy of local offices, resource sharing, management control and corporate support services.

Determinants of an Alliance Management Competence: An Empirical Study
Prashant V Kale, University of Pennsylvania
Harbir Singh, University of Pennsylvania

In this paper, we develop and test the notion of “alliance competence” which refers to an institutionalized organizational capability to effectively manage a portfolio of alliances. The “knowledge-based view of the firm” suggests that accumulation and application of knowledge forms the basis of building organizational capabilities. Thus, alliance competence would rest upon the organizational processes associated with the accumulation and sharing of alliance management know-how embedded in the firm’s prior and on-going alliance experience. We test our framework by analyzing cross-sectional and longitudinal data on the alliance management practices of a sample of U.S.-based firms. Whilst the present analysis is restricted to the context of alliance management know-how, it informs how firms could manage the critical knowledge that forms the basis of organizational capabilities in other settings as well.

Surviving in an Alliance World: Alliance Longevity in the Airline Industry
Dawna L Rhoades, Embry-Riddle Aeronautical University
Blaise Waguespack Jr, Embry-Riddle Aeronautical University

Robert Crandall, former Chairman and CEO of American Airlines, has said that airline alliances “allow carriers to extend the reach of their networks, thus achieving operating and marketing efficiencies, which lead to lower costs” (www.amrcorp.com, 1997:2). However, some have questioned whether these types of arrangements lead to long-term competitive advantage or are simply a race to learn and discard partners (Hamel, 1991; Porter, 1990). The purpose of this paper was to test a typology that classified airline alliances by resource commitment and complexity and attempted to predict their longevity. Results indicate that higher levels of resource commitment were associated with greater longevity while complexity increased the likelihood of failure. Longevity while only one possible measure of success is clearly not an outcome for many alliances.
Alliance and Patent-Based Competitive Dynamics in the Canadian Biotechnology Industry
Joel AC Baum, University of Toronto
Brian Silverman, Harvard University

Despite the recent explosion of research on alliances and intellectual property accumulation in biotechnology, several aspects of these phenomena remain poorly understood. We explore these gaps by examining the influence of a firm’s own, its partners’, and its rivals’ alliances and patenting success on patterns of survival and competitive dynamics among Canadian biotechnology firms. We find that a biotechnology firm’s pattern of alliances and patents has complex effects on its survival, displaying both benefits of resource access and hazards of “learning races”. Similarly, the pattern of alliances and patents established by a firm’s partners and rivals yields a rich set of competitive and mutualistic effects. This research potentially informs managerial decisions concerning interorganizational collaboration and intellectual property strategy – particularly in biotechnology, and perhaps more generally.

The Evolution of Interfirm Collaboration: Strategic Groups and Alliance Formation
Joseph P McGill, Rutgers University
Seung Ho Park, Rutgers University

This paper presents an integrative framework that captures the interplay between industry structure, i.e., strategic groups, and the emergence of alliances. Using a framework that integrates transaction cost and industrial economics perspectives, we argue that strategic group membership differentially affects the costs of creating and maintaining an alliance. This is because strategic group structure reflects asymmetries in the distribution of capabilities and rivalries, both of which are expected to influence the likelihood of alliance formation and sustainability. The main goal of this paper is to reveal new contingencies and constraints for alliance formation through the introduction of an intra-industry perspective. This approach also contributes a framework for integrating two important models in the strategy field - strategic groups and strategic alliances.

Technology Exclusivity or Technology Sharing?
Caroline Boivin, Concordia University/Ecole des HEC - Montreal

It is widely assumed that technology exclusivity and R&D benefits are positively linked. In terms of technology management prescriptions, this assumption implies that a firm should opt for exclusivity whenever it can and only share its technology when it is unable to block imitation. That would explain why some firms are reluctant to undertake any kind of technology sharing. Contrary to this view, this paper suggests that the benefits from technology sharing can exceed the reduction in profits associated with the loss of technology exclusivity. A case study design is used to develop a framework of factors that favor technology sharing. The technological strategy of Kodak with the Advanced Photo System and Apple Computer’s licensing program of the Mac Operating System are discussed.
Towards a Knowledge-Based Framework of Organizational Capabilities: Insights From an Exploratory Study (Track F)
Steffen P Raub, Asian Institute of Technology

Developing organizational competence requires dealing with two contradictory goals: accumulating specific, socially complex assets over a significant period of time, while simultaneously maintaining their competitive relevance in rapidly changing environments. Analyzing competence development as a succession of related and integrated projects provides new insights into how this dilemma may be resolved. This paper is based on an in-depth case study of a large retail company. It describes various processes at the intra- and inter-project level leading to organizational competence in ecology-related retailing. The study suggests that successful competence-based management depends on an organization’s innovative capability (initiation of new projects), selective capability (evaluation and choice), supportive capability (organization-wide deployment), combinative capability (integration of projects), conservative capability (stabilization of competence), and renovative capability (maintenance of strategic flexibility).

Tailoring Strategy: Designing Intrapreneurship Strategies That Reshape Corporate Strategy (Track F)
Jon Erik Svendsen, Norwegian School of Management

This paper focuses on the interaction between strategy design at corporate level and the intrapreneurship process in business organisations. The research is based on intrapreneurial ventures, how they develop because of/in spite of predefined corporate strategy, and how the corporate set-up/strategy change due to the arrival of a new business activity/unit. This research shows intrapreneurs by-passing bureaucratic inertia and resistance to “not-fitting” activities with informal decision processes made through informal networks. Top management intending to use intrapreneurship as an effective tool should use must allow these informal processes and calculate such an influence on strategy formulation. The proposed model divides the intrapreneurship process between the intrapreneur/team and top management in a dynamic interaction between the venture development process, strategy formulation and selection process.

Consultant Roles, Dominance, Control Loss and Psychological Ownership: A Conceptual Model (Track G)
Svein Tveh Johansen, Norwegian School of Economics and Business Administration
Rune Lines, Norwegian School of Economics and Business Administration

Consultants differ in their directiveness or assertiveness relating with clients. This paper looks at the effects of assuming a dominant or controlling role vis-a-vis the client. The attempted dominance of the consultant is assumed to lead to a perceived loss of control by the client. This is experienced as uncomfortable by the client who attempts to restore control by various means. One of which is reduced psychological ownership in the change project. This is particularity likely in situations where the client finds it difficult to confront the consultant directly. The antecedents as well as mediating and outcome variables are presented in a tentative model. Finally, implications for research and practice are discussed.

Top Management Team Demography vs. Competence: Competing or Complementary Models? (Track H)
Hun-Joon Park, Yonsei University
Bum-Sung Kim, Yonsei University

A competence-based TMT research was attempted as an alternative to demography-based TMT research by analyzing 80 TMT’s competence measures and demographic characteristics in Korea. Results show that TMT competence as well as demographic characteristics influence firm performance. This competence-based research, however, explains better how and why they matter to firm performance and makes strategic composition of TMT possible. The way some TMT characteristics influence firm performance in Korea is found to be different from that of developed countries.

Success and Failure in Corporate Transformation Initiatives (Track F)
Andrew Pettigrew, University of Warwick

For many organizations, the key strategic issue remains the actual execution of their chosen strategies through timely and appropriate change. A cogent synthesis of effective management of system-wide change will be amplified by extensive recent research on organizational change and performance in Europe.

Which Are the New and Traditional Innovation Processes That Improve the Firms Innovation Rate? (Track F)
Ricardo Mateo Duenas, University of Navarra

I analyze the innovation processes in the firm and describe what these processes are. The objective is to look for, describe, and find the best innovation processes in the companies. In many companies the first condition to improve innovation is to improve participation and consider it part of the strategy intent of the firm. Nevertheless, the ways to manage the innovation process and the strategy orientation are very important. In this step the company needs a whole process that allows and facilitates the contribution of the workers. Its possible to conclude that there are some traditional and new processes that contribute better than others to improve the rate and the outcome performance of innovation.

Technological Acquisitions and the Innovation Performance of Acquiring Firms: A Longitudinal Study of the Chemicals Industry (Track F)
Gautam Ahuja, University of Texas - Austin
Riitta Katila, University of Texas - Austin

In this study we examine the impact of acquisitions on the subsequent innovation performance of acquiring firms. We focus on a specific set of acquisitions, technological acquisitions, which we define as acquisitions in which technology is a component of the acquired firm’s assets, and provide a set of measures for quantifying the technological inputs a firm obtains through such acquisitions. This framework relating technological acquisitions to firm innovation performance is tested using longitudinal data from the global chemicals industry. Our results provide strong evidence that technological acquisitions enhance innovation performance.
Architectural Product Innovation and Firm Persistence in the Supercomputer Industry
Kate Blackmon, London Business School
Andy Boynton, IMD

This paper is concerned with the study of the competition among firms in a single product-market, and the competition between product design configurations and products within the product-market from industry inception onward, and the differences between successful and unsuccessful strategies for competing. It examines the dynamics of the co-evolution of organisational and technological change within the supercomputer industry. It is based on a longitudinal, archival, historical study of the supercomputer industry from its inception in 1956 to year-end 1996. The study identified all entrants, exits, product introductions, and patents granted in the industry. The goals of this paper are to understand how organisations compete, and how they shape and are shaped by technological innovation in an emerging industry.

Managing the Internationalization Process
PAPER TRACK F SALON 2

Tammy L Madsen, Southern Methodist University
Gordon Walker, Southern Methodist University

This research examines the reciprocal interactions of incumbents and entrants following institutional regime change. We test the effects of entrant characteristics (firm level) and entrants’ aggregate competitive intensity (industry level) on incumbent behavior (and vice versa) following industry deregulation in a longitudinal empirical study of the Motor Carrier Industry from 1980 to 1993. Preliminary findings indicate that industry deregulation gives rise to different growth trajectories for incumbents and entrants but notably, the asset stock and financial resources incumbents bring to the new regime, coupled with their experience, provide leverage for survival and distinguish them from entrants.

The Sources of Competitive Advantage: Towards a Conceptual Integration of Static and Dynamic Perspectives
Sei-Myung Chang, Case Western Reserve University
Vasudevan Ramanujam, Case Western Reserve University

Exploring the sources of competitive advantage across firms is a central thrust in the strategy. In recent years, there have been debates among strategy scholars as to the ultimate sources of competitive advantage. These debates tend to polarize between those who see the external competitive environment as the ultimate source and those who contend that the source should be rather found from the internal firm resources and capabilities. In this paper, we develop a framework that can be used to identify and compare various perspectives on the sources of competitive advantage. The reciprocal interactions between the firm and the environment are at the heart of our framework. Variations are derived from viewing the firm and the environment as either dynamic or static.

The Dynamics of Relative Strategic and Resource Positioning in the Post-Deregulation Airline Industry
Javier Gimeno, Texas A&M University
Ming-Jer Chen, University of Pennsylvania

A firm’s relative position within its industry (represented by the pattern of pair-wise similarity with other incumbents) may influence the motivation for future changes in relative position. We investigate the dynamics of a firm’s pair-wise similarity relative to other incumbents in two dimensions: strategic posture and resource profile. Drawing on multiple theories (industrial economics, reference point, strategic groups, social contagion, resource-based view), we predict that changes in strategic and resource similarity profiles are influenced by the rivalry experienced by the focal firm, the performance differential between the firms, and the initial relative competitive position. An empirical analysis of these hypotheses in the context of the post-deregulation U.S. scheduled airline industry (1979-1995) provides substantial support for these antecedents of changes in relative strategic and resource positioning.

Canvassing the Globe: A Comparison of “Born Global” and “Gradual Globalizing” Firms
Paula D Harveston, University of Memphis
Peter S Davis, University of Memphis
Ben L Kedia, University of Memphis

Traditionally, the domain of international business has been dominated by large firms that have internationalized incrementally through a sequence of identifiable stages (Johanson & Vahlne, 1977). However, a number of new ventures have appeared that are international from inception, deriving a substantial proportion of sales revenues from international markets (Oviatt & McDougall, 1994). These organizations are called “born global” firms. The purpose of this research is to examine born global firms in comparison to gradual globalizers that follow the stages model of internationalization. The present study seeks to answer the following research questions: 1) What attributes distinguish born global firms from gradual globalizers? 2) What are the factors that differentiate the internationalization process between these firms? 3) What are the performance implications of each approach?
The Dynamics of Knowledge in International Strategic Alliances: A Study of Foreign Run Hotels in Cuba
Pablo Martin de Holan, INCAE · Costa Rica

In spite of recent efforts to build bridges between the resource based view of the firm and the literature on knowledge, the notions of knowledge circulation and capability creation remain underdeveloped. In this paper, we present the results of a longitudinal study of the dynamics of knowledge in service organizations. The results are based on a qualitative, in-depth study of homogeneous international hotels in Cuba. What makes the population interesting is their quite heterogeneous results in spite of their similar structural constraints. The framework developed considers the dynamics of knowledge creation, transfer and consolidation in strategic alliances, and highlights the mechanisms by which organizations develop skills and capabilities.

LEARNING FROM SUCCESS, FAILURE AND DEAD ENDS
PAPER TRACK F SALON 7

The Phoenix: Organizational Death and Renewal in the Videogames Industry
Luigi Proserpio, Bocconi University
Angelo Fanelli, Bocconi University

The ‘videogames’ industry is an ideal setting to analyze new organizational forms emerging in a changing competitive environment; moreover, the videogames industry shows strong technological discontinuities, defined by “leapfrogging”, that is the emergence of new hardware technologies, not compatible with the existing ones. We have two aims in this paper: to analyse the character, causes and consequences of technological discontinuities, with particular reference to the traditional perspectives on the organization-technology relationship; and to show the different practices adopted by videogames firms, shedding some light on the emerging “Phoenix Organization” paradigm. The results of our field research support the idea of a peculiar form of organization (which we call “Phoenix”) where a ’plug and play’ logic for structural design is applied. Firms have learned how to decompose their technological core into elementary units and how to substitute and combine them according to market and product development requirements.

Why Do Firms Fail: An Empirical Evaluation of Determinants of Business Bankruptcy
Stewart Thornhill, University of British Columbia
Raphael H Amit, University of British Columbia

Do young and old firms fail for the same reason? The liability of newness hypothesis predicts that as firms survive over time, managers learn about firm capabilities and the competitive environment. Effective learning should then lower the mortality risk in subsequent periods. Thus, when older firms do fail, the causes should differ from those which lead to the demise of new ventures. This hypothesis is tested using data from a survey of Canadian bankruptcy trustees. Firms that fail after more than a decade of operation were found to differ from firms that went bankrupt within two years of start-up.

Crash Test Without Dummies: Learning From Failure of Others
Ji-Yub Kim, University of Wisconsin - Madison
Anne S Miner, University of Wisconsin - Madison

Strategy research on interorganizational learning chiefly addresses how managers can help their organizations to replicate strategies of successful organizations. However, failure is also potentially valuable experience for the population of organizations. Organizations can learn from the failures of others through inferences about causal processes and knowledge that could guide future strategic actions. Drawing on theories of interorganizational learning, we hypothesize that the level of prior failure can thus enhance the survival rate of organizations in the population. In addition, we suggest that implies that ‘near-death’ events — in which organizations come very close to failure but manage to avoid it — will have a different effect on later survival rates for the population than will ‘complete’ organizational deaths. We will examine these predictions using data on 900 credit unions over a 18 year period.

Ownership Structure: Contingencies and Implications
PAPER TRACK C SALON 8

Ownership, Governance and Incentives in Human-Capital-Intensive Firms: Evidence From the Biotechnology Industry
Julia D Liebeskind, University of Southern California

This study addresses the question of how corporations might best be organized when their primary asset is human capital. Using a sample of 79 new biotechnology firms founded in California that had gone public by 1995, this study examines their ownership structure, especially in relation to employee ownership; the ownership-based incentives these firms provide to their employees, especially in terms of deferred stock ownership and deferred stock options; and the system of corporate control.

