October 31 - November 3, 2004
Caribe Hilton Hotel
San Juan, Puerto Rico, USA

www.smsweb.org
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Welcome to Puerto Rico!

Dear Fellow Participants,

Welcome to the Strategic Management Society’s 24th Annual International Conference! We are pleased to have your attendance here in San Juan.

Patricia Gorman Clifford of the University of Pennsylvania and Steven W Floyd of the University of Connecticut are our Program Co-Chairs for this conference. They have brought to us a very exciting program filled with topics of current interest to all of us. Our meeting will hold many opportunities for all of us to learn more about the most innovative, current developments in the strategy field.

We have enjoyed working with Trish and Steve as they developed this program. Please take time to read their welcome and their guide to the program. Also, take a moment to thank them for their contributions and help in forming this excellent program.

Again, this year, presentations will be made on Sunday by our developing topical interest groups. Over the years ahead, we expect our conference to grow and develop as each of the interest groups expands their activities. We welcome this innovation and thank those who are putting it together for all of us.

To the Program Review Committee, our presenters, and to all that helped put this program together go our thanks for making the San Juan 2004 program a success! Of course, special and personal thanks must go to Trish and Steve for their many contributions and the time they have given to all of us.

To you, our registrants, our special thanks for your support and attendance. We hope you enjoy the professional and social time you spend here with us in San Juan!

Sincerely,

Dan Schendel
Executive Director
Dear Colleagues,

We are pleased that you have joined us here in San Juan for our 24th Annual International Conference. The warm sun and lovely beaches provide a wonderful setting for our gathering and we hope you will appreciate the relaxed environment and hospitality of Puerto Rico. The setting affords you the opportunity to put aside, if only briefly, the daily routines of your busy schedule to reflect on old ideas, stimulate new thinking and interact with colleagues on some of the most important questions in the field of strategy today.

In designing this year’s program, we have maintained the traditions and some of the best ideas from past SMS conferences while injecting certain innovations. As in the past, all of us have the opportunity to meet in the plenary format to hear leading thinkers react to the conference theme. To provide more points of view and broaden the conversation we have split some of the plenary periods into two “featured sessions”. This exploratory effort allows more content to be shared overall, but requires additional choices regarding how to spend your time. Topical panels are also offered in almost every timeslot, running alongside the traditional presentations of papers on cutting edge strategy research topics.

"Business Roundtables" are another new format this year. These lunchtime discussions will give interested conference participants the opportunity to engage one another on an important topic and in many cases to interact informally with a leading thinker. To avoid being disappointed, we suggest you sign up early for a table at the registration desk if there is a topic of particular interest to you at Monday or Tuesday's lunch. Sessions that showcase various approaches to executive education are another relatively new addition to the program. Maintaining the SMS commitment to excellence in the classroom, you will also find many opportunities to hear from experienced professors about how they teach strategic management.

We hope you will value the quality, rigor and relevance of the parallel paper and panel sessions. All of us owe a huge debt to the work of the SMS Interest Groups. The leaders of these groups are collectively responsible for attracting the best research in our field. Again, choosing which of these sessions to attend will be difficult, but the menu is unbelievably rich. Enjoy the feast!

A number of papers have been selected as finalists for the SMS Best Conference Paper Prize and the Booz Allen Hamilton/ SMS PhD Fellowship awards. These finalists are highlighted on the program, and we especially encourage you to attend their sessions. Judges will be evaluating the presentations in real time, and the winners will be announced at Wednesday's luncheon.

The over-arching goal of the conference is to foster the exchange of ideas among professionals in the field of strategic management. Over the next few days, we hope you will take advantage of the wonderful opportunities to meet new people, discover new ideas and explore applied solutions at the social events, lunches, coffee breaks, and in informal interactions throughout the conference.

Finally, we want to thank all of you for joining us. Special thanks go to the Presenters, Review Committee members, Interest Group leaders and the SMS Board for contributing their time and talents so generously to the society. If you have a chance, please take a moment to express your gratitude to Dan Schendel, the SMS Executive Director, and Theresa Klassen who leads the fabulous support team. This conference would not have been possible without them.

Have a great conference!

Patricia Gorman Clifford  
University of Pennsylvania

Steven W Floyd  
University of Connecticut
Background on the Society
The Strategic Management Society (SMS) was created to bring together the worlds of reflective practice and thoughtful scholarship, combining academics with business leaders and consultants – the ABCs. It does so on a truly worldwide basis, with over 2000 members representing over 58 countries. The main aim of the Society is the development and dissemination of ideas at the forefront of strategic management theory and practice. The SMS focuses its attention on fostering contacts and interchange among ABCs from around the world working at the leading edge of the strategic management field.

The Annual Conference
The SMS holds an annual meeting at various sites around the world, typically alternating between North America and Europe, although consideration is given to other locations. The conference has been held in previous years in London, Montreal, Paris, Philadelphia, Barcelona, Singapore, Boston, Amsterdam, San Francisco, Stockholm, Toronto, Chicago, Mexico City, Phoenix, Orlando, Berlin, Vancouver, and Baltimore. Each conference addresses a broad, current theme within which specific sub-themes or tracks are addressed through keynote speeches and discussion panels featuring leading experts in the field.

Strategic Management Journal (SMJ)
SMS supports publications in the field, including the Strategic Management Journal, in thirteen issues per volume, including one or two special issues per year devoted to single topics, and a book series covering selections from its major conferences and workshops. Like the Society, the SMJ’s scope is international and it has, since its inception, sought to promote advances in the field by maintaining the highest standards of intellectual thought combined with practical relevance.

SMS Interest Groups
The primary purpose of an IG is to act as a catalyst for building and disseminating new ideas in research, practice and teaching around a set of core issues in strategic management. Currently there are seven (7) active groups:

- Competitive Strategy (Track G)
- Corporate Strategy and Governance (Track H)
- Global Strategy (Track I)
- Strategy Process (Track J)
- Knowledge and Innovation (Track K)
- The Practice of Strategy (Track L)
- Entrepreneurship and Strategy (Track M)

Visit the SMS Web site (www.smsweb.org) for further information.
**Conference Information**

**Recommended Dress**  Business casual attire is recommended for all sessions and evening events.

**Event Tickets**  A **BLUE** meal/event ticket has been placed in your name badge pouch behind your name badge. This ticket must be presented at all food and beverage events for admission. The **YELLOW** Monday night event ticket will be surrendered at the entrance for admission into the SMS "Evening on the Beach".

**Name Badges**  To help ensure a secure environment for all attendees, registration badges must be worn at all times. Attendees without badges will not be permitted to sessions, evening events, exhibits, or meal functions.

**Name Tents**  Presenters on the program received a name tent as part of their registration materials. If you are a presenter, it is your responsibility to bring this name tent with you to your session and to place it in front of you on the speaker's table before your presentation.

**Paper Exchange**  It is the responsibility of presenters to handle exchange of papers as the SMS Conference Office does not coordinate this activity. For this exchange, it is recommended that you share your business card with interested audience members.

**SMS Book Series**  At the conclusion of the conference, please submit an electronic copy of your completed paper to the SMS Executive Office (sms@exchange.purdue.edu) for consideration. The proceedings will contain only selected papers from the conference and will be published as part of the Strategic Management Society's Book Series. Editorial selections will be made by Michael A Hitt and this year's Program Co-Chairs, Patricia Gorman Clifford and Steven W Floyd. The first book in this series appeared as a result of the 1992 SMS Annual International Conference held in London.

**No Smoking Policy**  No smoking in meeting rooms or public areas in the hotel except for the hotel lobby and lounge, outdoor terraces, and overnight smoking rooms.

**Business Center**  Located in the Main Building, Second Floor, the Business Center provides full Email and Internet access. The center will be open from 08:00 – 17:00 on Saturday and Sunday; and 07:00 – 19:00 Monday thru Wednesday.

**Speaker Ready Room**  will be provided for speakers to prepare for their presentations. The Speaker Ready Room will be located in Garden Wing Room 246 at the end of Peacock Alley and will be open from 12:00 – 21:30 on Sunday; 07:00 – 18:00 Monday and Tuesday; and 07:00 – 12:00 Wednesday.

**Emergency Contact Number**  If you encounter any emergency (i.e., medical, etc.) during your stay at the Caribe Hilton, contact the Security Department by dialing extension "6366" from any hotel house phone.
2004 SMS Review Committee

The Review Committee listed below worked with Patricia Gorman Clifford and Steven W Floyd, this year’s Program Co-Chairs, to select the proposals and compose the sessions for the conference. The Strategic Management Society sincerely thanks and gratefully recognizes the time and effort of the following persons who served as reviewers for the SMS 24th Annual International Conference.

Rajshree Agarwal, University of Illinois-Urbana Champaign
Siah Hwee Ang, The University of Auckland Business School
Africa M Ariño, IESE Business School-University of Navarra
Kazuhiro Asakawa, Keio University
Pratima Bansal, University of Western Ontario
Harry Barkema, Tilburg University
Jay B Barney, Ohio State University
Pamela S Barr, Georgia State University
Ben Beuttell, Hollihan Lokey Howard & Zuki
Gaurab Bhardwaj, Babson College
Max H Boisot, University of Catalonia
Cliff Bowman, Cranfield University
Garry D Bruton, Texas Christian University
Laura B Cardinal, Tulane University
Patricia Gorman Clifford, University of Pennsylvania
David J Collis, Harvard University
Richard D’Aveni, Dartmouth College
Tina Dacin, Queen’s University
Bob de Wit, Strategy Works/Strategy Academy
Irene M Duhaime, Georgia State University
Thomas Durand, École Centrale Paris
Jane H Farren, Eugene F Collins
Michael J Fern, University of North Carolina-Chapel Hill
Steven W Floyd, University of Connecticut
Javier Gimeno, INSEAD
William H Glick, Arizona State University
Siegfried P Gudergan, University of Technology-Sydney
Amy Hillman, Arizona State University
Sallie Honeychurch, McKinsey & Company
Robert E Hoskisson, Arizona State University
Kazuo Ichijo, Hitosubashi University
R Duane Ireland, Texas A&M University
Constance R James, Pepperdine University
Richard A Johnson, University of Oklahoma
Robert W Keidel, Drexel University/Robert Keidel Associates
Gerald D Keim, Arizona State University
Jane Kirkland, Kirkand Associates
Suresh Kotha, University of Washington
N Rao Kowtha, National University of Singapore
Susumu Kurokawa, Drexel University
Bente R Lewendahl, Norwegian School of Management BI
Michael Lubatkin, University of Connecticut/EM Lyon
Marjorie A Lyles, Indiana University
Tammy L Madsen, Santa Clara University
Catherine A Maritan, State University of New York-Buffalo
Livia Markoczy, University of California-Riverside
Susan K McEvily, University of Pittsburgh
Rita Gunther McGrath, Columbia University
Luiz Mesquita, Arizona State University West
C Chet Miller, Wake Forest University
Will G Mitchell, Duke University
Robert E Morgan, Cardiff University
Vadake K Narayanan, Drexel University
William E Newburry, Rutgers University
Hugh M O’Neill, University of North Carolina-Chapel Hill
Nitin V Pangarkar, National University of Singapore
Margaret A Peteraf, Dartmouth College
Janey Place, Mellon Financial
Heike Proff, Zeppelin University
Jeffrey J Reuer, University of North Carolina-Chapel Hill
Philip M Rosenzweig, IMD
Raja Roy, Tulane University
Karen A Schnatterly, University of Minnesota
Susan L Segal-Horn, Open University
Kulwant Singh, National University of Singapore
Alex Stewart, Marquette University
Gabriel Szulanski, INSEAD
Stephen B Tallman, University of Utah
Scott F Turner, University of North Carolina-Chapel Hill
Richard Whittington, University of Oxford
Margarethe F Wiersema, University of California-Irvine
Mike Wright, University of Nottingham
Shaker A Zahra, Babson College
The Twelfth Annual Strategic Management Journal Best Paper Prize will be presented at the 2004 SMS Conference. The Prize of $5,000 USD is awarded to a paper published in the Strategic Management Journal that in the opinion of the award committee has had significant impact on the field of strategic management research and/or practice. To insure impact can be evaluated, the paper must have been published more than five years earlier, making all papers published during the period 1984-97 eligible. The prize is co-sponsored by John Wiley & Sons and the Strategic Management Society (SMS).

Visit the SMS Web site (www.smsweb.org) for complete list of winners.

Past Winners:


2001 Dorothy Leonard, "Core Capabilities and Core Rigidities: A Paradox in Managing New Product Development." Published in Volume 13, Summer of 1992 Special Issue.


The Strategic Management Society is pleased to announce this prize to honor the best paper presented at the SMS Conference. The final round of judging is based on the actual presentation of the paper during the authors' paper session.

The Prize for the best conference paper will consist of publication in the SMJ Book Series, a commemorative plaque, recognition at the Wednesday Awards Luncheon, and a $1500 USD cash award.

In addition, four other papers will receive Honorable Mention prizes consisting of publication in the SMJ Book Series, a commemorative plaque, recognition at the Wednesday Awards Luncheon, and a $750 USD cash award.

The criteria for the prize are as follows:

- Relevance to management practice
- Soundness of the conceptual development
- Originality and new contribution(s)
- Appropriate methodology well applied
- Effective communication of the central ideas of the work

Booz Allen Hamilton/SMS PhD Fellowship

In recognition of PhD students’ commitment to delivering outstanding paper(s) at the SMS Annual International Conferences, the officers of Booz Allen Hamilton have created this award especially for PhD participants who must expect to be enrolled, in residence, as a PhD student during the 2004-2005 academic year and who are primary author of their paper.

There will be ten finalists for the Fellowship. On Monday, the finalists will be recognized during lunch, and on Tuesday, please join the finalists as they host luncheon tables.

Fellows and runners-up will be announced during the Wednesday Awards Luncheon. Five of the finalists will be honored as Booz Allen Hamilton/SMS Fellows and will receive awards of $1500 USD each, while the other five will be recognized as runners-up and will receive $500 USD each.
SMS Best Conference Paper Prize

The following ten papers have been nominated for this award. You will find these ten papers indicated throughout the program. The winners will be announced at the Wednesday Awards Luncheon.