Does Ownership Affect Corporate Productivity? A Partial Mediation Modeling Approach
Shamsud D Chowdhury, Athabasca University
J Michael Geringer, California Polytechnic University

Based on the tenets of capital allocation systems theory and the “going concern” concept of business, institutional ownership is proposed to affect corporate productivity, both directly and indirectly, in large Japanese corporations through a set of four high-risk, firm level strategies: product/market development, R&D intensity, capital intensity, and leverage. Using data on 118 corporations drawn from five industry sectors in Japan, and applying a partial mediation technique, this study tests an integrated, causal model of the relationships among these variables. Results show mixed support for the model. No direct relationship between institutional ownership and productivity is observed. However, institutional ownership affects productivity indirectly through R&D intensity and leverage. Although product/market development and capital intensity also affect productivity, institutional ownership has no influence whatsoever on them.
The Role of Boards and Large Shareholders Under Normal and Crisis Mode
Sayant Chatterjee, Case Western Reserve University

The central thesis of this paper is that under normal circumstances all “independent” boards or large shareholders act as they are supposed to. However, in a crisis, specifically in the aftermath of a rejected takeover, most independent boards and large shareholders can be expected to assert their independence. The paper demonstrates that even in a crisis mode, not all boards and large shareholders will assert their independence in the same manner. Boards that are independent on paper and were vigilant in the past, support management in keeping the firm independent. However, if the board had not been vigilant in the past they are most likely to agree to a subsequent sale.

Improving the Effectiveness of International Joint Ventures

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<td>Value Creation in International Collaborative Arrangements: An Empirical Investigation</td>
<td>Krishnan Ramaya, University of Missouri - Kansas City</td>
<td>Deepak Datta, University of Kansas</td>
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Using a sample of international cooperative arrangements (ICAs) by U.S. manufacturing multinationals in the period 1987-1993, this study investigated the value creation associated with the announcement of such ICAs. Results indicate that, on average, ICAs had positive cumulative abnormal returns suggesting that they are positive net present value transactions. Findings also suggest that the extent of value creation varies across different ICA categories. While abnormal returns in the context of logistics and operations ICAs were positive and strongly significant, the same was not true for ICAs in the areas of technology development and marketing, sales and service. In addition, of the several firm and country factors examined in the study, firm size was the only factor which was significantly associated with the extent of value creation.

An Analysis of the Effects of Firm Capabilities and International Collaboration of the Foreign Sales Intensity of Semiconductor Firms

Michael Leiblein, Ohio State University
Jeffrey J Reuer, INSEAD

A large body of research has suggested that firms may leverage their existing capabilities and obtain specific advantages such as scale economies, additional growth options, or access to a diverse skill base by building an international presence. However, globalization can also be very difficult for firms facing resource constraints and time pressures. Consequently, it is important to understand the factors that affect a firm’s foreign market sales base. This study describes how resource constrained firms can build an international presence through the use of specific types of alliances and how these alliances allow them to leverage their existing capabilities by examining the relationship between firm resource endowments, the formation of international alliances, and the foreign sales intensity of over 100 North American semiconductor firms.

Firms, Alliances and Markets in Cross-Border Knowledge Transfer

Paul C Almeida, Georgetown University
Robert Grant, Georgetown University
Jae Yong Song, Columbia University

Are multinational firms superior to strategic alliances and the market in transferring knowledge across borders? Why? There exists limited direct evidence of the effectiveness of the international corporation in technological knowledge transfer (compared to strategic alliances and the market). Further, we have a limited understanding of why international corporations are efficient in transferring knowledge or about the means through which this transfer occurs. This paper attempts to make two contributions: 1) Based on field interviews with engineers and managers in the semiconductor industry, it offers a framework for understanding the superior ability of the international corporation for moving knowledge across borders. 2) It uses patent citation analysis to provide support for the effectiveness of the international corporation in cross-border knowledge transfer.

Process Improvement for Strategic Thinking

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<td>Strategic Thinking in a Global World: Understanding Strategy as Creative Judgment</td>
<td>Rajesh Kumar, Aarhus School of Business</td>
<td>Mathieu P Weggeman, Eindhoven University of Technology</td>
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What does strategic thinking mean in a world where continuous change has become the operating norm? How are managers to make sense of and operate in turbulent environments? What critical skills are needed to be a high performer in this environment? We think the answer to these questions is: dilemma management. Four dilemmas are identified: a strategic, an organizational, an operational and a sense-making dilemma. In our view strategy is the art of reconciling these dilemmas in a timely way. As an art form, the essence of strategy then becomes creative judgement in order to be able to act boldly but not foolishly, flexibly but not indecisively and strategically but not wishfully.

Mastering Strategic Thinking

Ingrid Bonn, University of New England

Lack of strategic thinking by senior managers has been identified as a major shortcoming in the development of unique strategies. This research draws on concepts in management, psychology, philosophy and pedagogy to develop a framework of strategic thinking. A distinction is made between strategic thinking at the organisational level and the individual level. The organisational level provides the context in which managers are encouraged or constrained to think strategically. The development of strategic thinking at the individual level requires managers to break free of the inertia of established routines and conventional thinking paradigms. The paper analyses characteristics of strategic thinkers as well as impediments to strategic thinking. It then suggests strategies to promote strategic thinking, both at the individual level and in the organisational context.

Improving Strategic IQ

Ravindranath Madhavan, University of Illinois - Urbana-Champaign
John L Naman, University of Pittsburgh

What are the developmental processes that lead to superior strategic thinking ability in individual managers? We build on recent findings from the cognitive psychology of expertise to propose two conditions that facilitate the development of strategic thinking ability in individual managers. Professional experiences and activities that facilitate deliberate prac-
types of competences are most appropriate to compete effectively at each level of competition.

Adapting Strategy to Environmental Cycles: A Resource Based Perspective
Joyce S Falkenberg, Norwegian School of Economics and Business Administration

A basic tenet in the strategy literature is that firm performance is highly related to the fit between the environment and the organization. This suggests that organizations affected by environmental cycles need to be able to adapt continuously to very different environments. This paper draws on the literature from the resource based perspective to propose the types of changes which can be expected. The purpose of the present paper is to incorporate the resource based perspective in developing a framework of organizational adaptation to cyclical environmental change.

Revisiting Jack and the Beanstalk: What Do We Really Know About Firm Growth in Different Contexts?
Donald E Hatfield, Virginia Polytechnic Institute & State University Carl W Voigt, University of Southern California

Growth has long been considered to be an important measure of performance by both managers and researchers. Intuitively, despite the lack of empirical evidence, most managers and researchers believe that growth is linked to profitability and survival. While the relationship between growth, profitability, firm size, and other variables has received some descriptive treatment in the industrial organization literature, it has received little systematic empirical attention from strategy researchers. We examine growth behavior in a sample of almost 5,000 diversified firms from 1979-1989. We decompose growth into five (5) main growth components, and control for a variety of firm characteristics. We find the strategy textbooks often neglect the importance of the source and locus of growth when describing the “typical” curvilinear relationship between performance and growth.

Leadership Compatibility and Cross-Border Acquisition Outcome
Richard Schoenberg, University of London David Norburn, University of London

The issue of how leadership compatibility between bidding and target firms influences acquisition outcome continues to generate debate in academic, business, and consultancy circles. Based on data collected from 129 European cross-border acquisitions, this paper examines how leadership compatibility along specific dimensions of management style influences acquisition performance. Further, the research examines the extent to which the relationship between management style compatibility and acquisition outcome is contingent upon the acquisition process adopted by the acquiring firm. The results lead to prescriptions for improved pre-bid planning, and help to define the acquisition conditions under which leadership compatibility is an important performance determinant.

Should Managing Executives Stay or Go After Acquisition? The Case for Using Insiders or Outsiders
Duncan N Angwin, University of Warwick

Many acquisition studies have pointed to the importance of post-acquisition continuity or change in senior management (Kitching, 1967; McCann and Gilkey, 1988; Cannella and Hambrick, 1993) which raises the question of whether the managing executive of the acquired company should stay or go. This paper recognizes the importance of the


Environment, Strategy and Managerial Characteristics: An Empirical Investigation of a Path Analytic Model
Ram Subramanian, Grand Valley State University Kamalesh Kumar, University of Michigan - Dearborn

Survey responses from 187 U.S. hospitals were used to test an integrative model that examined the strategy-staffing-performance relationship. The sequential relationship between perceptions of the environment, organizational strategy, managerial characteristics, and organizational performance were first expressed as a path analytic model. In the next step, path analysis was used to empirically ascertain the direction and magnitude of causal relationships between variables hypothesized to be related. The data supported the following propositions: strategic adaptations of organizations were associated with their perception of the environment; organizations pursuing an efficiency-oriented strategy employed top managers with characteristics different from those pursuing a market-oriented strategy; and firms that exhibited the proper alignment between strategy and managerial characteristics outperformed those with less than optimal alignment.

Types of Competition and Strategy: Why all Competencies and Relationships Are Not Equally Well Suited for All Ways of Competing
Knut Haanes, Norwegian School of Management Oystein Fjeldstad, Norwegian School of Management

The strategy literature suggests that competences are increasingly considered to be the main drivers of competitive advantage. However, there seems to be a lack of understanding of which types of competences are most critical. This paper introduces — and illustrates — a framework consisting of three fundamental levels of competition. The three levels of competition — and the competences supporting each of these — are illustrated by an analysis of the pharmaceutical industry. We argue that biomedicine (biotech) firms engage in entrepreneurial competition; multinational pharmaceutical firms mainly compete through contractual competition and, finally, that the generic drug makers focus on operational competition. Finally, we present a set of propositions as to which

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mation and progressive problem solving play an important role in the development of expert strategic thinking ability. As such, organizations seeking to promote their managers’ expertise in strategic thinking should utilize processes and technologies that encourage deliberate practice and progressive problem solving. Our research offers a better understanding of what constitutes expert strategic thinking ability in a business context, as well as how to develop a “method of expertise” in strategic thinking.

Strategic Thinking as a New Approach to Build Strategy
Joaquim Vilá, IESE/University of Navarra Esteban Masferrer, IESE/University of Navarra

This paper presents a framework to build strategy which significantly deviates from prevailing approaches to the analysis of industry structure or core competences. It links strategic thinking, conceived as a state of mind, with strategy, as a shared framework which guides managers daily action. It is developed in a way that tries to address key managers’ concerns. The results of some empirical tests, on the basis of four case comparison, are provided. The framework outlined may serve top management efforts in building a shared understanding of strategic issues and encouraging actions at the front-line which are consistent with the strategy pursued by the firm.


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post-acquisition phase and uses a hybrid methodology to examine change in the managing executive of acquired companies in the UK. By using Haspeslagh & Jemison’s (1991) contingency framework, the paper responds to a recent call in the Strategic Management Journal by Krishnan, Miller and Judge (1997) for an investigation into top team turnover in the light of different post-acquisition integration approaches.

The Interactive Effect of Competitive Rivalry, Managerial Ability and Manager Succession on Organizational Performance

W Glenn Rowe, Memorial University of Newfoundland
Douglas Gorman, Memorial University of Newfoundland

This paper examines the moderating-mediating effect of competitive rivalry, managerial ability, and manager succession on organizational performance using a 30 year data set (1968 to 1997) from the National Hockey League (NHL). Previous studies using data from the NHL, the NBA and major league baseball teams suggest that when there is a coaching change, there is no succession effect with respect to performance unless the succession/performance relationship is moderated by managerial ability and/or competitive rivalry. This study finds support for a moderated-mediated performance/succession/performance relationship and suggests that teams who change coaches perform better than those who do not and that, in the context of the NHL, this relationship is moderated by managerial ability depending on how performance is operationalized.

Published Initial Pronouncements of New Chief Executive Officers: Context, Strategic Thrusts and Interpretations

Ken Russell, University of the West of England
David Bence, University of the West of England

The purpose of this research paper is to examine the correlation between known published information about the strategic context and performance of an organisation and the stated strategic thrusts immediately after the appointment of a new CEO. On-line databases have been the main source for collecting evidence. The research focuses on CEOs appointed in the 5 year period 1993-97. The detection of the appointment of a new CEO is used as the trigger date. Performance and contextual data are linked using the relevant financial reporting periods for the organisation under scrutiny. A range of factors, based on content and context analysis, is the basis for clustering phenomena. These clusters are then analysed to determine patterns and inform debate.

The Complementarity Mechanism: Changing Managerial Roles in Strategic Renewal

Martin W Wielemaker, Erasmus University
Henk W Volberda, Erasmus University
Tom Elfring, Erasmus University

An investigation into strategic renewal of 24 renewal projects from three large multi-unit firms shows that the managerial roles of those involved in these renewal processes is not a fixed construct, but dependent on the type of project, the firm’s strategy, and the kind of market. Because these aspects change during the course of time, so do the managerial roles. We suggest a ‘complementarity mechanism’ that offers an explanation for these changes in managerial roles.

Organizational Change and Tobin’s q

JL Morrow Jr, Mississippi State University
Gloria Harrell-Cook, Mississippi State University

This study examined the effects on firm performance (as measured by Tobin’s q) of three different types of organizational changes: changes in the firm’s strategy, changes in the firm’s CEO and changes in the firm’s control system. The resource-based view of the firm suggests strategies that exploit a firm’s existing resources in ways that create new value will have a positive effect on performance, and the results of this study support this argument. Surprisingly, managerial changes and changes in the firm’s control system did not have an effect on Tobin’s q.

The Political Economy of Organization Dissent

Nicholas Argyres, University of Southern California
Vai-Lam Mui, University of Southern California

It is commonly observed that different organizations tolerate different levels of dissent from their members. A firm’s approach toward internal dissent can arguably have an important impact on the firm’s strategic choices, and ultimately upon its performance. This paper builds on the literature in political economy and the economics of organizations to address the question of what determines the optimal level of dissent in profit-seeking organizations. The theory explores the analogy between political and organizational constitutions, focusing on how firms structure the political rights of employees and the incentives to express dissent, and how these interact with the structure of decision rights in organizations. We motivate our analysis with examples of organizational dissent in companies such as Apple Computer, Intel and Coca-Cola.

Creating Strategic Change and Renewal

Comparing Managers’ Narratives With Theories on Strategic Change: Is There a Lesson to Be Learned?

Johan Stein, Stockholm School of Economics
Mats Tyrstrup, Stockholm School of Economics

Research on organizations suggests that they are dynamic systems more or less beyond the absolute control of all and every actor. Yet, most practitioners assume organizations to be fairly stable system under the command of executives. Being the result of everyday work experiences, the practitioners’ understanding of strategic change in itself implies some relevance and needs to be interpreted and explained. Studies of complexity, for example the aspect of contingencies, is suggested as a path towards understanding the divergence between modern theories on strategic change and the practitioners’ experiences of executive control. The paper presents preliminary findings from a literature review and some initial empirical studies. Methodological issues are considered and research questions, as well as some potentially fruitful frames of references, are suggested.

Cooperative Strategy in Different Country and Institutional Context

Strategic Inter-Firm Relationships in Ireland: An Assessment by Social Network Analysis

Eleanor R O’Higgins, University College - Dublin
Leo MacCanna, Computer Department Ltd

Social Network Analysis methods and theories were used to assess inter-firm relationships in Ireland through inter linkages among company directors in the 250 largest companies. Irish networks were compared to those in Britain, U.S. and 8 mainland European countries. As hypothesized, the findings confirmed that Irish networks resemble those of other countries, as the network patterns found are not random and are structured in nature, with banks occupying a central position; industrial clustering is manifest. Ireland’s relatively sparse network reflects the smaller average size of indigenous companies, and dependence of the ‘Celtic Tiger’ economy on foreign multinationals, which are, paradoxically, peripheral to the network. Clustering generated by inter linkages can create economic benefits, but may adversely affect the corporate governance process by compromising company directors’ independence.
Autonomy and Performance: A Model of Mature Alliances in Emerging Economies
James A Robins, University of California - Irvine
Karin M Fladmoe-Lindquist, University of Utah
Stephen B Tallman, Cranfield University

This paper presents an exploratory study of alliance strategies of U.S. firms in Mexico using a three-party perspective. The research looks at ways in which the distinctive resource contributions of parent firms influence U.S. managers’ views of the performance of established alliances. Latent-variable structural models of the effects of alliance dependence and autonomy on performance are estimated with partial least-squares techniques, using data from a survey of managers in U.S. parent firms. The research suggests that mature alliances of this type are expected to achieve autonomy from parents in key areas at the same time that other forms of strategic dependencies may be linked to success.

Live and Let Net: The Perverse Effect of Institutional Context on Strategic Alliances
Vincenzo Perrone, Bocconi University
Giuseppe Soda, Bocconi University
Alessandro Usai, Bocconi University

Interorganizational forms are not always the result of efficiency maximizing or competence enhancing strategies. They can be instead the effect of the interaction between institutional pressures and strategies implemented by the firms for controlling their environment. We collected data about 250 consortia, formed by the first fifty Italian construction companies, for the execution of an equal number of government funded projects. We expected that the level of technical complementarity among different firms was positively related with the frequency of joint participation in consortia. No support was found for this hypothesis. What we discovered in a second part of the study is that firms in this industry have learnt how to use the institutional rules for colluding by ‘taking turns’ in participating to different consortia.

A Game-Playing Perspective on Industry-Level Megachange
Juha Näsi, University of Jyväskylä
Pasi Sajasalo, University of Jyväskylä
Pentti Sierilä, Lappeenranta University of Technology

We will describe, analyze, and interpret the concentration process in the Finnish forest industry. The subject is examined from a game-playing perspective and the main players are identified in their forest sector game field. The result draws a general picture of the overall development paths that have taken place within the industry and the crucial role of spheres in the process. We aim to make a contribution to the areas of strategy formation, a new game-playing view, industry level theory and sphere theory. We cover three important and different layers of corporate strategy, we combine overviews of radical industry-level concentration, corporate governance and strategic change in major corporations within an industry of great importance to the national state of Finland.

Co-Opetition: Competitive and Cooperative Strategies for the Information Economy
Barry Nalebuff, Yale University

Game Theory can be applied to business strategy by actively shaping the game you play instead of playing the game you find. Though often compared to games like chess or poker, business is different. When you play chess or poker, you aren’t allowed to change the rules. But in business, people are free to change the whole game — and they do. This presentation will show you how game theory can influence the way you see your business.

Demystifying Leadership: What Makes Different Sizes Fit
Norma Rosenberg, Coopers & Lybrand LLP
Genevieve Bazelmans, Change Management Associates
John C Hess, Engelhard Corporation

One CEO is like Attila the Hun, another is like Ghandi, but both are making their companies’ strategies work. What’s really going on? Is each company’s strategy so different? Could the two leaders swap places and still get the same results? What criteria in each leader and each organization are affecting the outcome? The corporate landscape is full of strategy successes and failures attributed to company leaders. After briefly assessing well-known public examples, the panelists will draw on their first-hand experience as business practitioners and consultants in Fortune 1000, midsize and not-for-profit organizations. They will distinguish between critical and variable leadership criteria — i.e. criteria that must be present to successfully implement strategy, versus criteria that influence but don’t make or break implementation. Participants will be encouraged in the Q&A to share examples from their own experiences with the group.
Results of a longitudinal study of 12 on-going technology based radical innovation projects in 10 large, mature companies reveal managerial strategies for developing and bringing to market these innovations. The strategies and the tactics that support them are substantially different from current practices for developing incremental innovations. A radical innovation promises the potential for 5 - 10 times improvement in product performance, an entirely new set of product performance features, or a significant (30%-50%) reduction in costs. We found five overarching strategies for fostering breakthrough innovation: establishing bounds on breakthrough activities; stimulating breakthrough ideas with deliberate articulation of “holy grails” or corporate intent; evaluating and screening breakthroughs; incubating radical innovation projects to protect them from on-going organizational pressures; developing well networked, out-of-the-box thinkers as project participants and champions.

This paper argues that companies who have traditionally managed innovation using a functional framework of research versus development should consider an alternative mission-based framework. The mission-based framework which distinguishes knowledge-augmenting and knowledge-exploiting entities is simultaneously a tool for strategic management and for communication. An analysis of matched case studies as well as a statistical analysis of 156 R&D sites supports this argument.

A three-year study of award winning design firms and high technology organizations shows the limitations of traditional market research, planning systems, and quality measurement processes in developing breakthrough products. We propose an alternate design-based view -- a systematic process of idea generation and product innovation driven by design that shapes an organization’s position in its competitive space. Our paper discusses the impact of a design based strategy paradigm on how new ideas emerge, how problems are formulated, and how strategies are developed. We describe practices from award winning organizations that: 1) interpret insights for novel customer experiences, 2) infuse novel insights with credibility and momentum, and 3) design business systems to create and capture value.

A comprehensive theoretical model of characteristics of IR success was elaborated, including interorganisational trust, commitment towards the IR, communication (coordination, communication quality, information sharing, participation), participants power and dependence, and conflicts. An empirical research was then undertaken to determine whether or not each of these dimensions really does contribute to the success of the relationship between United States hotel companies and travel agents.

Equal-equity JIVs are unstable organizational forms, characterized by a dialectics between competition and cooperation, and the ambiguity of each partner’s intentions. The creation of a new organization and the absence of formal domination by one partner stimulate top management team members’ sensitivity to psychosociological phenomena: psychological acculturation, social comparison of relative standing, distributive justice and procedural justice. The author develops an integrative conceptual framework to guide the analysis of the psychosociological antecedents of cooperation - attachment and commitment - between TMT members in equal-equity JIVs. The empirical investigations strongly support and illustrate our conceptual framework: early psychological contracting processes, psychological acculturation, perceptions of decreasing relative standing, and perceptions of distributive and procedural injustice significantly hinder attachment and commitment, hence interindividual cooperation between key players in equal-equity JIVs.

We investigate learning effects in the management of inter-firm alliances, employing a unique data set of over 2000 joint ventures and licensing agreements. The ubiquity of inter-firm alliances, and practitioner reports of heterogeneity in “alliance capability”, suggest that this is an issue that has received both considerable interest and lends itself to careful empirical analysis. Using contract-specific experience measures, we find strong evidence of learning effects in managing joint ventures, but no such evidence for licensing contracts. Inter-firm differences are important, and the point estimates of these firm effects are consistent with priors about the distribution of alliance capability. General management ability, proxied for by Tobin’s q, is not correlated with our derived measures of alliance capability; nor, for the R&D alliances, is high expenditure on R&D.

This paper examines how a firm’s network of linkages facilitates and constrains knowledge creation and transfer and how the knowledge impacts competitive dynamics. It addresses the question of how alliances and networks could be configured to develop knowledge and at the same time reduce knowledge imitation. Propositions are developed to suggest how network characteristics influence knowledge creation and how the knowledge impacts various aspects of competitive dynamics. The perspective developed in this paper suggests the need for proactively configuring the network to maximize knowledge creation. It also suggests the possibility of inter-network competition as opposed to inter-firm competition because members of a network could combine their knowledge and capabilities to successfully compete with members of other networks.
Cultural Compatibility and Acquisition Effectiveness: A Dutch-U.S. Experience
Michel AE Vandenput, University of Nijmegen
Sjef van Gool, Human Connection
Simon de Jong, ABN-AMRO

This study is about international acquisition effectiveness. One case of a Dutch multinational that has acquired several U.S. companies was examined, where both national cultural differences and differences in company culture were investigated. The main findings are: 1) with respect to national cultures: the U.S. companies emphasize more internal values (believe in oneself); the Dutch mother is more externally oriented (adapt to external situations); 2) with respect to company cultures: all companies (the mother as well as the daughters) value task orientation combined with a preference for equalitarian values. It seems that in this case complementariness of national cultures has had a favorable influence on synergy; the common company culture may have positively influenced that relation.

Sculpting the New Style of Global Strategic Management: How Are the Japanese Companies Adapting to Global Standards?
Naoto Iwasaki, Seijo University
Hidekata Kaiho, Seijo University

This study empirically examines the new style of global strategic management from a questionnaire survey of 220 Japanese firms and intensive case studies. Distinctive competence of Japanese companies had been based on a ‘full-dimensional and single-handed knowledge creation strategy.’ Japanese firms had kept all sorts of business functions themselves and had implemented this strategy. It had developed tacit knowledge in a company and had created collaboration among business functions. This type of knowledge creation system could build their competitive edge. However, this system doesn’t always work effectively in the 1990’s global market. We explore how Japanese companies adapt to global standards with sculpting their new management system and discuss the ‘global standard’ of strategic management.

High-Speed Internationalization: Leveraging Socially Embedded Relationships
Harry D Korine, London Business School
Bent C Reichardt, London Business School

This paper addresses the question of how the crucial stages of opportunity search and partner selection in the internationalization process can be substantially shortened. Sociological research on economic markets suggests that socially embedded relationships between firms facilitate trust, fine-grained information sharing and joint problem-solving. We hypothesize that high-speed internationalizers skillfully leverage the social capital of existing embedded relationships with brokers such as customers, suppliers, and professional intermediaries. What differentiates successful high-speed internationalizers, our case-based research shows, is not the presence or absence of embedded relationships with brokers, but the manner in which these are managed. High-speed internationalizers navigate between embeddedness and over-embeddedness. They reduce the costs of search and improve the quality of partner selection without falling hostage to particular relationships.

Beyond Globalization: Global Strategic Management and Regional Integration
Ronald Rivas Buss, Long Island University

We define quasi-ricardian rents to fill a gap in the literature on global strategic management. Given a significant increase in global integration factors, the opportunity to gain quasi-ricardian rents creates pressures for regional integration that are substantially larger than pressures for global integration. We test this proposition on a sample of Pacific Rim and Latin American countries. We employ a stochastic model of interacting particles applied to trade and perform cross-sectional regressions from 1965 to 1994. Our findings show that the pressures for regional integration are two times larger than pressures for global integration. These findings point towards the need of a dynamic theory of global strategic management that includes the study of regional specificities. Such theory should study the process of earning quasi-ricardian rents.
challenges that pose impediments to learning. We hypothesize that learning takes place at a slower pace with international partners and that such alliances are formed at a lower rate. We also hypothesize that learning across alliances is slower over a series of international partners than a series of domestic partners. We present the results of a large sample analysis of the formation rate of same-country and different-country alliance partners among biotechnology firms.

OWNERS AS MANAGERS: ISSUES AND IMPLICATIONS

Franchising and Its Effects on Strategic Decisions and Organizational Performance: A Multilevel Analysis
Xiaoli Yin, Northwestern University
Edward Y Zajac, Northwestern University

This research studies how franchising as an organization form affects strategic decisions and organizational performance. Using comprehensive longitudinal data from the 1990s on approximately 6,000 stores from a very large U.S. restaurant chain, we examine the multilevel economic and organizational influences on the strategies of these stores, as well as the performance outcomes related to these strategies. Of particular note is our analysis on the role of a unique element of organizational governance: namely, the multi-store franchise enterprise that resides between the corporation and the individual store.

Divesting Retail Operations Into Franchising: An European Study
Alessandro Baroncelli, University of Bologna
Angelo Manaresi, University of Bologna

Building on previous contributions on strategic restructuring and on network theory this paper proposes that divesting through franchising enables the firm to carry out a rapid and effective process of restructuring and growth. We provide a definition of the divestment-through-franchising construct, than a review and discussion of alternative frameworks of retailing governance, and finally the presentation and discussion of the field research carried out in seven European countries (i.e. Germany, France, Italy, UK, Spain, Denmark and Sweden). In this research, empirical findings highlight circumstances under which franchising is used as a form of divestment, and show how divesting assets and substituting them with contractual relationships can lead to a variety of strategic achievements and can help coping with environmental contingencies.

Management Buyouts in Human Capital Intensive Industries: Incorporating Knowledge Into Models of Corporate Governance
Russell W Coff, Washington University - St Louis

An efficient market for corporate control requires that competing bidders emerge when managers take advantage of asymmetric information in a management buyout. Asymmetric information is especially likely when targets draw on knowledge-based assets. In fact, asymmetric information is one reason that such assets may lead to a sustainable competitive advantage. Accordingly, shareholders of human-capital intensive firms need more protection. However, this paper argues that managers may not fear competing bidders when they are in human capital intensive industries because the “human assets” will view competing bidders as hostile. Thus, uncontested management buyouts may be more common in human capital intensive industries. Empirical results from a sample of acquisition attempts suggest that multiple bidders are less common for targets in human-capital intensive industries.

Strategy and Structure: Low-Cost, Differentiation and Risk-Sharing in Managed Care Organizations
Heather Elms, University of Florida

This paper addresses the relationship between the choice of business strategy and governance structure in 175 California medical groups. The providers of health services for both indemnity and managed care insurers, medical groups have recently become an excellent arena in which to examine strategic and structural consistency, given the growing predominance of capitated contracts between insurers and medical groups—contracts that encourage a low-cost strategic orientation over the differentiated orientation of fee-for-service medicine—and the use of multiple new control mechanisms meant to support new strategies. Results, however, suggest little relationship between these organizations’ strategic orientation (capitation or fee-for-service) and their governance structures (non-risk-sharing or risk-sharing compensation arrangements), and instead emphasize the importance of incentive intensity and monitoring ability on organizations’ choice of governance structures.

TRANSFORMING AND CREATING TECHNOLOGICAL COMPETENCIES

Organizational Restoration: Reestablishing Collaborative Connections Through the Use of Advanced Technologies
Samuel M DeMarie, University of Nevada - Las Vegas
Anthony R Hendrickson, Iowa State University
Anthony M Townsend, University of Nevada - Las Vegas

Most firms have recently implemented multiple rounds of organizational restructuring and/or outsourced non-core functions; all done to remain competitive in increasingly challenging markets. Breakthroughs in communication and information technology have created the potential to radically alter some of the limiting parameters associated with restructuring and outsourcing. Exceptional advances in communications, which allow for voice, picture, and data transmission combine with similarly impressive advances in information technology to create an electronic infrastructure upon which collaborative connections can be recreated in new and effective ways. This paper examines how advanced new technologies may be used to offset some of the problems inherent in restructuring and outsourcing. Research concerning innovative organizations that have effectively applied new technologies is presented to illustrate the potential benefits these technologies afford.

Using Analysis of Core Competencies and Their Strategic Interconnections to Enhance Performance: The Case of CERN
Jane Salk, Groupe ESSEC
Markus Y Nordberg, CERN/DSU
Jean-Marc Xueeb, Groupe ESSEC
Gilles Lindecker, CERN/DSU

In the early 1990’s, the European Laboratory for Particle Physics (CERN) faced increasing pressure to reduce its budget and human resources imposed by deficit-cutting policies of the sponsoring member states. In this climate of change, the physicists who manage CERN undertook a fundamental review of the organization’s competencies and employment of human resources activities. The present paper describes their approach, grounded in these scientists’ self-understanding of conducting this review — following norms of basic science rather than being directly influenced by the strategic management literature — and provides a fresh look at how to move from conceptual level core competence-based strategy theory into an approach for action. Based on the gained experience, some directions for future research are finally proposed.
Strategic and Performance Implications of Information Processing Constraints in Post-Deregulation U.S. Airline Industry

William P Wan, University of Oklahoma
Javier Gimeno, Texas A&M University
Robert E Hoskisson, University of Oklahoma

We propose that the complexity associated with managing a multimarket firm requires extensive information-processing capacity, which, in a specific time period, is limited in supply. When the complexity level increases unexpectedly, information-processing constraints force the business/unit units of a multimarket firm to compete internally for the limited information-processing resource, creating a negative spillover across units. Strategic changes in the competitive environment can rapidly increase the complexity level, producing information-processing overload. Overload initiates a rationing process, whereby less important units free up information-processing capacity for the more important units. For the affected units, this may result in decreased market share, lower performance, and higher likelihood of exit or divestiture. The model is tested in the context of the multimarket operations of U.S. airlines.

Strategic Models for Competitive Transformation Beyond Mass Production in the U.S. Textile Manufacturing Complex

Ekaterina P Singletary, Independent Consultant
Samuel C Winchester, North Carolina State University

The U.S. textile industry is undergoing strategic transformation driven by urgent market, technological, and sociopolitical forces. We have analyzed the issue of effective business adaptation by integrating insights from modern management concepts and techniques with the practical experience of eight leading textile producers. Here we present a strategic framework for manufacturing development in congruence to changing market conditions, including a model for manufacturing transformation from mass production to agility and a profiling tool focused on the alignment among key external and internal organizational subsystems. The complexity of organizational change is rationalized from systems thinking and contingency theory perspective. The models and conclusions we offer can be used to study modern manufacturing development as well as to plan strategic changes fit to individual organization context.

Advances in the Resourced-Based View

Paper Track B Magnolia

Brand Characteristics and Brand Performance: A Strategic Asset-Level Study in the Food Manufacturing Industry

Avinash V Mainkar, University of Connecticut

Strategic management consists of the most effective way of maintaining and extending specialized and hard-to-imitate resources. In this paper, we explore a particular resource, brand name, by testing the relationship between brand characteristics and brand performance for over 700 brands in the food manufacturing industry. While providing overall support to our hypotheses, results highlight important similarities between the diversification literature in strategy and the brand literature in marketing.