MONDAY

Ceiba

10:00 - 11:15

Real Options, Corporate Investment, and the Volatility Construct

Rita Gunther McGrath, Columbia University
Margaret A Peteraf, Dartmouth College
Luohua Zhou, University of Shanghai

HONORABLE MENTION

MONDAY

Flamboyán

10:00 - 11:15

Leveraging Innovations: The Effect of Transfer Mechanisms and Organizational Structure on Innovation Transfer Performance

Francesco Ciabuschi, Uppsala University
Olivia H Kang, Uppsala University
Benjamin Stahl, Uppsala University

MONDAY

Conference 10

15:30 - 16:45

Incentive Designs for Balancing Innovation and Execution

Jonathan Day, McKinsey & Company
Paul Y Mang, McKinsey & Company
Ansgar Richter, European Business School
D John Roberts, Stanford University

MONDAY

Tropical

15:30 - 16:45

Inside the "Double Paradox": Comparing Strategic Behaviors in a Globalizing Industry

Luis Vives de Prada, Massachusetts Institute of Technology
Silviya Svejenova, ESADE
Mitchell P Koza, CEDEP

TUESDAY

Conference 10

09:15 - 10:30

Balancing Vertical Integration and Strategic Outsourcing: Product Portfolios, New Product Success, and Firm Performance

Frank T Rothaermel, Georgia Institute of Technology
Michael A Hitt, Texas A&M University
Lloyd Jobe, VizX Labs LLC

WINNER

TUESDAY

Salón del Mar

09:15 - 10:30

Framing Discontinuities: Incumbents Face the Internet

Gabriel Szulanski, INSEAD
Yves Doz, INSEAD

HONORABLE MENTION

TUESDAY

Flamboyán

13:30 - 14:45

The Adoption of External Technologies: Existing and Emergent Capability Pathways to Superior Performance

Oana Branzei, York University
Stewart Thornhill, University of Western Ontario

HONORABLE MENTION

TUESDAY

Flamingo A-B

13:30 - 14:45

Equity Ownership in Technology Sourcing Relationships: A Decision-making Perspective

Prashant V Kale, University of Michigan
Phanish Puranam, London Business School

TUESDAY

Conference 10

14:45 - 16:00

Dynamic Capabilities and the Process of Structuration

Ken G Smith, University of Maryland
Qing Cao, University of Maryland
Shawn M Lofstrom, University of Maryland

HONORABLE MENTION

TUESDAY

Guayacán

14:45 - 16:00

A Knowledge-based Approach to Predicting the Post-merger Performance of High Technology Mergers and Acquisitions

Marianna Makri, University of Miami
Peter J Lane, University of New Hampshire
The following ten authors have been nominated for this award. You will find these authors indicated throughout the program. The winners will be announced at the Wednesday Awards Luncheon.

**Contextual Determinants of Firm-level Strategic Resource Reallocation**
Thomas P Moliterno, *University of California-Irvine*
Margarethe F Wiersema, *University of California-Irvine*

**Mergers and Acquisitions as a Response to Intra-industry Dependence**
Henri A Schildt, *Helsinki University of Technology*
Tomi Laamanen, *Helsinki University of Technology*

**Turnaround Strategies in Southeast Asia**
Alexander D Falkenberg, *University of St Gallen/Wharton-SMU Research Center*
Li-Choy Chong, *University of St Gallen*

**The Agency Problem during Bankruptcy: When do Directors Protect Shareholders' Interests over Creditors' Interests?**
Robert E White, *University of Oklahoma*
Robert E Hoskisson, *Arizona State University*
Jonathan Arthurs, *University of Oklahoma*

**A Temporal Perspective on Learning Alliance Formation**
Ming Piao, *Northwestern University*

**Reconceptualizing Hypercompetition: Unraveling the Puzzle**
Dev K Dutta, *University of Western Ontario*
Mary M Crossan, *University of Western Ontario*

**Post Acquisition Integration: A Social Network Investigation of Behavioral Change**
Joan T Allatta, *University of Pennsylvania*
Anjua Gupta, *University of Pennsylvania*

**Extending the Evolutionary View of the MNE: The Case of Information and Communications Technology (ICT) Diffusion in Multinational Enterprises**
Vernon Bachor, *University of Calgary*
Alain Verbeke, *University of Calgary*

**A Resource-based Approach to Performance and Competition: An Overview of the Connections between Resources and Competition**
Flore Bridoux, *Catholic University-Louvain*

**Do Financial Markets Price Firm R&D Strategies**
Hart E Posen, *University of Pennsylvania*
Sendil K Ethiraj, *University of Michigan*
Speakers

Stanley A Askren  
President and CEO  
HNI Corporation

Richard A D’Aveni  
Professor, Strategic Management  
Dartmouth College

Adam M Brandenburger  
Professor, Economics Management & Organization  
JP Valles Professor of Business Economics & Strategy  
New York University

Bruno Cassiman  
Professor, General Management  
IESE Business School-University of Navarra

Bala Chakravarthy  
Professor, Strategy & International Management  
Shell Chair in Sustainable Business Growth  
IMD

Hugh G Courtney  
Teaching Professor, Senior Executive Education Fellow  
University of Maryland

Giovanni Battista Dagnino  
Professor, Business Economics & Management  
University of Catania

Jerald G Fishman  
President & CEO  
Analog Devices

Jay R Gaitbraith  
Senior Research Scientist  
Center for Effective Organizations  
University of Southern California

Pankaj Ghemawat  
Jaime & Josefina Chua Tiampo Professor, Bus Admin  
Harvard University

Vijay Govindarajan  
Director  
William F Achtmeyer Center for Global Leadership  
Dartmouth College

Andrew A King  
Professor, Business Administration  
Dartmouth College

Roger HD Lacey  
Staff Vice President, eBusiness Corporate Planning and Strategy  
3M Company

Christine Lloyd  
Vice President, Organization Development & Change  
Nokia

Peter Lorange  
President  
Nestlé Chair Professor, Strategy  
IMD

Charles E Lucier  
Senior Vice President Emeritus  
Booz Allen Hamilton

Michael Maccoby  
President  
The Maccoby Group

Catherine A Maritan  
Professor, Management Science & Systems  
State University of New York-Buffalo

Francesco E Martinez  
Professor, Management  
University of Puerto Rico

Rita Gunther McGrath  
Professor, Management  
Columbia University

Karen A Schnatterly  
Professor, Strategic Management  
University of Minnesota

Shubhro Sen  
Executive Publisher  
FSO Magazine

Stephen B Tallman  
Chair, Management  
David Eccles Professor of Management  
University of Utah

François Vulliod  
Head of Strategy  
France Telecom Group

Uta Werner  
Partner  
Marakon Associates
24th Annual International Conference
October 31 – November 3, 2004
Caribe Hilton
San Juan, Puerto Rico, USA

Conference at a Glance

Sunday, October 31, 2004

08:00 – 13:00 Interest Group Registration – Main Building, First Floor
09:00 – 17:30 Interest Group Session I – Conference 3-7
10:00 – 11:30 Interest Group Session II – Main and Tower Building
11:30 – 13:00 Welcome Luncheon – San Cristóbal Ballroom
13:00 – 14:30 Interest Group Session III – Main and Tower Building
14:30 – 15:00 Coffee Break – Peacock Alley
15:00 – 16:30 Interest Group Session IV – Main and Tower Building
16:00 – 21:00 Conference Registration – Main Building, First Floor
16:00 – 21:00 Exhibits Open – Peacock Alley
17:30 – 18:30 Interest Group Meetings – Main and Tower Building
18:30 – 21:00 Opening Reception – San Cristóbal Ballroom

Monday, November 1, 2004

07:00 – 18:00 Registration Open – Main Building, First Floor
07:00 – 08:00 Continental Breakfast – San Cristóbal Ballroom
08:00 – 09:00 Plenary – San Gerónimo Ballroom
09:00 – 09:30 Co-Chair Welcome – San Gerónimo Ballroom
09:30 – 10:00 Exhibits Open – Peacock Alley
09:30 – 10:00 Coffee Break – Peacock Alley
10:00 – 11:15 Parallel Paper/Panel Sessions – Main and Tower Building
11:30 – 12:30 Plenary Panel – San Gerónimo Ballroom
12:30 – 13:45 Luncheon – Business Roundtables – San Cristóbal Ballroom
13:45 – 15:00 Featured Sessions – Las Olas and San Gerónimo Ballroom
15:00 – 15:30 Coffee Break – Peacock Alley
15:00 – 16:45 Interactive (Poster) Session – San Gerónimo Foyer
15:30 – 16:45 Parallel Paper/Panel Sessions – Main and Tower Building
16:45 – 18:00 Parallel Paper/Panel Sessions – Main and Tower Building
18:00 – 19:00 Interest Group Meetings – Main and Tower Building
19:00 – 22:30 SMS “Evening on the Beach”
Conference at a Glance