Why Resources Matter: An Empirical Study of the Influence of Knowledge-Based Resources on New Market Entry

Sarah J Marsh, Northern Illinois University
Annette Ranft, West Virginia University

The growing consensus by managers and strategy researchers is that some of the most important resources and capabilities in a firm are based on knowledge. The knowledge and skills that underlie knowledge-based resources are often subtle and difficult to understand, thereby making them difficult for competitors to imitate. In this study, we investigate how firms access knowledge-based resources to enter new markets. We develop and test hypotheses about how the tacitness, embeddedness, and relatedness of resources, and uncertainty in the new market environment influence managers’ decisions about entry mode choice and post-entry performance. Primary and secondary data collected about 87 new market entries between 1990 and 1997 are used to test predictions about when internal development, acquisition, and alliance are used to enter new markets.

The Relative Contributions of Inimitable, Non Transferable and Non Substitutable Resources to Profitability and Market Performance

Rodolphe Durand, Tulane University

This paper examines the evaluation of firm performance by testing the relative impact of different kinds of resources thought to lead to competitive advantage: the productive resources, internal coordination and the exchange relationships between the firm and its suppliers and its customers. Among other results, we found that the impacts of the substitutability of the relationships with both the suppliers and the customers have complex links with the firm’s performance variables: in either case, managing the non substitutability in exchange relationships entails a tradeoff for the rent seeking firm. Clearly, as competitors enter the arena of customer and/or supplier, the tradeoff in market share vs. profitability becomes increasingly vulnerable, and non-substitutability of the exchange relations becomes critical.

Differentials in the Development of Technological Competence Across Firms: An Evolutionary Perspective

Atul Nerkar, Columbia University
Ian C MacMillan, University of Pennsylvania

Recent research has suggested that differentials in competence of firms account for differentials in performance. Further, these differentials in competence across firms arise due to the different paths and processes followed by the firms. This paper empirically examines the differentials in technological competence of firms using an evolutionary perspective. We analyze patent data spread over twenty five years from six different firms in three different industries using survival analytic techniques. This analysis suggests that differentials in technological competence across firms are a result of different evolutionary processes undergone by the firms in the past. Directions for future research are discussed.

Do Female CEOs Make a Difference on Strategy? An Empirical Study for Chilean Firms

Nureya Abarca, Pontificia Universidad Católica de Chile
Nicolás S Majluf, Pontificia Universidad Católica de Chile
Dario Rodríguez, Pontificia Universidad Católica de Chile

Strategy is contingent on the style of leadership. In this context, if women as a group take a different approach in the exercise of their leadership in comparison with males, it should follow that the strategy of the firm should depend on the gender of its CEO. Within this framework it is conceivable that the gender of the CEO might be important to the success of the firm`s strategy, in specific industries. This paper is based on a thorough empirical research aimed at identifying the profile of leadership of female top executives in Chilean firms. The key question of this
research was to determine if there is something fundamentally different in the approach to leadership according to the gender of the CEO or if its gender is an an irrelevant factor in management.

**Overcoming Our Differences: How Experience and Social Capital Affect the Influence of Demographic Minorities on Corporate Boards**

James D Westphal, University of Texas - Austin
Laurie Milton, University of Texas - Austin

We examine factors that enable demographic minorities on boards of directors to exert influence over strategic decision making. Our theoretical framework suggests that in order to predict whether minorities will become involved in board decision making and exert influence over strategy, one must look beyond the board itself to consider the prior experience of directors on other boards, as well as the larger, social structural context in which demographic differences are embedded. Specific findings indicate that (1) the prior experience of minority directors in a minority role on other boards can enhance their ability to exert influence on the focal board, and (2) minority directors are more influential if they have direct or indirect network ties to majority directors through common memberships on other boards.

**A Relational Approach to Top Management Teams: The TMT as a Social Network**

Kevin D Clark, University of Maryland
Ken G Smith, University of Maryland

Top management teams (TMTs) have largely been investigated using an attributional approach whereby the characteristics of individual team members are assessed through demographic data. Team-level demographic proxies, like heterogeneity and experience, for group processes are then used to lend insight into the functioning of the TMT. More recently, research has moved toward the direct measurement of TMT processes, like communication, cohesion, and decision-making. In this research, a relational perspective is used to gain insight into the social networks of top executives. It is proposed that social network ties are of great importance to the functioning of the TMT, and to the performance of the organization as a whole. This research utilizes network methods from sociology to clarify linkages between TMT social ties and organizational performance.

**Board Involvement as a Function of Firm Ownership, Board Composition and Stakeholder Voice**

Donald E O’Neal, University of Illinois - Springfield
Marya Leatherwood, University of Illinois - Springfield

The degree to which boards are actively involved in the governance of their corporations varies from rubber stamping (Kosnik, 1987) to ousting the chief executive officer of the firm (Byrne, 1997). Drawing from the corporate governance literature that has identified factors affecting board involvement, this paper categorizes these factors into three broad categories and develops propositions regarding interactions among these factors with respect to their effect on board involvement. A series of matrices depicting the main and interactive effects of firm ownership, board composition, and stakeholder voice are developed and discussed with respect to the implications for board involvement.

**Strategic Thinking: Evolution or Revolution**

**The Evolution of Strategy in a Newly Transformed Organization: The Interplay Between Strategy Development and Corporate Culture**

Mirela Schwarz, University of Southampton
Joe Nandakumar, University of Southampton

This paper explores the question how the strategy development process evolves in a newly transformed organization which has gone through major strategic and organizational changes and how it shapes or is shaped by the corporate culture. This study is based on in-depth interviews and observations of people involved in the management of change and strategy in their organizational and cultural context in a newly transformed international company. Drawing on the empirical findings, we seek to provide detailed insights into the nature of strategy development in a newly transformed organization; the interplay between the strategy development process and corporate culture and; key success factors for successful strategy development.

**Crazy as a Fox: Strategy Unbound**

W Scott Sherman, Pepperdine University
Janice A Black, New Mexico State University

Recent strategy research depicts the strategic process as a rational process dedicated to honing business strategy through logical, convergent processes consistent with defining strategy as “the search for economic rents” (Rumelt, Schendel, & Teece, 1991). This paper suggests that sustainable competitive advantages may arise from apparently irrational moves due to difficulty in imitating them. Furthermore, markets may view irrational tactics as “crazy”, delaying competitor response until the originating firm creates sufficient barriers to imitation and substitution. In such a scenario, strategy becomes the search for the “psychotic.” We suggest the resource-based view of the firm aids in evaluating “crazy” leads under assumptions approximating those used in equilibrium-based economics. We review examples of psychotic strategy-making and conclude with propositions for when to engage in such strategies.

**The Straw That Broke the Camel’s Back: Integrating Stability and Quantum Change With Nonlinearity**

Frances Hauge, Tulane University

Nonlinear strategic decision making (DM) integrates incrementalism and radical change within a single decision process, a problem unaddressed by linear perspectives. This approach argues that revolutionary change can occur from the “last straw,” referring to one of a series of minor events in an organization’s life. Organizations are expected to nurture stability during periods of environmental alignment; radical internal change is warranted only when the environment has changed radically enough. Questions from this emphasis on detecting patterns of change include why decision makers reach their “last straw” at different times, including the consideration of demographic and contextual factors. Optimally, nonlinear decision making processes stress the importance of timing radical change to re-align with the environment, in contrast to focusing on hypercompetitively chasing all environmental changes.

**Cognition and the Evolutionary Dynamics of Organizations**

Giovanni Gavetti, University of Pennsylvania
Daniel Levinthal, University of Pennsylvania

Business strategy is essentially a theory of a firm’s performance. As a result, modeling the strategy making process requires a characterization of individual and collective cognition. However, much of the existing discussions of organizational cognition consist of frameworks of individual cognition applied to the organization as a whole or, more typi-
variables and learning processes mediate initial conditions and outcomes. The vast and diverse literature on strategic alliances has been driven by a normative agenda seeking to identify phases along with tasks to be accomplished by managers. Most of the resulting works propose sequential models of strategic alliances. The discrepancies between linear theories and empirical observations has led some scholars to propose circular models to better capture the managerial challenges of alliances. While these models make a good contribution to the field, we believe that an exclusively normative and managerial lens distracts researchers from looking at alliances as evolving structures where managerial action is only part of the picture. We therefore introduce a descriptive framework, grounded in structuration theory, which views alliances in terms of an anatomy and physiology reciprocally shaping and being shaped by each other.

Controlling the Virtual Company: Defining Strategies for Interfirm Relationships
Richard C Ingsinga, State University of New York
Michael J Werle, TEAMS Company

Rather than a radical break from the past, virtual organizations are a natural evolution of organizational forms, which are being driven by the current business environment. There are perils to virtual organizations, however, that arise from creating undesirable dependencies and potential future vulnerabilities. A systematic methodology is presented to identify core capabilities, potential dependencies and vulnerabilities, and to recommend appropriate actions. The result is a set of strategies for relationships with other firms in the industry, based upon maintaining the core competencies needed to sustain competitive advantage, while simultaneously establishing a structure of relationships with suppliers and strategic partners that allow the organization to “do more with less.”

Collaborative Agreements in the Aerospace Industry: Relational Form and Partner Fit
Judith Jordan, University of the West of England
Julian Lowe, University of the West of England

This paper explores the relative contributions of relational form and partner ‘fit’ to the outcomes of co-operative agreements in the aerospace industry. High risk/return payoffs push firms in this sector towards alliances but partnerships are often driven by political imperatives rather than commercial considerations, making collaborative working difficult. The problematic nature of partnerships in this sector contrasts with the alliance literature which stresses the importance of partner selection to alliance success. By selecting an appropriate relational form firms may be able to mitigate the problems associated with poor partner fit. This proposition is explored through case study data. We conclude that there is tentative support for this proposition but note that complex sets of variables and learning processes mediate initial conditions and outcomes.
Industry Structure and Resources as Determinants of Sustainable Competitive Advantages (Track B)
Wei-Ru Chen, National Taiwan University
Ming Je Tang, National Taiwan University

This paper intends to empirically answer two questions: Do sustainable competitive advantages exist, and if so, what environmental and resource factors may affect their sustainability. By using business-level data from the COMPSTAT database, we find that there are 57 industries, in which at least one firm can sustain its top leading performance during 1991-1996. This offers strong support for the notion that leading firms do enjoy sustainable competitive advantages. Additionally, the regression results show that industry-level isolating mechanisms (market share, asset size, and market concentration), firm resources renewal (capital expenditures over assets), and demand conditions (demand fluctuation and demand growth rate) have significant impact on the sustainability of competitive advantages, and on enlarging or narrowing the performance gap between leading and lagging firms.

Environmental and Strategic Contingencies in Implementing Relative Performance Evaluation of Division Managers (Track B)
Douglas D Moesel, University of Missouri - Columbia

Some accounting theorists argue that relative performance evaluation (RPE) of managers is critical for controlling irrelevant information that can lead to flawed evaluations. The controllability principle in responsibility accounting states that managers should be evaluated only on the basis of factors within their control. This paper reviews theoretical perspectives concerning RPE, emphasizing environmental and strategic contexts when its use would be expected to impact future divisional performance. Both the relative internal evaluation and the relative external evaluation of division managers are examined. The latter is categorized into single or multi-industry comparisons. Hypotheses concerning these types of RPE are tested using mail survey responses from division managers of diversified manufacturing firms in North America.

Strategic Paradoxes: Tailoring Strategy Development by Reconciling Contradictory Models (Track G)
RJH Meyer, Erasmus University

The explosive growth of divergent approaches to strategic management has left both academics and practitioners with the difficult task of sorting out the bewildering array of conflicting, and often contradictory, models of strategy development. In this session, a number of the central issues on which theorists disagree will be reviewed. It will be argued that much of the debate within the field of strategic management is due to the lack of recognition given to the fundamental paradoxes faced by strategists, that cannot be ‘solved’ in a fixed way. The creative reconciliation of contradictory demands and perspectives will be discussed as a method for dealing with strategy paradoxes.

Resources and Strategic Links as the Determinants of Access to External Finance: The Case of SMEs in Argentina (Track A)
Alvaro Cuervo-Cazurra, Massachusetts Institute of Technology

This study analyzes the resources that Small and Medium-sized Enterprises (SMEs) need to access external finance. The paper argues that the firm’s access to external finance needed to develop its competencies depends on its prior resources, the strategic links it has established to other firms, and the standard operating procedures of the lenders. An empirical analysis of the access of SMEs to bank finance in Argentina is performed, yielding support to the arguments.
The two deepest questions in the strategy field are also the least explored: where do new, wealth-creating strategies come from, and how can an organization successfully transition from one core strategy to another? This address on strategy creation and strategy transition will be based on an extended program of experimentation and action-learning undertaken with companies such as Enron, Shell, Emerson Electric, Allstate, Nokia and others.

This panel joins four different experiences and roles played by academics, politicians, consultants and business leaders, based in a cooperation strategies framework implemented by Industrial Policies co-defined by governments and business people. The presentation includes the concrete practice of all these works in a specific region (The Basque Country) where M. Porter’s “Competitive Advantage of Nations” was used to help the government (J. Azua at that time) to define a Competitiveness Program and the Industrial Policy, based in a special scheme of cooperation process supported in consultant services (S. Azua) and the commitment of the companies (A. Arizcorreta) in a clustered system (knowledge cluster associations). This concrete experience, developed during 10 years, includes more than 1000 people (business leaders, officials, consultants, academics) defining and implementing new policies. The panel uses this concrete experience to illustrate a wider worldwide framework and the actual development of new competitive contexts in more than 50 regions.

Existing research on globalization focuses on business level global strategy and generally on moves to increase global integration. This panel will address corporate level global strategy and moves in multiple directions to either increase or decrease global integration. We will report on a study of ways in which the corporate center can effectively influence business unit globalization and global strategies. We will point out that the globalization challenge is different in different businesses, a fact that puts severe pressure on the skills and competencies needed by the corporate center. We will propose three strategies that corporate centers can use to cope with this extra dimension of diversity. We will also discuss several implementation methods.
How Does Lock-In Affect Performance Persistency?
Thorbjørn TK Knudsen, Odense University

Invoking the notion of both firm-level and industry-level lock-in leads to a hitherto unexplored important empirical question in strategy: What is the relation between firm and industry-level lock-in and the size of any identifiable systematic time-invariant performance component? Consequently, we provide an assessment of this relation. We focus on the relation between the size of industry level barriers to entry and exit and the size of firm-level persistent performance components. Specifically we analyze if there is a positive relation between industry-level lock-in approximated by barriers to entry and exit and the relative size of a firm-level time-invariant performance component such that higher barriers lead to a higher degree of systematism. Furthermore, we analyze how the relative size of firm-level systematism is related to performance.

How Much Does Strategic Adaptation Matter? Evidence from Three Cases of Horizontal Merger
Michael Lubatkin, University of Connecticut/Groupe ESC Lyon
William S Schulze, University of Connecticut
Avinash V Mainkar, University of Connecticut
Ronald W Cotterill, University of Connecticut

We examine the question of adaptive firm conduct using longitudinal product-level data from three large horizontal mergers in the food manufacturing industry. Our model is grounded in a “post-structural” view of competition that we deduce from recent writings from the fields of strategy, organizational ecology, and industrial organization. Consistent with this model, we find that the influence of horizontal merger on product performance (i.e., rent) varies with the product niche, time, the firms involved in the merger, and the type of adaptation.

Birds of a Feather Flock Together: Cognitive Asymmetries and Strategic Groups in the Italian Pharmaceutical Industry

Vincenza Odorici, University of Bologna
Maurizio Sobrero, University of Bologna
Alessandro Grandi, University of Bologna

Traditionally, the assessment of market influence is based on strategic decision-makers’ understanding of the market itself. The underlying assumption is that managers are rationally able to identify and evaluate their competitors’ behavior. In this paper we present a research conducted on cognitive strategic groups in the Italian pharmaceutical industry. We compare and contrast the cognitive representation of two groups of strategic decision makers, the CEO’s of branches of multinational operating in Italy and the CEO’s of Italian owned firms. The analysis of the perceptions of different groups of actors offers a deeper understanding of what are the similarities/dissimilarities in the different individual profiles, if they can be used to represent firms strategic choices, and if there are different models around which consensus emerge.

The Mirror Has Two Faces: Determinants of Self vs. Competitor Perceptions of Reputation
Todd Saxton, Indiana University
Alan E Ellstrand, California State University - Long Beach

Reputation has become recognized as a critical intangible asset for firms to manage and as an important research topic. Much of the extant research has been based on the Fortune data and involves assessments by investment analysts or corporate CEO’s. Little is known, though, about
the characteristics competitors use to formulate opinions about their rivals. This study seeks to establish the sets of variables that influence competitors’ perceptions of reputation, and compare these relationships to a firm’s self-assessment. Our findings support that reputation is related to a mix of firm attributes, but that there are considerable differences in how these variables affect reputation of self as opposed to competitor perceptions. The similarities and differences in these perceptions is the subject of our paper.

**On the Factors Influencing Complexity in Managerial Cognitive Strategic Groups**

Gerry M McNamara, Michigan State University  
Rebecca A Luce, Michigan State University  
George H Tompson, University of Waikato

This paper examines the cognitive models that managers use to make sense of their competitive environment. It extends the literature on cognitive strategic groups by exploring a set of personal, team, firm, and environmental characteristics that are hypothesized to influence the degree of complexity in managerial knowledge structures. The findings suggest that managerial cognitive complexity is a multidimensional construct and that while environmental changes and prior firm success influence the degree of complexity in managers’ cognitive strategic group structures, personal and team demographic characteristics have surprisingly limited influence on the level of complexity in these mental models.

**Alliances and Industry Analysis**

Carlos Garcia Pont, IESE/University of Navarra

The paper builds on a recent stream of research studying the structure of networks of alliances within industries from an analytical perspective. There are several studies on the automotive, the airline, the microprocessors or the biotechnology industry that give us enough material to build a proposal to study industry structure in a different way. Three levels of analysis were used to understand the competitive structure of an industry: the industry level, the strategic group level and firm-specific characteristics. The paper does not intend to invalidate classical industry analysis, but to complement it trying to offer a different shift to understand industries based on Network Analysis and Resource-based-view. Alliances are understood as: “A long term commitment among two or more firms for specific purposes and essentially useful to share resources or capabilities in which each one of them is relatively better than the other.” A place where firms trade their respective assets in the Strategic Asset Space, (SAS) in order to be able to perform better in the product-market space.

**Organizing People for Competitive Advantage**

8:00 - 9:15 A.M.  
**Wednesday**

**Leveraging Human Capital for Superior Performance**

Joseph C Picken, Southern Methodist University  
Gregory Dess, University of Kentucky  
Jay Janney, University of Kentucky

The value of a firm depends not on the sum of its resources, but on how effectively those resources are employed and re-deployed to meet new opportunities. Human capital and the knowledge and capacity for learning embodied in the individual and collectively in the organization are unique resources that are enhanced, rather than diminished with use. A qualitative research program provided insight into how selected “leading edge” organizations were attempting to leverage their human capital resources. Within the framework of a preliminary model that links human capital, structural capital (organization and task design, technology, communications, culture, incentives, controls, and leadership) and performance, our research generalizes from the “best practices” of these organizations to extend resource-based concepts of leverage as applied to human capital.

**Knowledge, Resources and Advantage in Formula One Racing**

Mark Jenkins, Cranfield University  
Steven W Floyd, University of Connecticut

This inductive study compares Ferrari, McLaren and Williams, representing the only instances of sustained competitive advantage in 33 years of Formula One racing. Propositions underscore the fact that the knowledge needed by a firm often grows within its rivals. Resources may become available in the industry, but firm-level advantage depends on knowing their potential value. Thus, existing resource-based theories of learning are focused too inwardly. Absorption processes involving research and appraisal of industry factors appear critical in the ability of some firms to develop competencies. Further, longitudinal analysis shows that absorbing knowledge, applying it, and enjoying competitive advantage are asynchronous phenomena. By separating these elements in time, the proposed model explains how firm-level learning processes counter the inertial and myopic forces described by existing theory.
THE STRATEGIC ACTOR: CONSTRAINED, RATIONAL OR EMERGENT?

**Paper** | **Track G** | **Crystal**
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**Intelligent Strategy Management: Using Business Intelligence to Reinforce the Strategy Processes**
Charles Perrottet, Futures Group

Good intelligence informs strategies which, in turn, focuses intelligence. The synthesis of these two techniques into a new system, Intelligent Strategy Management, allows decision-makers to gain competitive advantage by responding more effectively to changes in their environment. An early warning system that forms the bridge between long- and short-term implementation of strategy is the result. Scenarios allow executives to develop both robust core strategies and contingency plans that will augment the core when needed. Many scenario-based planning systems, however, have done an inadequate job of identifying early-warning triggers and providing systematic information that will alert managers to the need to implement a contingency strategy. When the need arises, executives in a company that has implemented Intelligent Strategy Management will have already rehearsed an appropriate response.

**The Strategic Management Atelier: An Incubator for Designing and Creating Proto-Strategies (Report on Recent Experiences)**
Ger F Jonkergouw, Jonkergouw Creating Solutions/Open University

Strategic limits are only partial of a legal, financial, technological, international, or organizational nature. Barriers increasingly are of a mental and cultural nature. Managers face great problems in clearly picturing where exactly they are and/or in creating a truly new strategic course. Strategists need ‘additional’ tools for shifting their frontiers and for exploring new strategic worlds. In the Strategic Management Atelier(r), traditional and artistic forms of reflecting and imagining are combined with creative and intuitive tools, to open all imaginative forces of the strategic mind. The atelier works as an incubator for the ‘birth’ of new strategies (“proto-strategies”). The presentation reports about the most recent experiences in this area and will demonstrate that discovery of competitive thresholds and the creation of new strategic windows are closely intertwined.

**Institutionalism and Strategy Development Processes**
Clare Avery, University College Suffolk
Gerry Johnson, Cranfield University
Andy Bailey, Lancaster University

Whilst it has been argued that institutionally prescribed ideas of appropriate ways of operating can play a significant role in limiting the choice of, or determining organisational strategy, the links between institutional forces and strategy development processes have not been demonstrated. The paper presents findings from research which has explored the process of strategy development and its links to organisational context. This was achieved by employing a framework that integrated six explanations, or dimensions, of strategy development so that the multifaceted nature of the process could be explored. The findings showed common strategy development processes, and patterns of process, within public sector and professional service organisations in noted contrast to a much greater variety of processes apparent within the manufacturing sector.

**Ansoff’s Tailored Approach to Strategic Design: The Contingent Strategic Success Formula (CSSF)**
William D Schulte, George Washington University

Levels of uncertainty, strategic aggressiveness and managerial capabilities are the key success factors for strategy formulation and design. A tailored approach based on this primary dimensions is the crux of H. I. Ansoff’s Contingent Strategic Success Formula (CSSF). Those who have followed the work of Professor Ansoff know that his original work is not outdated. In some situations a formal strategic planning model may be the most effective approach to strategic design. Moreover, Ansoff’s work has evolved and is more comprehensive than contemporary schools of thought because it does not assume a “one best approach” to strategy. This research replicates Ansoff’s Contingent Strategic Success Formula and argues that this framework is at the heart of contemporary strategic thought.

**Knowledge, Competencies and the Unknown**

**Paper** | **Track F** | **Narcissus/Orange**
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**Interconnected Capability Landscapes: A Mental Model for Managers and Scholars**
David Oliver, IMD

It has become increasingly clear that the ability to create and leverage capabilities faster than competitors is a key source of competitive advantage. Recent work in the sciences of complexity, including the notion of “fitness landscapes”, has furthered our appreciation of alternative approaches to traditional reductionist management prescriptions. This presentation will contribute to drawing the fitness landscape concept into strategic management by developing the management metaphor of “capability landscapes”. Individual managers, communities and organizations climb capability trails to improve their performance. Emergent processes interconnect these three landscape levels. Individuals, communities and organizations can improve performance by better understanding their own landscapes, identities, co-evolutionary feedback loops, and avalanches of change. This mental model will be described and then illustrated using case studies.

**Intellectual Capital and Organizational Performance: A Resource-Based View Approach**
Mark A Youndt, University of Connecticut
Scott A Snell, Pennsylvania State University

This cross-industry study of 208 companies examines how three differing forms of intellectual capital (human, social, and organizational) influence organizational performance (ROA, ROE, and sales growth). In addition to investigating the main effects between the three differing types of intellectual capital and performance, we draw on the resource-based view to test the mediating and moderating effects that resource value and uniqueness have on the intellectual capital-performance relationships. Results indicate that all three types of intellectual capital have strong connections to organizational performance. However, these relationships vary depending on the performance measures being analyzed and whether the focus is on human, social, or organizational capital.

**Core Competencies and the Knowledge of the Firm**
Moacir de Miranda Oliveira Jr, Universidade de Sao Paulo

Actions related to processes of organizational knowledge creation, transfer, and combination must be engaged to develop the firm’s core competencies. The nature of the knowledge that sustains these competencies will be of fundamental importance to the sustainability of the advantage given by these competencies. The collective knowledge is more easily protected, giving the possibility of maintenance of the firm’s advantage.
over time. The construction of collective knowledge is based on such elements as language, signs, and other forms of symbolic communication, used in interactions between individuals and groups within and across the boundaries of the firms. Processes of collective knowledge creation, transfer, and integration, may be vital for the development of the firm’s competitive advantage.

**Strategy Processes at the Boundary of the Unknowable: Managing Uncertainty in High Tech Firms**

Flemming Poulsen, Copenhagen Business School
Mette Mønsted, Copenhagen Business School

The paper explores the implications of managing uncertainty in strategy and innovative processes of high tech firms. The purpose is to show the dilemmas between the legitimate models of evaluation and the many and proliferating models of handling uncertainty. Small firms have long hesitated to planning under high level of uncertainty and lack of influence, but the complexity and high level of uncertainty generate the same conditions for other types of firms and managers. The loose coupling to causal models and planning may question some of the planning and evaluation procedures coming from other paradigms. The evaluation models with legitimacy, however, are still presuming economic rationality and causality. The consequences are hesitation to innovation, conservative development and barriers to innovation and growth.

**Board Configuration and Corporate Strategy**

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| Trust vs. Control: Performance Effects of Fit and Misfit Between Board and Top Team on Firm Performance | Melinda M Muth, University of New South Wales
Heather Miles, McKinsey & Company
John Stuckey, McKinsey & Company |

Previous research has often focused on supporting the predictions of either agency or stewardship rather than searching for a way to integrate the two theories. In this study it is hypothesised that alignment between the board and executive group in the choice of trust or control mechanisms has a positive effect on firm performance. Executives who believe in control themselves and exhibit controlling behaviours toward their subordinates may expect and need control by the board. However, when the CEO does exhibit stewardship behaviour, then the board should adopt policies favouring trust. In either case, it is predicted that fit between the style of the board and the executive group increases firm performance and misfit decreases it.

**Are Corporate Directors Spread Too Thin? The Impact of Director Appointments on Monitoring and Advice Giving**

Mason A Carpenter, University of Wisconsin - Madison
James D Westphal, University of Texas - Austin

In contrast to prevailing views and criticisms of independent directors, we introduce a perspective of board process that shows how directors’ external appointments impact their participation in strategic decision making. Using a unique data set that combines archival reports with behavioral data from surveys of Fortune 1000 executives, we show that outside directors are most likely to contribute to strategic decision making when the strategic nature of their external ties is aligned with the level of environmental turbulence facing the focal firm. More generally, the findings show the potential power of models that link the broader, social structural context in which boards are embedded, as well as the environmental conditions that surround them, with micro-behavioral processes that occur inside the “black box” of corporate boards.

**Corporate Governance Choices: Director of Demographics, Career Paths and Interlocking Directorates**

Ira C Harris, University of Notre Dame
Albert A Cannella Jr, Texas A&M University
Amy Hillman, Michigan State University

Corporations are increasingly under pressure to hire a balanced mix of directors. This effort extends to individuals with complementary skills, expertise, external contacts, perspectives, and backgrounds. One way corporations attempt to achieve a mix of directors is by hiring diverse directors (e.g. women and ethnic minorities). As corporations increasingly consider and hire diverse directors, it is important to understand if and how these groups of directors differ other than demographically. This study tracks three sets of demographically different directors: women, African Americans, and white males to include primary occupation, directorships, and educational characteristics. We examine parallel samples of Fortune 1000 directors from these three groups in order to draw conclusions on director demographics and how fit is achieved between directors and corporations.

**Corporate Governance and Corporate Social Performance: An Examination of the Relationships Between Corporate Social Performance and Board Composition and Structure**

Patrice A Luoma, Quinnipiac College
Jerry Goodstein, Washington State University - Vancouver

This paper explores the relationship between corporate social performance and corporate governance. Specifically, aspects of board of director composition and committee structure are examined for their influence on corporate social performance. A sample of companies from the Kinder, Lydenberg and Domini Co. (KLD) database on social performance is used to analyze the social performance of 135 NYSE-listed companies in conjunction with board composition and structure.

**Strategic Management Process Linkages to Organizational Behavior**

William R Allen, University of Massachusetts - Dartmouth

This paper sets forth a normative template for the strategic management process providing the linkages throughout any managerial hierarchy to all organizational behavior. By reifying the ordering and processes of the essential elements of strategic management, what is developed may be described as a cascading means-ends chain of organized, loosely coupled systems, interconnected both vertically and horizontally, moving from generality toward specificity and a decreasing time horizon. The precepts developed are applicable to every social organization, public or private, profit making or non-profit making, excepting those classified as primitive. The importance of this paper lies mainly in its synthesis of a number of existing ideas which have not been configured here-tofore in the manner presented.

**Complexity as a Lens: A Model That Works**

Michael R Lissack, New England Complex Systems Institute
Johan Roos, IMD

Complexity science is the study of parts, wholes and their interrelations. Management and strategy books are filled with notions of “complexity as metaphor.” Such a concept states that in our complex world only the new science of “complexity” can provide adequate models, and with such models managers can better manage. We suggest the metaphor model is wrong. Complexity science is better used as a lens — to provide a means of focusing on particular parts and particular interrela-
tions. This lens suggests that levels of analysis and notions of foreground and background are important to sensemaking. It further suggests that in a truly complex world, management is a misnomer; leadership through influence: yes, management through decision-making: no. Implications for both day-to-day management and long-term strategy are discussed.

**The Merger As a Dialog Process**
Frédéric Leroy, Groupe ESC - Nantes Atlantique
Michel Claessens, Groupe ESC - Nantes Atlantique

Mergers are usually analyzed along the strategy view of assets relatedness. They can also be seen as an interorganizational dialog. Providing that merging firms make their fullest contribution to the new organization when members have trust and confidence in each other, we consider in this research that the notion dialog is of importance in the management of the merger process. An in-depth longitudinal analysis of a merger between two french companies allowed us to show how an organizational dialog process can be implemented in order to facilitate the combination process and to build common interorganizational sensemaking. We finally propose a conceptual framework inferred from our case analysis that organizes the main features of the dialog process.

**Learning How to Tailor Strategies to Meet Situation Needs**
Robert J Mockler, St John’s University
Natasha Carnevali, St John’s University

Professional growth depends on an individual’s ability to systematically learn from experience. Learning systematically from experience in turn requires disciplined cognitive skills to create carefully structured generalized concepts. This paper describes one such kind of cognitive modeling tool which has proven useful in a variety of learning environments, such as strategic management decision/action situations. The techniques described in this paper are based on a person’s relatively common ability to tell and read stories. It is a classic example of pen and pencil meeting and integrating with high technology. These techniques develop from experience working models of, and approaches to, strategically managing specific business situations encountered today and expected to be encountered in the future, therefore, helping individuals to grow professionally in their fields of interests.

**Developing Core Competence by Completing the Knowledge Management Cycle**
Eric Rebentisch, Massachusetts Institute of Technology
Paul R Carille, Massachusetts Institute of Technology

Knowledge management may provide answers to many of the persistent questions remaining about the concept of “core competence”. We present a multi-stage dynamic model that describes the processes of knowledge integration and transformation across firm functions and boundaries during the value creation process. The first stage of the model addresses the processes used to successfully apply and transform knowledge within an organization. The second stage discusses the various forms in which transformed knowledge is embedded and archived within the organization. The third stage addresses the retrieval of stored knowledge from both within and outside of the organization for integration into new forms of knowledge. The retrieval and access of existing knowledge starts anew the creation of new knowledge in the knowledge transformation cycle.