Tuesday, November 2, 2004

07:00 – 18:00  Registration Open – Main Building, First Floor
07:00 – 08:00  Continental Breakfast – San Cristóbal Ballroom
08:00 – 09:00  Featured Sessions – San Gerónimo Ballroom, Las Olas
09:00 – 17:00  Exhibits Open – Peacock Alley
09:15 – 10:30  Parallel Paper/Panel Sessions – Main and Tower Building
10:30 – 11:00  Coffee Break – Peacock Alley
11:00 – 12:00  Plenary – San Gerónimo Ballroom
13:30 – 14:45  Parallel Paper/Panel Sessions – Main and Tower Building
14:45 – 16:00  Parallel Paper/Panel Sessions – Main and Tower Building
14:45 – 16:30  Interactive (Poster) Session – San Gerónimo Foyer
16:00 – 16:30  Coffee Break – Peacock Alley
16:30 – 17:30  Featured Sessions – Las Olas and San Gerónimo Ballroom
17:45 – 19:00  Parallel Paper/Panel Sessions – Main and Tower Building
19:00 – 19:45  SMS Business Meeting – Sálon del Mar
19:45 – 20:45  Cocktail Hour – San Cristóbal Ballroom

Evening on your Own

Wednesday, November 3, 2004

07:00 – 11:00  Registration Open – Main Building, First Floor
07:00 – 08:00  Continental Breakfast – San Cristóbal Ballroom
08:00 – 09:15  Parallel Paper/Panel Sessions – Main and Tower Building
09:15 – 12:15  Exhibits Open – Peacock Alley
09:15 – 09:45  Coffee Break – Peacock Alley
09:45 – 11:00  Parallel Paper/Panel Sessions – Main and Tower Building
11:15 – 12:15  Plenary – San Gerónimo Ballroom
12:15 – 14:15  Awards Luncheon with Speaker – San Cristóbal Ballroom
Session Overview

Monday, November 1, 2004

07:00 – 18:00
Registration Open – Main Building, First Floor

07:00 – 08:00
Continental Breakfast – San Cristóbal Ballroom

08:00 – 09:00
"Strategic Balance: Competing with Products and Solutions" – San Gerónimo Ballroom

09:00 – 09:30
Co-Chair Welcome – San Gerónimo Ballroom

09:30 – 17:00
Exhibits Open – Peacock Alley

09:30 – 10:00
Coffee Break – Peacock Alley

10:00 – 11:15

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11:30 – 12:30
"Multimarket Competition in a Converging World: Products, Geography and Balance" – San Gerónimo Ballroom

12:30 – 13:45
Luncheon – Business Roundtable – San Cristóbal Ballroom

13:45 – 15:00
"Organizational DNA for Strategic Innovation" – Las Olas
"Competitive Dynamics: Game Theory in Action" – San Gerónimo Ballroom

15:00 – 15:30
Coffee Break – Peacock Alley

15:00 – 16:45
Interactive (Poster) Session – San Gerónimo Foyer

15:30 – 16:45

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16:45 – 18:00
Flamingo C-D Guayacán Las Olas Magüey Salón del Mar Tropical

16:45 – 18:00
Exhibits Open – Peacock Alley

18:00 – 19:00
Interest Group Meetings – See Page 123 for Locations

19:00 – 22:30
SMS "Evening on the Beach"

Tuesday, November 2, 2004

07:00 – 18:00
Registration Open – Main Building, First Floor

07:00 – 08:00
Continental Breakfast – San Cristóbal Ballroom

08:00 – 09:00
"Practicing Strategy: A Dialogue" – Las Olas
"Leading the Growth: Managing Dilemmas" – San Gerónimo Ballroom

09:00 – 17:00
Exhibits Open – Peacock Alley

09:15 – 10:30

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10:30 – 11:00
Coffee Break – Peacock Alley

11:00 – 12:00
"Innovation and Execution: How to Achieve Both" – San Gerónimo Ballroom

12:15 – 13:30
Luncheon – Business Roundtable – San Cristóbal Ballroom
## Session Overview

### Tuesday, November 2, 2004 (continued)

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### Wednesday, November 3, 2004

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*“Great Innovations with Strategic Discipline: The 3M Story” – San Gerónimo Ballroom*

*11:15 – 12:15 Awards Luncheon “Strategic Intelligence: Why Visionary Leaders Succeed or Fail” – San Cristóbal Ballroom*
Sunday PreConference Sessions

08:00 – 13:00  INTEREST GROUP REGISTRATION - MAIN BUILDING, FIRST FLOOR

09:00 – 17:30  INTEREST GROUP SESSION I

Conference 3-7  TRACK K  KNOWLEDGE & INNOVATION

Linking Knowledge Management to Strategy
Chair:
Thomas Durand, École Centrale Paris
Introduction:
Max H Boisot, University of Catalonia
Moderator:
Napier Collyns, Global Business Network
Panelists:
Ellen Enkel, University of St Gallen
Siegfried P Gudergan, University of Technology-Sydney

The purpose of this pre-conference workshop is to better understand the knowledge-management/strategy link. We will examine one aspect of strategy, environmental scanning, and ask what knowledge-management could contribute to the process of understanding a firm’s strategic environment and of adapting to it in a timely fashion. The hope is that we will come up with new insights as to what should constitute knowledge management’s development agenda in the field of strategy.

10:00 – 11:30  INTEREST GROUP SESSION II

Flamboyán  TRACK G, H, I  COMPETITIVE STRATEGY, GLOBAL STRATEGY, AND CORPORATE STRATEGY & GOVERNANCE

Competitive and Cooperative Dynamics
Co-Chairs:
Karen A Schnatterly, University of Minnesota
Douglas Miller, Tulane University
Panelists:
Javier Gimeno, INSEAD
Vijay Govindarajan, Dartmouth College
Robert E Hoskisson, Arizona State University
Ken G Smith, University of Maryland
Stephen B Tallman, University of Utah

This roundtable session will address a number of issues, including the following questions: How can insights from corporate strategy inform competitive dynamics? How do firms organize to cooperate AND compete—across locations, markets, ideas? How does governance impact competition, and competition impact governance? How do these issues impact firm performance?

11:30 – 13:00  WELCOME LUNCHEON – SAN CRISTÓBAL BALLROOM

Hosted by the Journal of Management Studies and Blackwell Publishing

13:00 – 14:30  INTEREST GROUP SESSION III

Flamboyán  TRACK G  COMPETITIVE STRATEGY

Competitive Dynamics: Game Theory in Action
Co-Chairs:
Catherine A Maritan, State University of New York-Buffalo
Giovanni Battista Dagnino, University of Catania
Panelists:
Adam M Brandenburger, New York University
Bruno Cassiman, IESE Business School-University of Navarra
Hugh G Courtney, University of Maryland
Pankaj Ghemawat, Harvard University
Andrew A King, Dartmouth College

This roundtable session will address a number of issues, including the following questions: What sort of questions is game theory particularly helpful in addressing? What insights does game theory bring to questions involving innovation or market entry that behavioral or other economic approaches don’t bring? How can managers incorporate game theoretic thinking in day-to-day business?
The Practice of Strategy

Bridging Theory and Practice: The Practitioner’s Perspective
Chair:
Bob de Wit, University of Maastricht/Strategy Academy
The session is highly dynamic, it is not an environment where some people (academics) are on the stage while others (practitioners) are sitting and listening. Participants will move from poster to poster.