**To Boldly Go Where No Man Has Gone Before: Integrating Cognitive and Physical Scenario Techniques**

Pursey PMAR Heugens, Erasmus University
Johannes Van Oosterhout, Erasmus University

The introduction of scenario techniques has changed the status of futurology completely. Thinking about more or less distant futures is no longer a task for soothsayers and priests, but has become an established corporate function performed by many. The actual use of scenario techniques, however, seems to be limited only to its cognitive aspects. Evidently, the (hidden) assumption here is that organizational change and inertia primarily concern states of mind, and only to a lesser extent, states of affairs. In this paper, we propose to complement the more conventional cognitive scenario technique with a new type: the physical scenario technique. The latter basically involves a process of ‘intelligent trial-and-error’. By making several small, unrelated investments in new technologies, a company can prepare itself for coming discontinuities.

**Coordinating Strategic and Tactical Intelligence in Organizations**
Cynthia E Miree, University of Pittsburgh
John E Prescott, University of Pittsburgh

This study was designed to investigate the role of the business intelligence process in coordinating strategic and tactical intelligence and synthesizing business-level strategy and tactics. We used case studies as the methodology through which all data was collected. Key Contributions 1) The study examines the under-explored link between business-level strategy and tactics in organizations and the importance of coordinating the two to achieve a competitive advantage. 2) The research provides managers with a set of mechanisms, structures, and systems that will assist them in coordinating their strategic and tactical business intelligence effort. 3) The study offers practical guidelines for managers who are interested in enhancing their current decision making practices in the sales function. 4) It develops an integrative framework within which the link between strategic and tactical intelligence can be understood (regardless of functional area).

**Parallel Sessions (A-J)**
**9:30 - 10:45 A.M.**

**Master Lecture Series**

**Lecture**
**Salon 3**

**Competitive Positioning: The New Learning**
Michael Porter, Harvard University

From his latest work on strategic positioning, Professor Porter will distinguish best practice from strategy, show how strategy relates to firm activities, and explore the crucial role of trade-offs in sustaining competitive advantage. He will also reveal how organizational barriers to strategy afflict many companies, and describe how companies can grow without compromising their distinctive advantage.

**Exploiting the Opportunities of E-commerce**

**Panel**
**Salon 1**

David Pecaut, The Boston Consulting Group
Andy Blackburn, The Boston Consulting Group
David Ritter, The Boston Consulting Group

This panel discusses the results of The Boston Consulting Group’s recent published and unpublished research on electronic commerce, and explores some of the prevailing myths about how e-commerce is likely to evolve. The discussion will draw on BCG’s electronic commerce
practice work, consumer studies, and BCG’s research partnership with Shop.org, which has just completed its first in-depth study of the economics of over one hundred retail e-commerce businesses. Questions to be addressed will include whether e-commerce is accelerating the commoditization of products, the evolving nature of off-line versus on-line competition, and the implications for how business strategies need to be devised and executed in the on-line world.

**Strategies and Structures of Rival Alliance Groups: From Dyads to Constellations**

**Panel Track B**

David Ernst, McKinsey & Company
Benjamin Gomes-Casseres, Brandeis University

This panel will explore how groups of allied firms (“constellations”) organize themselves to compete with other such groups and with single firms. Constellations have emerged as competitive units in an increasing number of industries, yet we have no good framework for analyzing how they create value, what strategic options they present, and how they are best organized. Such a framework needs to address strategic as well as structural issues. We will begin by examining key factors in the strategy and governance of two-party alliances, including equity joint ventures, and then extend these findings to the strategy and structure of multi-party constellations. Evidence will be drawn from industries ranging from computers and telecommunications to petroleum and utilities.

**The Strategic Management Knowledge as a Regional System: The Case of the Basque Country**

**Panel Track F**

Carlos Bilbao, Basque Government
Sabin Azua, KPMG Peat Marwick SA
Olga Rivera Hernaez, University of Duesto
Angel L Arbonies, Knowledge Management Society

Experience is probably the most important source of managerial knowledge, but managers take knowledge from where they can find it in order to be translated to action and to legitimize this action. In any developed country the chain of production-diffusion-implementation of knowledge is a vast institutional apparatus where managers are the centre. An entire social system is devoted to the business of business knowledge. This paper is concentrated on the presentation of the KNOWLEDGE MANAGEMENT SOCIETY, a network of universities, business schools, consultants, firms, agencies and public bodies built following the principles of a Porter’s theory of clusters, and devoted to the production and diffusion of business knowledge in the Basque Country (Spain).

**Issues in Entrepreneurial Venture: Capabilities, Trust, Options and Strategizing**

**Paper Track J**

Salient Options: A New View of Strategic Resource Allocation Under Uncertainty

Rita G McGrath, Columbia University
Paola Dubini, Bocconi University

Economic and political models dominate current thinking on strategic resource allocation. Neither, however capture the delicate interplay of assumptions and uncertainty that characterize most significant strategic decisions. An alternative view, which uses real options reasoning, offers a perspective from which to reconcile the two perspectives. The idea that decision-makers incorporate real options reasoning in their decisions is supported by empirical data from 239 uncertain new strategic projects requiring significant resource allocations. We find that salience, a construct representing attention and time on the managerial agenda, is a significant driver of support for a project, and that salience can derive either from the expectation of near-term rents, or from longer-term option value. Our results help explain why strategic behavior that might be considered illogical, such as investing in highly uncertain projects or agreeing to a joint venture with poor prospects, may actually be sensible, given option value.

**Capital Investment as Investing in Organizational Capabilities**

Catherine A Maritan, Purdue University

This paper describes a study that investigated the processes by which firms make capital investments. The study used a resource-based lens to re-examine accepted models of investment decision-making and examined the notion of investing in organizational capabilities through capital investment in physical asset assets. A contingency approach based on the uncertainty associated with the development and use of the capabilities was devised and explored in an in-depth field study of investments in a Fortune 500 pulp and paper firm. The study’s findings indicate that investing in new capabilities appears to be associated with a different decision process than the generally accepted model describes, suggesting that this model is incomplete and needs to be modified to capture this strategically important category of investment.

**Characteristics and Outcomes of Entrepreneurial Collaborations: The Effect of Trust**

Dennis M Garvis, Georgia State University
R Duane Ireland, Baylor University
Shaker A Zahra, Georgia State University

This study examines the outcomes of interfirm collaborations that are focused on entrepreneurial activities. These “entrepreneurial collaborations” are viewed as voluntary arrangements between two or more firms, requiring the sharing and creation of resources and capabilities, and engaging in activities that focus on innovation. While beneficial outcomes may be realized from the innovative products and skills developed by entrepreneurial collaborations, their high risks raise the potential for failure. Theory suggests that interfirm trust, a relationship characteristic, allows partners to overcome some of these risks. A model is proposed that investigates the characteristics and outcomes of entrepreneurial collaborations, from which hypotheses are drawn regarding the relationship between interfirm trust and partnership success, partner satisfaction, and firm financial performance.

**Economizing and Strategizing in Post-MBO New Ventures**

Julian Lowe, University of the West of England
Peter Taylor, University of the West of England
Tony Jacobs, University of the West of England

MBOs provide a unique arena in which to examine new venture strategy and performance. With most buy outs there is a significant change in ownership, governance and resources. Path dependencies influence asset structures and managerial consciousness but the nature of the buy out influences how pervasive these are. Most buy outs lead to improved performance, but the question this research addresses is, which strategies deliver the improvement? In particular we assess whether ‘economy’ is the best strategy, as an agency or transactions approach might suggest; or whether ‘strategizing’ has a significant role? These questions are tackled using a sample of 124 UK firms, bought out in 1994 and are based on a multi-theoretic perspective of buy outs.
### Activity Systems as Barriers to Imitation

Jan W Rivkin, *Harvard University*  
Michael E Porter, *Harvard University*

Recent writings in strategic management argue that successful firms defy imitation by means of some Big Play (e.g., a game-theoretic maneuver) or some Silver Bullet (e.g., a hard-to-replicate resource). Contrary to these writings, this paper contends that a firm can also sustain an advantage by performing a large number of related, highly tailored activities well. Mathematical cases, real-world examples, and Monte Carlo simulations support the argument. The paper is part of a broader stream of research which views the firm as a complex system of activities.

### Towards a Resource-Based Model of Competitive Advantage in the Film Industry: A French-American Comparison

Michel Ghertman, *Groupe HEC*  
Allège Hadida, *Groupe HEC*

The present paper attempts to find the key strategic assets (KSA) of the leading film production companies in France and in the United States. It proceeds through a longitudinal comparative analysis in two steps. First, a sample of more than 3000 films per country is analyzed with a LISREL model to assess the most significant KSA’s at the industry level in both environments. Second, a series of interviews with the leaders originating in both countries will allow a Partial Least Squares with latent variables procedure to test several causal paths and identify the most significant loadings. Both statistical models are used every year between 1981 and 1996.

### Resources Control and Resources Combination: A Comparative Empirical Assessment

Carlo Boschetti, *University of Bologna*  
Gian Luca Marzocchi, *University of Bologna*

One especially promising area in resource-based view (RBV) research, both for its theoretical and managerial contributions, can be traced in the coexistence of two dimensions, control and combination of resources. This stream of research has not developed yet a reliable set of indicators able to measure the relative contribution of these dimensions to the value creation of the firm. These conceptual obstacles can be overcome once we accept to move our unit of analysis from the firm to the resource itself. The main purpose of this paper is, hence, to provide a methodological approach to measure the relative contribution that resource control and combination bring to the overall value of the firm. This paper addresses the previous theoretical issues focusing on the Italian movie industry.

### The Role of Intangibles in Sustaining Competitive Advantage: An Empirical Analysis

Belén Villalonga, *University of California - Los Angeles*

One of the key implications of the resource-based view of the firm is that the greater the degree of intangibility of a firm’s resources (‘I’), the greater the sustainability of its competitive advantage (‘S’). This paper tests this implication on a large sample of U.S. public corporations between 1981 and 1996, using Compustat company and segment-level data. We measure ‘S’ as the persistence of firm-specific profits, and ‘I’ as the ratio of a firm’s intangible assets over its total assets, where the value of intangible assets is estimated through a hedonic regression of Tobin’s q on several accounting measures of intangibles. The relationship between ‘I’ and ‘S’ is then estimated using a dynamic panel data regression model.

### Implementation: The Key to Successful Technology Adoption Strategies

James Carlopio, *University of New South Wales*

Many firms do not seem to have a successfully executable technology adoption strategy. We seem to assume that once “sound strategic decisions” have been made, people will rationally choose to adopt superior innovations to replace outmoded systems and technologies. We have found time after time that this is quite far from the truth. Strategy implementation is a social process taking place over a period of time during which people and systems must undergo significant change, learning, adaptation and growth. The process described in this paper is based both on practical, real-world experiences and on scores of research studies conducted over the last twenty years. The method is a modification and extension of the classic diffusion of innovation model proposed by Everett Rogers (1962, 1995) and is based on the assumption that organisations do not change, people do.

### Strategy, Knowledge Topology and Coordination in Product Development

Robert E Piret, *Groupe ESCP*

Coordination is viewed as a “generic” organizational competence. The relationship of technical knowledge and relative skill topologies to coordination is analyzed. The “quality” of coordination was determined as a function of the amount, type, and redundancy of reciprocal information flow. Finally, the relation between hierarchical and organizational groupings, and coordination was examined. Two hundred and one subjects participating in 12 sets of matched pairs of technology-intensive product development projects were studied. The results of this study confirm that (1) there exists a relationship between shared technical knowledge and skills, and the “quality” of coordination in product development, and (2) the distribution (“topology”) of technical knowledge and skills is an important management issue.

### Complexity, Creativity and Strategy at the Edge of Chaos: A Creative Action-Based Approach

dt ogilvie, *Rutgers University*

Strategy is about the quest for abnormal profits from competitive advantage. Competitive advantage implies that a firm has a valuable, rare, inimitable, nonsubstitutable bundle of resources and capabilities that enables it to outperform its competitors and earn abnormal profits over some period of time. Firms increase their chances to earn abnormal profits if they can create dynamic and unstable environments that are so complex and ill-structured that rivals cannot optimize performance or imitate their success. Because firms are open systems, both internal and external environmental disturbances can put them at the edge of chaos and create opportunities for them to develop competitive advantage. Effective strategy comes from managing the creative tension between efficient stability and the creative chaos needed to handle a dynamic strategic agenda.

### Towards the Integration of Concurrent Engineering Environments: Perspectives on the Cougar Methodology

David Tucker, *Manchester Metropolitan University*  
Ray Hackney, *Manchester Metropolitan University*

In an increasingly uncertain marketplace, manufacturing organisations are striving to find new ways to meet customer requirements for competitively priced, customised products, delivered in shorter lead times. It is argued that to meet these demands there is a need to integrate the design, development and production functions within a Concurrent En-
gineering (CE) environment. The literature reports many cases of failed CE projects. One of the main reasons for this failure is believed to be a lack of formal methodologies to assist organisations with the processes required to move from sequential to concurrent product development phases. This paper describes the Cougar methodology which has been developed specifically to address this issue. The paper initially outlines briefly the progression of ideas within organisational theory from classical to contemporary strategy. It then considers the development and application of the Cougar methodology. Finally, a case study is described detailing the success of the concept within a leading UK engineering company with observations and proposals for further organisational analysis.

### Corporate Governance for Growth and Innovation

**Paper Track G Crystal**

**Governance R&D: A Review and Synthesis**

Thomas Kiil, Helsinki University of Technology

The paper reviews and synthesizes the vast literature on governance modes for technology development. Based on the literature review a framework is developed that includes arguments from costing, transaction cost economics, evolutionary economics, resource-based and competence-based theories of strategic management, knowledge management based theories, real options theories, as well as process perspectives on the evolution of governance modes. The dynamic development of technology governance modes over time is analyzed through several in-depth case studies. The case studies underline the dynamic nature of governance modes. In the cases, the governance modes developed from the original decision over time into a different mode. This transition has important implications for management, as in most external technology development projects, top management involvement decreases significantly after the initial phase.

**The Cash Flow Hypothesis for Sales Growth and Firm Performance**

Thomas H Brush, Purdue University

Philip Bromiley, University of Minnesota

Margaretha Hendrickx, Purdue University

The paper investigates the interdependence of agency and governance theories for firm performance. It tests an agency argument that sales growth in firms with free cash flow (and without strong governance) have lower profitability than firms without free cash flow. It also tests whether strong governance conditions improve the performance of firms with free cash flow as well as reduce investments from free cash flow in sales growth. Consistent with agency theory, firms with free cash flow gain less from sales growth than firms without Free Cash Flow. However, strong governance conditions such as outsider ownership do not offset these negative effects of free cash flow and instead decrease performance further. Further, owner-management actually increases the investments in sales growth from free cash flow.

**Understanding the Institutional Context of Strategic Choice: An Examination of the Role of Analyst Coverage**

Bill Donohoe, University of Missouri

This research seeks to facilitate investigation into the relationship between organizational context and strategic choice. Merging institutional and agency perspectives, the study employs a structural model to evaluate the effects of analyst coverage, executive influence, and ownership concentration on distribution intensity and diversified scope. Specifically, this study theorizes that 1) analyst coverage and ownership concentration will be positively related to distribution intensity and negatively related to diversified scope, 2) executive influence will be negatively related to distribution intensity and positively related to diversified scope, and 3) analyst coverage will moderate the influence of both ownership concentration and executive influence on distribution intensity and diversified scope. The final model is estimated and implications for theory and practice are discussed.

### Alliances as Capabilities

**Paper General Narcissus/Orange**

**Design as a Strategic Alliance: Harnessing the Creative Capability of the Firm**

Birgit Jevnaker, Norwegian School of Management

Margaret Bruce, UMIST

Within international markets and rapid changes in technology, communication and styles, the product and industrial design challenges are more significant and intricate than ever. Trends indicate that design expertise is increasingly outsourced by companies. Surprisingly, few firms have fully exploited the creative business potential of design services. One option to build up and leverage the design expertise is to establish a strategic alliance to supply a constant flow of fresh ideas, visualization and meaning to enhance product development and innovation. A conceptual framework delineates both the possible advantages and challenges of design alliances. Three company cases are compared to explore how innovative contributions and advances in industrial design may occur and why these need to be harnessed to sustain the firm’s creative capability.