Entrepreneurship & Strategy

Capitalizing on the Interfaces of Entrepreneurship and Strategy
Co-Chairs:
Rajshree Agarwal, University of Illinois-Urbana Champaign
Irene M Duhaime, Georgia State University
Panelists:
Jay B Barney, Ohio State University
Michael A Hitt, Texas A&M University
Rita Gunther McGrath, Columbia University
Edward J Zajac, Northwestern University
Christoph Zott, INSEAD
The pre-conference activity will focus on the synergies between entrepreneurship and strategy. Issues of value creation and value appropriation underlie each of the two areas, and both fields share theoretical roots in economics, sociology and management research. There are several domains where the two are already linked, and others where research would benefit from such an interface. The purpose of this workshop is to foster integrative research by advancing the dialogue between the two perspectives.

Strategy Process

Emerging Themes in Strategy Process
Panelists:
Philip Bromiley, University of Minnesota
John C Camillus, University of Pittsburgh
Steven W Floyd, University of Connecticut
The objective of this pre-conference workshop is to provide a formal forum to stimulate the conversation among senior scholars, up and coming stars and some junior researchers in the field. The workshop is built on the idea of institutionalizing a formal process for these conversations, which will be made available to any member of SMS interested in the strategy process IG.

Corporate Strategy & Governance

Strategic Alliance Research: Debates, Dialogue, and Directions
Co-Chairs:
Tina Dacin, Queen’s University
Jeffrey J Reuer, University of North Carolina-Chapel Hill
Panelists:
Africa M Ariño, IESE Business School-University of Navarra
Laurence Capron, INSEAD
Yves Doz, INSEAD
Prashant V Kale, University of Michigan
This panel will highlight important questions on collaborative strategy and as well as identify research priorities for future studies. The panel aims to bring together scholars from different disciplinary traditions to debate the current status of alliance theory and evidence and foster dialogue about future research directions in the area of collaborative strategy.

14:30 – 15:00 COFFEE BREAK – PEACOCK ALLEY
### Sunday PreConference Sessions

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<td><strong>Competitive Strategy and Entrepreneurship &amp; Strategy</strong></td>
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<td>Flamboyán</td>
<td>Dynamic Capabilities and Evolutionary Dynamics</td>
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<td>TRACK G, M</td>
<td>Co-Chairs: Laura B Cardinal, <em>Tulane University</em></td>
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<td>Gianmario Verona, <em>Bocconi University</em></td>
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<td>Panelists: Rajshree Agarwal, <em>University of Illinois-Urbana Champaign</em></td>
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<td>Tammy L Madsen, <em>Santa Clara University</em></td>
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<td>Will G Mitchell, <em>Duke University</em></td>
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<td>Margaret A Peteraf, <em>Dartmouth College</em></td>
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<td>This roundtable discussion will address questions such as: How does heterogeneity among firms evolve? What are the causes and consequences of change? How does opportunity seeking interact with existing capabilities?</td>
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<td>Chair: Bob de Wit, <em>University of Maastricht/Strategy Academy</em></td>
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<td>The session is highly dynamic, it is not an environment where some people (academics) are on the stage while others (practitioners) are sitting and listening. Participants will move from poster to poster.</td>
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<tr>
<td>Guayacán</td>
<td><strong>Strategy Process</strong></td>
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<td>TRACK J</td>
<td>Emerging Themes in Strategy Process</td>
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<td>Panelists: Philip Bromiley, <em>University of Minnesota</em></td>
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<td>John C Camillus, <em>University of Pittsburg</em></td>
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<td>Steven W Floyd, <em>University of Connecticut</em></td>
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<td>The objective of this pre-conference workshop is to provide a formal forum to stimulate the conversation among senior scholars, up and coming stars and some junior researchers in the field. The workshop is built on the idea of institutionalizing a formal process for these conversations, which will be made available to any member of SMS interested in the strategy process IG.</td>
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<tr>
<td>Tropical</td>
<td><strong>Global Strategy</strong></td>
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<td>TRACK I</td>
<td>Building Bridges across Research Cultures: Benefiting from Open-mindedness</td>
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<td>Chair: Stephen B Tallman, <em>University of Utah</em></td>
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<td>Moderator: Africa M Ariño, <em>IESE Business School-University of Navarra</em></td>
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<td>Panelists: Pratima Bansal, <em>University of Western Ontario</em></td>
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<td>Jeffrey J Reuer, <em>University of North Carolina-Chapel Hill</em></td>
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<td>Susan L Segal-Horn, <em>Open University</em></td>
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<td>The purpose of this pre-conference activity is to serve as a space for dialogue among people from different research cultures to address the following issues: what are the differences among research cultures? why do they exist? what is the value of different approaches? etc. The panelists are experienced researchers that have worked in various research traditions collectively. The session is targeted to junior faculty and doctoral students facing the challenges that working in multiple research cultures entails.</td>
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<tr>
<td>16:00 – 21:00</td>
<td><strong>Conference Registration – Main Building, First Floor</strong></td>
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<td>16:00 – 21:00</td>
<td><strong>Exhibits Open – Peacock Alley</strong></td>
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<td>17:30 – 18:30</td>
<td><strong>Interest Group Meetings – See Page 123 for Locations</strong></td>
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<tr>
<td>18:30 – 21:00</td>
<td><strong>Opening Reception – San Cristóbal Ballroom</strong></td>
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07:00 – 18:00  REGISTRATION OPEN – MAIN BUILDING, FIRST FLOOR

07:00 – 08:00  CONTINENTAL BREAKFAST – SAN CRISTÓBAL BALLROOM

08:00 – 09:00  PLENARY – SAN GERÓNIMO BALLROOM

"Strategic Balance: Competing with Products and Solutions"
Jay R Galbraith, University of Southern California

09:00 – 09:30  CO-CHAIR WELCOME – SAN GERÓNIMO BALLROOM

Program Co-Chairs:
Patricia Gorman Clifford, University of Pennsylvania
Steven W Floyd, University of Connecticut

09:30 – 17:00  EXHIBITS OPEN – PEACOCK ALLEY

09:30 – 10:00  COFFEE BREAK – PEACOCK ALLEY

10:00 – 11:15  PARALLEL PAPER/PANEL SESSIONS

Auditorium
PAPER TRACK G

A Little Help from My Friends: Individuals, Teams, Perceptions, and Cognition
Session Chair: Sarah Kaplan, University of Pennsylvania

At the Heart of a Revolution: Communications Firm Response to the Emergence of Optical Technologies
Sarah Kaplan, University of Pennsylvania
Why do different companies respond differently during discontinuities? Scholars have suggested such culprits as rigidities in organizational capabilities, inability to manage changes in value networks, and failures of incentives. While none of the approaches explicitly excludes the role of management interpretation (or frames), they do not address empirically or theoretically the role of executives’ frames. Yet, in these eras of ferment, the case for managerial discretion is particularly strong. Analysis of 20 years of data on the response of 72 communications firms (both entrants and incumbents) to the fiber-optic revolution shows that top management cognitive frames help explain firm action. Controlling for multiple alternative explanations, I find that cognitive frames have a separate and significant effect on such organizational outcomes as patenting and scientific publication.

Human Capital, Social Capital, and Executive Compensation: An Empirical Study of Intra-Organizational Value Appropriation
Dante D Di Gregorio, University of New Mexico
Ken G Smith, University of Maryland
Kevin D Clark, Villanova University
Christopher Collins, Cornell University

Prior research has identified the manner in which human capital, social capital and other individual/relational-level resources create value for organizations. However, the costs incurred to access these resources are rarely considered. We studied 136 executives from 42 firms to evaluate how executives appropriate value via increased compensation. Executive compensation was positively related to forms of generic human capital, generic social capital, and firm-specific social capital; there was no link to firm-specific human capital. Interaction effects were tested to evaluate the relative strength of functionalist versus managerialist rationale for the observed link between human/social capital and compensation. The results demonstrate the hazard of focusing on the value created by intangible resources without also considering how that value is appropriated by different sets of internal stakeholders.