**Using Alliances to Overcome Capital Constraints**

Dimosthenis Arhodidis, Bankers Trust

Ashish Nanda, Harvard University

The paper constructs a game-theoretic model to predict that, among small research intensive firms, those firms that enter into alliances have greater access to outside capital than firms that don’t. This hypothesis is tested on a data set of 126 small computer firms that entered alliances during 1988-95. For these firms, alliance entry was accompanied with significant increase in their financial leverage. The results suggest that alliances act as a “certification” mechanism that small firms can use to signal their quality in order to access outside capital.

**Privilege Interfirm-Bank Relationships in Central Europe**

Gerhard Fink, Vienna University of Economics and Business Administration

Peter R Haiss, Bank Austria/Karl Franzens University - Graz

Lucjan T Orlowski, Sacred Heart University

Dominick Salvatore, Fordham University

Capital markets in central Europe are characterized by privileged, collaborative interfirm/interbank relationships in various ways, including national banks that compete with commercial banks for private deposits while also being their supervisor (as is the case in Poland), heavily indebted industry owning major banks (as is the case in Slovakia with the steel mill VSZ owning the third largest bank IRB), investment funds restructuring industries which themselves depend heavily on the investment funds owners (thus effectively controlling them?), foreign banks holding minority stakes in large domestic operations (without a say?) etc. Based on a stakeholder/political economy approach, effective, market-driven corporate governance by banks and capital markets is discussed.
A Cognitive Mapping Approach to Identifying Organizational Adaptation: A Case Study
Deepika Nath, Ernst & Young
Stephanie E Newell, Eastern Michigan University
Managerial interpretations of the organization’s environment (as reflected in mental maps) provide the context and mental framework within which strategic actions and responses are developed. Three hypotheses were proposed. Market leaders are less likely to recognize shifts in and respond to changes in their environment than market followers. Recognition of change in the environment will result in changes to mental maps for the organization, which in turn, will accompany change in strategic direction. Organizations whose mental maps do not reflect such change, will likely have lower performance. Our hypotheses were supported in the context of environmental shifts affecting Canada’s beverage market. Competences responsible for Coke’s (market leader) success, become a ‘trap’, constraining its ability to recognize and respond to the changes, adversely affecting market position.

Exploiting Interorganizational Knowledge Networks: Strategic Participation in Cooperative Technical Organizations
Lori Rosenkopf, University of Pennsylvania
Anca M Turcanciu, University of Pennsylvania
This paper explores the flow of technical knowledge between firms via engineers’ participation in industry-wide technical committees. We explore the dynamics of entry and exit to examine how firms adjust their participation strategies over a five-year period, as well as the implications of these adjustments for knowledge flow in the network. We examine both firm-specific and network-derived measures of participation as we explore the evolution of knowledge networks, and find that strategies for participating in CTO activity vary dramatically across firms in the industry. We argue that firms should seek to position themselves strategically in these knowledge networks to sustain their innovative capabilities and associated long-term success.

Relay, Sashimi or Rugby: How Strategic Planning Managers Balance the Relationship Between Organizational Knowledge Creation and Competitive Advantage for R&D, Manufacturing and Marketing Managers
Philippe Byosiere, JAIST
Noboru Konno, Column Inc
Ikuiro Nonaka, JAIST
To resist increasing global pressures Western organizations have been urged by strategists to move into the so-called paradox between “autonomous interdependency” and “integrated product development”. Divisions and departments should function as internal suppliers and/or internal customers to other units in the organizational constellation, while sustaining and nourishing the overall corporate welfare. To Japanese organizations the concept of “autonomous interdependency” is not new but is viewed as an enabling condition of organization knowledge creation. Comparisons between R&D, manufacturing and marketing managers suggest that the effects of knowledge creation on competitive advantage reflects a sashimi approach to new product development. Adding the view of the strategic planning managers, the relationship between knowledge creation and competitive advantage reflects a more integrated or rugby approach.

Determinants of Success in Emerging Organizations
Emeric Solymossy, Case Western Reserve University
A multidimensional framework is used to analyze factors contributing to success in emerging firms. Responses from 370 SME founder/owners are analyzed on the basis of attitudinal orientations, firm characteristics, and environmental influences. Significant differences are manifested between the more and the less successful firms. Each form of success has a unique profile. Competitive aggression and strategy influence economic success, while strategy and the utilization of networks influence satisfaction. The highest levels of aggression, opportunism, strategy, and technology, however, do not correspond to the highest levels of performance. Furthermore, while successful firms function within a more dynamic and stressful environment, increased levels of turbulence correspond to the firm’s being less competitively aggressive, having lower levels of strategy, less networking, and exhibiting lower levels of technology.

Understanding the Impact of Stakeholder Attention
Jorg Andriof, University of Warwick
Chris Marsden, University of Warwick
Historically different approaches to stakeholder management, with specific programs/projects of the management of global challenges such as social and environmental issues, will provide insight into why firms manage stakeholder relationships in the way they do. This presentation brings together stakeholder impact factors and firms behavior by explaining the conditions and the underlying mechanism under which firms interpret stakeholder impact as affecting their competitiveness and shareholder value generation. The understanding about the conditions and the mechanism under which stakeholders gain and lose firms’ attention will enable managers to do the right thing and to do the right things right. The study of antecedents and critical incidents will depict the trajectories of stakeholder attention generation.

Why Do Stakeholders Matter?
Thorbjørn TK Knudsen, Odense University
Bo Eriksen, Odense University
Explaining both social and economic firm-level performance in terms of differential stakeholder importance is hitherto somewhat neglected in stakeholder theory. Consequently, we provide some notions of why stakeholders matter. Drawing on “old” institutional theory and the literature on information processing we develop and test empirically some propositions which explain the economic and social performance of firms in terms of stakeholder importance and the specificity of particular institutional settings. Our empirical analyses show strong support for the developed model. Information-processing matters for financial results and so does, to some extent, the specificity of institutional settings. Although the model relies on constructs specific to environmental issues they are easily adjusted to other stakeholder contexts which allow replication and evaluation of the general applicability.
Not For Women Only: The Benefits of “Women Only” Management Education
Mary Louise Hatten, Simmons College

For over 20 years, Simmons College Graduate School of Management has offered MBA and executive education programs for women. This paper shows how Simmons’ programs address women’s unique needs for tailored management education, benefiting both men and women in the organizations by improving employee retention, cross-functional competency and organizational effectiveness.

The Role of Academia in Preparing the Management Consultant
Donizete Antunes, University of Cambridge

The management consulting activity produces a significant impact in contemporary business. Management consulting companies are the largest single employers of MBA graduates. How do B-schools deal with the pedagogy of management consulting? A survey of the curriculum of top business schools in North America and Europe shows that the preparation of the management consultant in B-schools is far from ideal. The paper (1) argues for the needs of management consulting firms to receive greater consideration in B-schools, (2) discusses the challenges of preparing management consultants from an academic environment and (3) explores ethical, functional and critical issues in the practice of the management consulting.

THE MECHANISMS OF COMPETITIVE DYNAMICS

On the Theory of Rent and the Mechanics of Profitability
Jeff W Trailer, Pennsylvania State University - Erie

The field of strategy employs the theory of rent as a basis for arguing behavior that will produce returns in excess of the “ordinary” rate of profit. That is, by delineating the causal structure of profitability, one can deduce the actions necessary to formulate an effective strategy for the firm. A problem exists, however, in the inconsistent application of the rent theory. When our theoretical premises are not precise, it is impossible to subsequently draw any rigorously logical conclusion. Thus, this paper presents the major premises of the rent theory, and the consequences of violating each premise. Managerial implications are discussed and illustrated. In summary, the mechanics of profitability is described in three components: “ordinary” profit, monopolistic, and rent. Each is regulated by unique rules.

Predicting Your Rival’s Next Move: An Action Sequencing-Based View of Competitive Interaction
Walter J Ferrier, University of Kentucky
Terry L Amburgey, University of Kentucky

We introduce sequence analysis to strategy research and argue that strategic behavior and organizational performance may, in part, be predicted by observing the unique structural and contextual characteristics of patterns and sequences of competitive interaction among rivals. We performed formal sequence analysis of nearly 5,000 competitive actions carried out by market leaders and challenger in 41 different industries over a 7-year time period. Results suggest that the complexity of rivalry unfolds in predictable patterns and organizational performance is related to sequential patterns of rivalry. Overall, we believe that modeling the process of competition can be an important predictive tool for managers and that our action sequencing-based view of competition is a potentially fruitful vein of research within strategic management.

Industry Convergence and Competitive Rivalry in Multimedia Industry
Jai-Beom Kim, Myongji University
Jai-June Kim, Kookmin University

This paper is concerned with how information technology reshapes the multimedia industry in a broader context (electronics, telecommunications, film, music, and computer software, to name but a few) with special reference to competitive and collaborative strategies. We aim to focus upon how organizations combine the above strategies in this dynamic industry. We have witnessed a proliferation of collaborative relationships between firms, particularly strategic alliances. A group of companies form and maintain strategic networks to compete against their rivals for standard-setting, for instance. By analyzing the information we have collected on a large number of organizations in and around the multimedia industry, we intend to empirically show how technology development has changed the concept of industry and both collaborative and competitive strategies between and among firms.

The Determinants of Firm Pricing: Integrating the RBV and Industrial Organization Economics
Daniel H Simon, University of Maryland

Price is a central aspect of any firm (Tellis, 1989). Price, along with cost, determines profitability. While managers set prices to maximize profits, economists focus on the efficiency of prices in maximizing welfare. A fundamental question is to identify the factors that underlie higher or lower prices for a firm and the process by which they affect prices. Focusing on magazines, I examine the effects of firm and market characteristics on advertising rates, within and across markets. By integrating the two frameworks, I bridge the gap between strategy and economics, and develop a more complete pricing model that expands our understanding of how firm and market factors influence firm pricing.

PARALLEL SESSIONS (A-J) 2:30 - 3:45 P.M.

STRATEGIC MODELING OF INTER-FIRM PROCESSES IN EUROPEAN FAST-MOVING CONSUMER GOODS

Panel
Massimo Visconti, KSA Italy
Cinzia Parolini, Bocconi University
Roberto Santoro, KSA Italy
Umberto Lago, Bocconi University
Enrico Toja, Johnson & Johnson Europe

Traditional industry analysis is inadequate to capture the structure of many industries with blurring boundaries and fails to explain how firms gain competitive advantage through cooperation, alliances and networks. This panel proposes two different yet complementary approaches which, while starting from different premises, share the beliefs that co-ordination of activities along the value system and control of key resources are the main sources of competitive advantage and a big opportunity for increasing customer value: the Value-Net approach, a strategic model for the analysis of value-creating systems; the Efficient Consumer Response (ECR) approach, an operative model developed to increase the effectiveness of the retailer-manufacturer relationship. The analysis of sales promotion processes in a pan-European project developed by Kurt Salmon Associates provides relevant evidence.
The Resource-Based View: Does Management Make a Difference? A Case Study From the European Packaging Industry

Thomas Kalling, Lund University
Lars Bengtsson, Lund University

This paper suggests that resource-based explanations to firm success take into consideration the decisions and actions that underpin a resource. A resource management framework is proposed and used in a study of resource development in a major European packaging producer. The framework is based upon four central criteria for strategic resources, used within RBV: 1) Ex ante uncertainty suggests that identification of resources is critical; 2) Resource value suggests that resource development is critical; 3) Resource leverage suggests the importance of internal distribution; 4) Resource scarcity suggests the importance of resource protection. The model is tested empirically to put focus on decision problems and managerial action in the process of making resources strategic, when managers intentionally or unintentionally add to or reduce the strategic status of resources.

Modes of Knowledge Conversion and Strategy Implementation: The Interaction Between Explicit, Tacit and Emotional Knowledge

Mark P Kriger, Norwegian School of Management

What are the processes by which knowledge is converted into action sequences over time in organizations? What are the means by which organizations can transform knowledge into differing types? How are knowledge conversion processes related to the implementation of strategy in organizations? This paper addresses these questions by developing and illustrating a model which extends Nonaka and Takeuchi’s path-breaking work on knowledge conversion from four types to nine. Implications for managers and illustrations of the nine modes will be given.
Is Control Always Necessary for Alignment of Interests? Psychological and Situational Determinants of Interest Convergence
James H Davis, University of Notre Dame
F David Schoorman, Purdue University
Holly H Brower, Purdue University

Most governance research assumes individualistic, self-serving behavior of homo-economic managers and, therefore, calls for structural and compensation based control mechanisms (e.g., Lorsch & McIver, 1989; Tosi, Silva, Katz & Brownless, 1996). Recent theoretical research suggests that some executives do not behave according to economic assumptions (e.g., Davis, Schoorman, & Donaldson, 1997) and will act in the interest of the collective. Propositions based on Stewardship and Agency theory assumptions are tested in a large sample of managers.

The Language and Paradigms of Strategic Management Research

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<th>Paper</th>
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<tr>
<td>A Model for the Formulation of Corporate Social Strategy</td>
<td>Patrice Cooper, University College - Cork</td>
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<td>Bryan W Husted, Instituto de Empresa</td>
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This paper develops a model for corporate social strategy based on an explanatory study of the relationship between business strategy, social strategy, and performance in twenty firms. Corporate social strategy may be defined as the firm's plan to allocate resources in order to achieve long-term social objectives and create competitive advantage. Successful corporate social strategy depends on a fit between the firm's competitive environment, culture, resources, stakeholders, and the different kinds of social issues it faces.

On Counting the Cats in Zanzibar: The Language of Strategic Management Research
Sebastian Green, University College - Cork
Patrice Cooper, University College - Cork

Strategic management is a discourse captured in language whose meaning cannot be separated off from linguistic conventions and rhetorical devices used to express it. The separation of what strategic management says from the language used to say it is as mischievous in strategic management as it is in art or poetry. This paper explores the language of strategic management research and contrasts it with the thick description found in other social sciences such as anthropology. The implications for academics and practitioners are drawn out and a plea is made for a richer, more authorial style of writing.

Paradigm Incommensurability in Strategic Management: Towards a Solution
Charles E Booth, University of the West of England

Strategic management is becoming a complex, fragmented field of enquiry and practice. This presents problems for both managers and academics. One has been to call for agreement around a single paradigm or unifying perspective which will integrate current knowledge in the field and permit the rapid accumulation of new knowledge. On the other hand, local problems may not admit of universal solutions: there is also a need to develop approaches which permit practitioners and academics alike to adapt strategic approaches to particular situations. The paper explores how to bridge potentially incommensurable paradigms while retaining an emphasis on tailoring solutions to successfully address a diversity of organizational strategic situations.

Co-Opetition: The Strategic Interaction of Competition and Cooperation

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<th>Paper</th>
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| Can the Relationship Between International Clients and Intermediate Good Suppliers Lead to Declustering? The Case of the Italian Textile and Ceramic Tile Machinery Industry | Elisabetta Marafioti, Bocconi University
Fabrizio Perretti, Bocconi University |

The paper analyses the changes that could affect the competitive context of the Italian machinery industry caused by the evolving nature of the relationships between the Italian producers and the Chinese client firms. After the presentation of the main pattern of client supplier interaction, the paper provides an interpretation of the potential impact that this evolution could have on the competitiveness of the Italian textile and ceramic tile machinery clusters. The evidence shows that this relationship leads, not only to the increase of the potential competition in China from the Chinese clients who are trying to fill up the gap (and, therefore, to the probable reduction of Italian exports to this region), but also to a process of declustering of the Italian machinery industry.

An Experimental Test of Co-Opetition
James A Sundali, University of Nevada - Reno
Daryl A Seale, University of Alabama - Huntsville

Co-opetition has been proposed as a new mind set for strategic managers. The traditional adage that “Business is War” is an anachronism no longer relevant in today’s interconnected business communities. But the idea that “Business is Peace” is not a realistic substitute. Co-opetition requires a Jekyl and Hyde corporate personality and success requires that we treat our competitors as both friends and enemies depending on the circumstance. We present the results from a series of experiments designed to assess whether subjects can simultaneously exhibit such behavior. Subjects in our experiments play a two-stage game that requires both cooperation and competition. The results are compared to the game theoretic predictions. Conclusions are drawn as to conditions likely to support successful co-opetition.