Contrasting Images of Reputation’s Impact on Performance: The Case of the Rap/ Hip-hop Music Industry
Leyland M Lucas, Morgan State University
Jill R Hough, University of Tulsa

Because of their inimitable nature, intangible assets are essential sources of performance differences. Reputations are proving to be critical in this endeavor with empirical research confirming the importance of reputations in explaining performance differences. This paper adds to the research on reputations by decomposing reputation within an industry segment that anecdotal evidence suggests may be dominated by negative reputations.
Between Change and Stability: The Team-based Foundation of Firms’ Competitive Advantage  
Fabio Fonti, Boston College  
Fabrizio Montanari, Bocconi University  

We investigate the influence that changes in team membership and intensity of the ties among members have on the ability of teams to perform their tasks in an innovative and effective way, hence providing a source of competitive advantage. While these two dimensions (team stability and ties' strength) have been analyzed separately as determinants of firms’ performance, we combine them for a more accurate view of their impact on competitive advantage, which includes their interaction. In contexts characterized by exploitation, strong ties among members should lead to increased performance, while in environments where exploration is critical, a healthy mix of strong and weak ties is necessary for competitive advantage to emerge. We test our model using longitudinal data about sport teams membership and performance.

MONEY, THAT’S WHAT I WANT: INVESTMENT, RESOURCES, AND VALUE  
Session Chair: Nicholas O’Regan, Middlesex University  

Real Options, Corporate Investment, and the Volatility Construct  
Rita Gunther McGrath, Columbia University  
Margaret A Peteraf, Dartmouth College  
Luohua Zhou, University of Shanghai  

It is a mistake to adapt the Black-Scholes formulation by rote to the assessment of real option value because of the way in which volatility is handled. We show that there are two sources of volatility, equivalent to put and call option volatility in real options. Further, that managerial choice and firm-specific capability strongly influences volatility and thus the value of a real option. We show that a firm’s choice between investing in new growth or in exploiting existing capabilities should be influenced by industry average volatility level, market uncertainty and internal capability. Examples from the oil industry are provided.

Contextual Determinants of Firm-level Strategic Resource Reallocation  
Thomas P Moliterno, University of California-Irvine  
Margarethe F Wiersema, University of California-Irvine  

Resource-based theory posits that the firm’s bundle of unique resources provides the basis for competitive advantage, which in turn explains differences in firm performance. However, we know very little about the determinants of resource reallocations, even though they represent some of the firm’s most important strategic decisions. Empirical research on resource reallocation decisions has been sparse, largely because of the difficulty in tracking and measuring resource disposition across firms. Using a dataset of professional baseball franchises during the period 1969-1989, we are uniquely able to explore contextual factors that influence strategic resource reallocation. Specifically, we examine three such contextual determinants: environmental munificence, firm performance, and the ability to garner economic rents. Our findings show the value of studying determinants to firm-level resource decisions.

Moving beyond the Black-scholes: Domain, Optimism, and Volatility Effects on Managerial Valuations of Stock Options  
Cynthia E Devers, Texas A&M University  
Robert M Wiseman, Michigan State University  
R Michael Holmes, Texas A&M University  

The Black-Scholes pricing model is a widely used measure of stock option value in studies of compensation, yet tests of whether it adequately captures managers’ perceived value yield mixed results. Consequently, using willingness-to-pay and willingness-to-accept measures we capture the value managers actually place on awarded and unawarded stock options under differing domains and volatility levels and compare these figures to Black-Scholes estimates of value. In addition, we also examine the effects of endowment and optimism on managers’ valuations. We find strong support that managers exhibit an endowment effect in valuing options, vary their valuation based on domain and volatility, and that their valuations depart significantly from Black-Scholes.

Evaluating Investments in Capabilities: A Conceptual Framework  
Todd M Alessandri, Syracuse University  
Catherine A Maritan, State University of New York-Buffalo  

Organizational capabilities represent a critical determinant of competitive advantage. One mechanism for developing new and/or superior capabilities is investment. Investments in capabilities present challenges to managers, in terms of both deciding in which capabilities to invest and evaluating investment opportunities. In this paper, we draw on literature concerning resource allocation, real options and exploration-exploitation to develop a framework that captures the components of returns from capability investments. We disaggregate the returns into multiple levels of analysis and temporal proximity, and link the returns to organizational strategic contextual factors. We develop propositions that provide managers with guiding principles to assist in the evaluation of capital investments and develop a theoretical foundation for a higher-order capability of managing investments in operational capabilities.
The Performance Impact of Alternative Modes of Expansion: An Empirical Investigation in Global Retailing

Valerie Moatti, Groupe HEC-Paris/ESCP-EAP
Pierre Dussauge, Groupe HEC-Paris

Mergers and acquisitions on the one hand and alliances on the other, have been the subject of much research over the last 25 years. Few authors, however, have compared the impact of alternative modes of expansion on performance. Our objective is to examine the performance implications of choosing to develop primarily through organic growth, alliances or M&As. We develop conceptual arguments on the relative impact of these modes of expansion in terms of economies of scale, market power, and overall performance effects. We then test the resulting hypotheses in the global retail sector. Our results confirm the impact of mode of expansion on performance and that both alliances and M&As have a positive impact on market power and a negative impact on economies of scale.

Evaluating Acquisition Performance: A Comparison of Three Measures

Margaret Cording, Rice University
Carmen Weigelt, Rice University
Petra Christmann, Rutgers University

Event studies of acquisition performance consistently indicate that 60-75 percent of acquisitions fail to create value for the acquiring firm's shareholders. However, surveys show that the majority of executives rate their firm's acquisitions as successful. Intrigued by this divergence in acquisition performance assessment, this study explores the convergent validity of event study, survey, and financial accounting measures of acquisition performance. We hypothesize that the presence of tacit capabilities resulting in private information regarding future cash flows of the combined entity and the type of activities involved in synergy realization (exploitation or exploitation) are likely to affect the convergence of the three measures of acquisition performance. We test these hypotheses using data for 141 horizontal acquisitions completed between 1997 and 2001.

Asset Specificity or Strategic Resources: What Drives the Management of Outsourcing?

Anna Krzeminska, University of Paderborn

Outsourcing is one of the most important organizational concepts of the last decade. Nevertheless, a review of relevant literature discloses that research on outsourcing focuses mainly on the determinants of outsourcing decisions and has strongly neglected to provide explanations for the management of outsourcing relationships. Therefore, this paper contributes to management research by initially giving an overview of recent empirical findings on outsourcing management. Secondly, transaction cost economics and the resource-based views are applied to explain the management of outsourcing and it will be demonstrated under which conditions they provide contradictory recommendations as to the outsourcing management. Finally it will be tested empirically, whether the distinction between asset specificity and strategic resources is of theoretical nature only or whether it is relevant to business reality.

Mergers and Acquisitions as a Response to Intra-industry Dependence

Henri A Schildt, Helsinki University of Technology
Tomi Laamanen, Helsinki University of Technology

This paper tests and extends the classic resource-dependence argument that inter-industry dependence is related to inter-industry merger and acquisitions patterns by moving the analysis into an intra-industry context. Using data on technological interdependence and alliances ties in the pharmaceuticals industry during 1989-1996, we find resource dependence reducing mergers and acquisitions take place between technologically interdependent firms within technology niches and across technological niches. Further extending resource dependence arguments we show how niche crowding, niche breadth affect the likelihood of mergers and acquisitions. Finally, we show how alliance ties moderate these results. Our findings contribute to an improved understanding of the mutually reinforcing dynamics of firm interdependencies, merger and acquisition patters, and industry evolution.