Enhancing Competitive Position Through Alliances: A Longitudinal Study in the Global Auto Industry
Pierre Dussauge, Groupe HEC
Bernard Garrette, Groupe HEC

This paper investigates the impact of strategic alliances among competing firms on the competitive position of each partner. We argue that alliances in which the partners contribute asymmetric resources, which we refer to as link alliances, tend to increase the likelihood that a partner will strengthen its position at the expense of the other. In contrast, we argue that alliances in which firms contribute similar resources, which we refer to as scale alliances, are more likely to continue without substantially changing the relative competitive positions of the partners. The analysis focuses on the likelihood and the timing of significant changes in the relative market shares of the partner firms occurring in parallel with the formation of either link or scale alliances. The empirical analysis uses a sample of 150 alliances among competing automobile manufacturers in Europe, North America, and Asia, covering the period from 1960 to 1996.
**Innovation and Market Entry**

**Paper**

**Track F**

**Salon 8**

**The Challenge of New Media: Discontinuous Innovation in the Established Media Firm**

Tim Dührkoop, University of St Gallen

Media Firms are innovating and changing constantly. Discontinuous innovation, from time to time, completely reshapes the media sector, and leads to the emergence of a new medium. This process can, for example, be observed presently with the emergence of the Internet. Discontinuous innovation is researched on two levels: (1) A multi-firm perspective focussing on the emergence of dominant technologies, content formats, and business models (resembling “dominant designs”). (2) Analysis of resources leading to success in the individual firm based on the Dynamic Capabilities framework. Three case studies covering both perspectives will be presented.

**Better Late Than Never: A Longitudinal Study of Successful Late Entrants in Small Consumer Appliances**

Jamal Shamsie, University of California - Los Angeles

Corey Phelps, New York University

Although conceptual frameworks of first movement have placed considerable emphasis on the notion of preemption, most of the empirical studies have demonstrated that late moving firms are often able to successfully enter a market even in cases where first movers may have been able to establish clear advantages. In this study, we link the market share performance over the long term of a large sample of late movers to their entry strategy, to their available resources and to the market conditions at the time of entry. Our results identify the factors which can allow a firm to successfully deal with the disadvantages of late entry into the market.

**Web-Based Magazine Publishing: Incumbent and Newcomer Entrants in an Emerging Subfield**

Quintus Jett, Rice University

Alan B Eisner, Pace University

Helaine Korn, Baruch College

The Web-based publishing subfield of the magazine and newspaper industry has only emerged in past few years. Our objective is to investigate this emerging field as it develops, to gain insight into the early evolution of industry segments. We compare and contrast the parallel development of two entrant types within the emerging Web-based magazine subfield: (1) Incumbents, online versions of paper publications, and (2) Newcomers, online publications available exclusively via the Internet. Our data consist of 114 Web-based magazines and newspapers (i.e., “webzines”) sampled weekly throughout 1997. We developed and tested several propositions for how incumbents and newcomers would differ, based on considerations of competence enhancing/destroying innovations and the need for external legitimacy in an emerging industry.

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**Process as Competitive Resource**

**Paper**

**Track G**

**Crystal**

**‘Policing’ the Analysis, Strategy, Programs Process of Effective Marketing Planning**

Lyndon Simkin, University of Warwick

Sally Dibb, University of Warwick

Recent research by the authors indicates most UK corporations now utilize marketing planning, compared with less than a third in the early 1990s. The marketing planning activity increasingly encompasses marketing analyses and strategic thinking, as well as the traditional focus of tactical marketing mix programmes. As a ‘process’, marketing planning is often poorly facilitated: implementation of its recommendations is poorly directed and controlled. Managed thoughtfully and monitored, marketing planning has many benefits to offer a corporation, not least in enhancing managers’ understanding of marketing and markets, their motivation and their desire to communicate effectively. This paper presents a process developed to assist managers in undertaking thorough, objective and actionable marketing planning. In addition, the authors’ experience and a major survey of “The Times 1000” largest corporations have identified the barriers and hurdles impeding effective planning activity and the implementation of the resulting recommendations. These barriers have been built into the authors’ A-S-P process for tackling marketing planning.

**Dynamic Model of Strategy Process**

Eduardo Bueno, Autonomous University of Madrid

Jose Luis Lizcano, AECA

Fernando Casani, Automomus University of Madrid

Strategy is the behaviour pattern that represents the use of certain resources in accordance with specific capacities in order to reach specific fundamental objectives, within a determined conditioning environment and rivalry situation. Because of this, it is not possible to talk of a single process of strategy formation or of a general strategy process. It, therefore, refers to a dynamic model of strategic process that comprises thinking and analysis, formulation, planning, strategic implementation and control. This paper performs a detailed analysis, based on evidence of real cases, of the dynamic model of the Strategic Process. It proposes that organizations use it as a practical “road map” that can be used to study the path already covered and to discover new strategic routes.

**Aligning Strategic Planning to Contextual and External Factors**

Dimitrios N Koufopoulos, University of Wales - Cardiff

Despite the warm adoption and rapid installation of Strategic Planning Systems (SPSs) in the 60s, their dimensions, roles, and contributions to overall company effectiveness still constitute a matter of considerable dispute. This situation is clearly unsatisfactory for academicians, strategists, and senior managers alike who are increasingly facing the twin problem of coping with increasingly complex, dynamic and hostile external business environment and increasingly falter and resource depleted internal organisational contexts. The paper is based on the well-hold theoretical premise that planning systems should be aligned both with their strategies and their environments. It discusses two factors as major determinants of planning system’s design, namely the external environment and the organisation’s strategic orientation and provides empirical evidence from 300 UK organisations.
Competing on Decision-Making Processes: How Japan Could Use Complexity Science to Rule the Global Economy
David E O’Gorman, University of Illinois - Springfield

Superior strategic decision-making processes provide the ultimate competitive advantage. Complexity science has the potential for significantly improving strategic decision-making, but it has not had a significant impact on any country’s business theory or practice. In western countries, including the United States, it is unlikely that complexity science will ever be adopted because it is nonlinear and hence incompatible with linear-rational western culture. And of the eastern countries, Japan is the only candidate because it alone has both a natural nonlinear culture and a decision-making process that could readily incorporate complexity science. This paper explores how complexity science can improve decision-making processes, and offers specific suggestions for modifying the Japanese style of decision-making. If adopted, nonlinear strategic decision-making processes could lead to a long-term competitive advantage for Japan.

Performance Assessment in Strategic Management

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<td>Balancing the &quot;Balanced Scorecard&quot;: The Recursive Adaptation of a Strategic Management and Performance Measurement Model</td>
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<td>Julie A Chesley, U.S. Air Force Academy</td>
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<td>Mike S Wenger, Wenger &amp; Wenger Consulting/Washington State University</td>
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<td>Keith R Hall, National Reconnaissance Office</td>
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To lead the reinvention of government, many federal agencies are searching for understandable, practical and effective models to frame strategic change. Executives hope to find strategic models which offer simple, direct solutions to their problems. We suggest, however, that enduring models of strategy must be transformed to fit an organization just as the organization must be transformed in light of the model. The model and the organization co-evolve. We support this premise through a longitudinal case study of the National Reconnaissance Office which adopted the “Balanced Scorecard” as a strategic management and performance measurement system. Further, we develop and present a framework of mutual adaptation to clarify the variety of inter-related changes required in strategy formulation and implementation.

Emerging Currents in Business Performance Assessment
Vasudevan Ramanujam, Case Western Reserve University
Bostjan Antoncic, Case Western Reserve University

In this presentation, we will discuss recent approaches to firm strategic performance. The topic will be covered broadly, highlighting three distinct sets of issues. The first issue concerns the use and properties of various performance measurement approaches. In particular, the debate on the relative merits of financial and non-financial measures and the relative importance of balanced and unbalanced approaches will be critically reviewed. The second issue pertains to the organizational challenges of introducing and institutionalizing performance measures. We refer to this as the performance management issue. The third issue is that of change management, which looks at how organizations respond to changes externally and internally and how these in turn affect their performance measurement and performance management processes. We propose a holistic model of firm performance that argues for placing strategy at the heart of performance assessment.

Implementing a Predictive Performance Model to Obtain a Competitive Advantage in a Deregulated Environment
Edward W Desmarais, Salem State College
Michael Yergeau, North Atlantic Energy Services Corp

This paper describes the design and implementation of an integrated performance measurement and trend system (PMTS) for one electric utility’s power plant. The PMTS uses a four level hierarchy, panel format with each upper level panel representing multiple lower level measures. Green, yellow and red panel colors indicate each measure’s relative performance for prior quarters, the current quarter and the future quarter. “Hyperlinks” allow navigation up, down and across various report sorts and hierarchies. The PMTS generates reports from a single secure database. It periodically accesses distributed, controlled databases for each measure, processes the data through predetermined algorithms, reports performance against industry and internal benchmarks, and uses applied statistics to predict future performance. Employees have LAN access for all measures but cannot alter the PMTS.

Assessing the Performance of Government Programmes: An IC Perspective
Nicola Carlo Dragonetti, INSEAD
Göran Roos, Intellectual Capital Services

Government programmes are typically aimed at the creation of non-financial benefits. All the same, they have to follow criteria of efficient and effective allocation of funds, which make them subject to financial constraints. The conflicting needs of financial rigour and non-financial benefit creation can be at least partially solved through the use of an intellectual capital (IC) framework, since IC is designed to capture non-financial assets and benefits and link them to financial performance and indicators. The paper outlines the results of the application of an IC system to two separate government programmes: the Network Programme by SND in Norway and the Business Network Program by AusIndustry in Australia. Implications are drawn for the implementation of government programme evaluation systems, and IC systems in general.

Corporate Strategy and the Scope of the Firm

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<td>A Feedback Simulation Model of Competence Transfer Diversification: Formalizing and Extending the Dynamic Theory</td>
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<td>Shayne Gary, London Business School</td>
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Although it is becoming widely accepted that dynamic theories are more powerful for gaining understanding about strategy issues than their static counterparts, there have been very few attempts to formalize the emerging dynamic theories using approaches suited to investigate dynamic problems. A prime example is the research on diversification which has focused primarily on the superiority of related diversification over unrelated diversification, even though the evidence indicates that diversified firms, on average, fail to create economic value through related diversification. This paper describes a holistic, causal model which pieces together the disparate threads of the existing literature in order to refine and test our increasingly dynamic theories, and gain additional understanding about the nature of the relationship between diversification strategy and performance.
Strategic Coherence and the Growth of the Firm
Douglas R Johnson, University of Illinois - Urbana-Champaign
Yasemin Y Kor, University of Illinois - Urbana-Champaign

This study investigates the relationship between the “strategic coherence” of the firm (Teece, Rumelt, Dosi, & Winter, 1994), the firm’s diversification choices, and the rate of firm growth. Building upon Penrose (1959), we hypothesize that firms will tend to diversify into new businesses that either maintain or increase the “strategic coherence” of the firm’s strategies. In addition, we argue that firms exhibiting a high degree of “strategic coherence” will, ceteris paribus, increase their stock of relevant resources and capabilities at a faster rate and will, as a result, grow at a faster rate than firms with less “coherent” strategies.

Strategic Relatedness and Tailoring Portfolio Restructuring: Korean Conglomerates’ Dilemma in the IMF Turmoil
Ji-Hwan Lee, London Business School
Constantinos C Markides, London Business School

Insights into the business portfolios of the Korean chaebols can be obtained when strategic relatedness is applied for measuring the extent of diversification. Strategically meaningful measures should value those assets that underpin competitive advantage and are not perfectly imitable, substitutable, or tradable. This study seeks to operationalize the variables representing strategic assets, especially focusing on customer, channel, and process. Even though the chaebols look highly diversified in terms of the SIC-based entropy measure or the Rumelt’s category, they turn to be less diversified when measured with strategic relatedness. As the chaebols struggle to survive the IMF turmoil, the key consideration should be restructuring their businesses based on strategic relatedness, rather than reckless refocusing to seemingly related industries.

Relationship Between Diversification Strategies and Governance Processes: An Empirical Exploration in Scandinavia
Chris Noekkentved, Copenhagen Business School/SIMI
Axel Roseno, Copenhagen Business School

The relationship between diversification strategy and governance infrastructure were empirically explored among 130 of the largest diversified Scandinavian corporations. Governance infrastructure was categorized into 4 process archetypes, which were distinguished by clustering 25 governance mechanisms. These were discerned by factor analyzing a number of process attributes measuring the density of underlying management processes. Four diversification strategy types were extracted by clustering the two entropy measures of related and unrelated diversification and the specialization ratio. Our research indicated that a significant statistical relationship exists between diversification strategy and process archetypes. Thus, success in diversification depends on how a knowledgeable management adapts the governance infrastructure to cope with the demands posed by product or geographic diversity. This conclusion is consistent with the concept of “dominant management logic”.

Developing a Contingency-Based Mission Plan: A Sensemaking Approach
Bruce C Skaggs, University of Massachusetts - Dartmouth
Walter O Einstein, University of Massachusetts - Dartmouth

The paper develops a contingency-based mission plan which is used to unite traditional mission statements with strategic planning. We begin by outlining the concept of a mission plan, elucidating its component parts (operative goals and organizational philosophy) and discussing how such a plan helps to inform the strategy process. We then explore the transformation of the mission statement into the constituent parts of the mission plan. Next we examine the sensemaking perspective, discussing the effects of the environment on the scanning - interpretation - action - performance links. Using this perspective, we offer propositions concerning the construction of the mission plan within particular environments. Lastly, we suggest potential benefits this approach may have for practitioners.

Eero Vaara, Helsinki School of Economics and Business

Standard or universal strategic planning models or practices are as such unlikely to provide the best means for fruitful discussions and strategy outlines for corporations in different industrial and cultural settings and at different development stages. In fact, their uncritical adoption may severely restrain the strategy work and even lead to significant problems. It is argued here that top level decision makers should strive for intellectual strategic management: better meta-level understanding of the possibilities and limitations of particular strategic planning models and practices. Specifically, they should pay attention to the conceptual models used and to the social settings where strategic planning activities take place. This paper provides an in-depth description and analysis of such attempts in the Finnish Isku corporation between 1996 and 1998.
Strategic Control: A Contingent Framework
Bala Chakravarty, University of Minnesota
Peter Lorange, IMD

Balancing growth and profitability has been a perennial challenge for general managers. Monitoring budgets, reporting variances, and ensuring corrective actions are aspects of the management control process that have helped businesses achieve their profitability goals. But they have had more difficulties in delivering against their growth commitments. However, failure of a business to meet its growth goals may not always be due to inefficient implementation, it may signal that its strategy needs repositioning and/or its competencies need revitalization. A firm’s strategic control process is expected to help sustain the effectiveness of its strategies and maintain the distinction in its competencies. This paper offers a framework for improving this process and discusses how it can be tailored to suit different business contexts.

Entrepreneurial Lessons: Opportunity Recognition a Risk Perception Model
Sharon Alvarez, University of Colorado - Boulder
Anne S Huff, University of Colorado - Boulder

Profit seeking activity and the allocation of organizational resources are the most important decisions confronted by management. Opportunities for profit are omnipresent, yet not all businesses leverage the potential generated through innovation. Entrepreneurship is viewed by some scholars as a field of study within strategy, with entrepreneurship the child and strategy the parent. However, this paper suggests decision making in competitive environments is an entrepreneurial process, with entrepreneurship the supra-ordinate and strategy the subordinate field. Decision making processes in hyper-competitive environments must be entrepreneurial. Directly interjecting entrepreneurship strategies into decision making helps firms exploit available innovations by contributing a unique insight on maintaining competitiveness and taking appropriate risks. This paper challenges that the entrepreneur’s perception of gains in a risky situation can be explained by prospect theory.

Kenneth J Hatten, Boston University
William L James, Hofstra University
David G Meyer, University of Akron

This paper redresses the neglect of Control in Strategic Management (SM) research. Using the variance of several strategic (execution) variables as proxies for control, we present evidence that suggests that if we wish to understand the way strategies impact performance, we need to give control greater attention. Banks which were able to maintain sufficient control to rank in the top tightly controlled quartile for ten years enjoyed average ROE and ROA three times (300% greater) than those which suffered through the same years in the bottom loosely controlled quartile.
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