Organising for Innovation in Software Development: Balancing Knowledge Management Practices for Variety Maximizing and Execution in Different Contexts

Patricia Murtagh, University of Sheffield
Judith Jordan, University of the West of England
Julian Lowe, University of Ballarat

This paper examines the relationship between types of innovation projects and knowledge management practices. Emphasis is placed on the role of tacit knowledge in innovation processes and the value-creating potential of knowledge management practices. The setting for the research is software engineering. Data was gathered using an administered questionnaire on 50 project ‘glitches’ measured as man-hours lost/gained. The
Strategic Flexibility and Efficiency in a New Economy: Balancing Tensions between Autonomy and Control

Bente R Løwendahl, Norwegian School of Management BI
Øivind Revang, Norwegian School of Management BI

This paper investigates empirically tensions that face organizations and managers that try to establish an organizational design that fits the after modern-context. It is a grounded case study of four firms trying to achieve organizational flexibility, maintaining efficiency and adapt to the needs of knowledge workers. Comparing the cases shows that hierarchical steering "sweeps back" and affect original intentions about decentralization and flexibility. Establishing new organizational forms involves more than maximizing efficiency and effectiveness at the same time. Achieving "both -and" rests upon "managing" individual autonomy versus submission to authority. The results indicate that actors underestimate the role and existence of multi-hierarchical authority structures in organizations.

The Arbiter Role in Knowledge Arbitrage: Understanding How Professionals Decide what Knowledge to Transfer

Paul N Friga, Indiana University
Matthew Semadeni, University of South Carolina

The transfer of knowledge within and between firms is clearly a critical area of investigation. Our focus in this study is on knowledge arbitrage, which includes the role of knowledge arbitrageur (transfer) and the more problematic and less studied role of knowledge arbiter (judgment). As the arbiter role is increasingly important for knowledge professionals who assess whether or not knowledge or information should be transferred, we compiled an international dataset of over 1,100 professionals in 5 of the largest strategic consulting and public accounting firms in the world. We empirically test the relationship between knowledge transfer effectiveness and such independent arbiter variables as innovativeness, prestige, applicability and transferability. We also examine the impact of context variables including industry, level of management and location.

Network Brokers for Radical Innovation

Donna J Kelley, Babson College
Lois S Peters, Rensselaer Polytechnic Institute
Gina Colarelli O'Connor, Rensselaer Polytechnic Institute

This research examines the organizational conditions that influence the formation of internal networks for radical innovation, and the role of brokers in this process. Our multicase analysis of twelve established, industry-leading firms reveals several key findings. First, brokers may need to play a more direct role in bridging across isolated local networks. Second, broker groups may provide a more stable brokering function than individual brokers. And third, even in positive organizational environments for networking, radical innovation network formation can benefit from organizational communication mechanisms and the role of brokers.

HOW DO FIRMS’S LEARN WHAT THEY KNOW? COMPETENCE DEVELOPMENT IN VERTICAL AND HORIZONTAL RELATIONSHIPS

Session Chair: John F Veiga, University of Connecticut

Corporate Scope and Knowledge Creation: The Effect of Technological Diversity on Platform and Incremental Invention

Michael B Heeley, Colorado School of Mines
Sharon F Matusik, University of Colorado-Boulder

We examine how firm technological diversity affects inventive output and how product market diversity moderates this relationship. Using multi-industry panel data, we find inventive output in the same technological area (incremental inventive output) is maximized with a combination of high technological and low product market diversity. However, inventive output in different technological areas (platform inventive output) is maximized when both technological and product market diversity are high.

Balancing Complementarities and Similarities: Alliance Formation between Old and New Technology Firms

Frank T Rothaermel, Georgia Institute of Technology
Warren Boeker, University of Washington

This study explores factors that lead to alliance formation between pharmaceutical (old technology) and biotechnology (new technology) companies. We focus on the alliance tie as the unit of analysis and argue that complementarities and similarities directly influence the probability of alliance formation. We then introduce a contingency model in which the positive impact of complementarities and similarities on alliance formation is moderated by the age of the new technology firm. Drawing on a longitudinal sample of 32,332 biotech-pharma
dyads, we find that a pharmaceutical and a biotechnology firm are more likely to enter an alliance based on
complementarities when the biotechnology firm is younger. In contrast, alliance formation in pharma-biotech
dyads based on similarities appears to be enhanced when the biotechnology firm is older.

**Supplier Development: Knowledge Transfer and Consequences for Competitive Advantage**
Luiz Mesquita, Arizona State University West

Buyer-supplier knowledge transfer - known as supplier development (SD) - has become synonymous with
competitive advantage. Whereas some buyers proactively orchestrate SD through expensive teams of
consultants, others take an alternative route: select developed suppliers from the market, free-riding SD
investments from competitors (i.e. they 'cream-off' the supplier market). We model the circumstances under
which the first approach leads to supplier productivity improvements that do not spill over to competing buyers.
We propose exclusivity of supplier productivity arises not only from 'faster learning' (as in Dyer & Nobeoka, 2000)
but, most importantly, from buyer-supplier capabilities becoming symbiotic and complementary, which prevents
suppliers replicating premium productivity with competing customers. Survey evidence from 261 recurrently-
purchased-goods suppliers corroborates our hypotheses. We discuss implications for theory and practice.

**Imparative Capacity: Towards a View of the Supplier as a Competence Provider**
Francesca Golhetto, Bocconi University
Michael Gibbert, Bocconi University

In this article we offer a view that suggests that an industrial supplier's imperative capacity - defined as the ability
of a supplier to recognize a gap in a potential buyer's competence portfolio, experientially communicate the
missing competencies, and transfer them to commercial ends - may be a significant source of rent for the supplier.
To identify sources of imperative capacity rents, we import recent insights gained in the industrial-marketing
literature and discuss these against the background of data from four in-depth case studies conducted in Europe-
based firms. We identify three determinants of imperative capacity rents, discussing crucial sub-processes, and
also propose isolating mechanisms that serve to protect suppliers' rents.

**The Sociology of Learning: Gender, Social Capital, and Organizational Structure**
Session Chair: Philippe Byosiere, Doshisha University

**Leveraging Innovations: The Effect of Transfer Mechanisms and Organizational Structure on Innovation Transfer Performance**
Francesco Ciabuschi, Uppsala University
Olivia H Kang, Uppsala University
Benjamin Stahl, Uppsala University

Innovations are critical for differentiation and thereby creating and sustaining competitive advantage. However,
in today’s global market it is not enough to be innovative. In order to survive companies must also efficiently
and rapidly leverage their innovations globally. Herein lies somewhat of a paradox: the same barriers to imitation
also hinder the internal transfer of knowledge. This study investigates how the interplay between innovation
characteristics on the one hand, and integrative mechanisms (organizational structure and transfer mechanisms)
on the other, effects transfer performance in terms of the cost, speed and level of implementation. The results
show that knowledge characteristics and integrative mechanisms should be considered together, and that the use
of various integrative mechanisms effects transfer performance in different ways.

**How Companies Learn to Collaborate: Emergence of Improved Inter-organizational Processes in R&D Alliances**
Jan E Feller, Helsinki University of Technology
Annaleena Partankangas, Chalmers University of Technology
Riitta Smeds, Helsinki University of Technology

Prior research maintains that the capacity to manage alliances is a distinct capability. This study focuses
on a hitherto neglected aspect of alliance capability, by investigating how firms may learn to better manage
their collaborative R&D processes. The empirical data relies on a survey of 105 R&D partnerships in the
telecommunications industry. Our results suggest that companies may learn to better manage their collaborative
R&D processes through successful implementation of four knowledge conversion processes: socialization,
externalization, combination and internalization. It seems that - due to numerous interactions between these
processes - weaknesses in any of them may hamper overall learning. The processes are the basis for the Nonaka
& Takeuchi (1995) model of dynamic knowledge creation. To our knowledge, this study is the first attempt to
empirically test the model in collaborative (R&D) settings.
Does Social Capital Boost Innovation? Empirical Findings from a Representative Italian Cluster
- Lucia Marchegiani, Luiss Guido Carli University
- Luca Pirolo, Luiss Guido Carli University
- Manuela Presutti, University of Bologna

This paper empirically examines the link between social capital and firms’ innovation performances. In the social capital perspective, innovation is an interactive process involving internal and external relationships. Given that innovation knowledge is embodied in networks, we suppose that social capital becomes a viable instrument to acquire and combine relevant knowledge, and ultimately to improve the innovation performance. The research model adopted to measure social capital is based on the framework developed by Nahapiet and Ghoshal, which considers social capital as constituted by structural, relational, and cognitive components. The model has been tested on a cluster level, where strong link between social capital and firm’s innovation performance is emphasized. Some interesting implications are offered for the management of social capital to an innovation extent.

The Venus-Mars Gender Gap in Knowledge Leadership: Empirical Evidence in a Japanese Technology MNE
- Philippe Byosiere, Doshisha University
- Denise Luehge, University of Michigan-Flint

Converting tacit knowledge into explicit knowledge is a very important process in the development of new ideas, products and services in many organizations. This process of tacit knowledge externalization is investigated in a Japanese multinational that manufactures technology-based consumer products. The results from 144 female and 842 male managers strongly indicate that females allocate more time to externalization and find the externalization process more important than their male counterparts. In this corporate technology environment, the use of idea generation methodologies to understand problems, is shared by both gender groups as the most important behavior to externalize tacit knowledge. Female managers stress the importance of intuition using metaphors in externalizing tacit knowledge. Practical implications for strategy, knowledge and innovation are discussed.

STRATEGIC PLANNING PRACTICE
Session Chair: Eero Vaara, Swedish School of Economics & Business Administration

Designing and Doing Strategic Planning: A Multi-level Perspective
- Julia Balogun, City University-London
- Paula Jarzabkowski, Aston University

Consistent with the call to focus on the strategy worker within organisations, and acknowledge that organizational actors outside the senior management team can play a significant role in strategizing, this paper adopts a multi-level perspective. We focus on the strategic planning process within a pharmaceutical organization. We examine how the multiple teams involved (European, U.K. and Brand) strategize locally, within their teams, and strategize collectively, within the firm - both to develop their annual business plan, and to develop a new business planning process. We view strategic planning as an exercise in perspective making and perspective taking. Our findings further understanding of how different actors interact in the strategizing process and their different contributions to the outcomes of that process.

Dynamic Capability Development: The Politics of Strategic Learning Practices
- Elena Antonacopoulou, University of Liverpool
- Jason Ferdinand, University of Liverpool

This paper contributes to our understanding of dynamic capability by exploring the socio-political dynamics in strategic learning practices. The analysis focuses on the nature of the interaction between macro (external) and micro (internal) forces in strategic learning practices and examines how dynamism is created in the vigorous interrelationship between the two. The latter it is argued is a neglected aspect of current thinking in the dynamic capability debate, which tends to capture interaction between micro and macro forces in a linear fashion without due attention to the political balancing acts that underpin the negotiations between external and internal priorities in capability development. By concentrating on the interactions between macro and micro forces dynamism may be better conceptualised as political activity, game playing, and covert practice.

The Practice of Strategic Thinking and Strategic Planning in an Environment of Uncertainty
- Tim O’Shannassy, RMIT University

There is widespread agreement among academics, business executives and management consultants that the business environment has rarely been more uncertain with implications for the practice of strategy. This paper examines the relationship between the constructs perceived environmental uncertainty and strategy process sophistication - specifically the activities of strategic thinking and strategic planning. Miles and Snow’s (1978) perceived environmental uncertainty scale is updated to reflect contemporary business environment trends. A new scale is developed to capture the phenomena of strategic thinking and strategic planning. Regression analysis finds a significant role for both strategic thinking and strategic planning in managing perceived environmental uncertainty.
Strategy as Discourse: Towards a Conceptual Framework and a Research Agenda
Eero Vaara, Swedish School of Economics & Business Administration

It is increasingly acknowledged that strategy has a lot to do with discourse. However, at the same time, there seems to be a great deal of confusion around what a discursive perspective on strategy actually means. Against this background, it is important to develop an understanding of what kinds of discursive approaches can help us to better comprehend the linguistic aspects involved in strategy and strategizing. As a step towards this direction, this paper distinguishes six different discursive approaches to strategy - strategy as ideologically-laden body of knowledge, strategy as fashion, strategy as narrative of organizational identity, strategy as socially constructed change project, strategy as practice, and strategy as micro-level discourse acts and rhetoric - and discusses how they are linked to each other.

VENTURE PERSPECTIVES ON FINANCING

Session Chair: K Thomas Chandy, Binghamton University

Entrepreneurial Firm Behavior and Capital Structure
Olivier Cochet, University of Münster
Thomas Ehrmann, University of Münster
Rainer Harms, University of Klagenfurt

This paper tests if entrepreneurial firm behaviour influences capital structure. Based on conceptualisations of Entrepreneurship borrowed from the Entrepreneurial Orientation and Entrepreneurial Management scales we develop hypotheses with respect to the link between different sub-dimensions of Entrepreneurship and capital structure. Based on a sample of 56 rapidly growing firms, our empirical results provide strong support that financing decisions are dependent on the dimension of Entrepreneurship under study. In particular, we find that a strategy driven by opportunities without regard to resources controlled and the firm’s risk-taking propensity influence leverage. In addition, high leverage does not seem to impact performance negatively. Our study further strengthens the link between strategy and capital structure in the context of SMEs. Suggestions for further empirical and theoretical research are provided.

Entrepreneurs as Symbol Creators and Displayers: The Role of Symbolic Management for Acquiring Resources
Christoph Zott, INSEAD
Quy N Huy, INSEAD

This paper explores how entrepreneurs acquire resources for their young ventures by creating and displaying symbols aimed at achieving three distinct expressive goals: expressing individual competence, expressing an operating concern, and expressing organizational stability and continuity. Our findings suggest that entrepreneurs are more likely to develop high resource acquisition momentum for their ventures if they: 1) are more aware of the importance of symbolic management; 2) create a wider variety of symbols to influence resource holders; and 3) use symbolic management strategies more frequently. These findings enrich the entrepreneurship and strategy literature by specifying some textured mechanisms involved in the dynamic creation of valuable resource positions starting from a very modest resource-base.

Comparing Corporate and Independent Venture Capitalists: The Entrepreneur’s Perspective
Isabell Welpe, University of Münich
Matthias Spörle, University of Münich

Since high technology firms depend on the success of their strategy for commercializing their intellectual property, the influence of venture capitalists (VCC) on their commercialization strategy and product development is an area of great value-adding potential (Roberts 1991) that has only recently started to receive attention in venture capital research (Hellmann and Puri 2000). Despite the fact that technology and commercialization strategies vary strongly between industries most of the research conducted so far has neither been sector-specific nor differentiated between any of the different types of venture capital firms (Hsu 2000). We therefore see special value in conducting industry-specific research to gain a better understanding of the reasons, instances, outcomes and extent of value-added or value-destroyed of venture capitalists’ influence on the commercialization strategies of their portfolio firms.

Financing Costs and Firm Creation: Evidence from Dot-Coms
K Thomas Chandy, Binghamton University
Nagaraj Sivasubramaniam, Duquesne University
Margaretha Hendrickx, Binghamton University

By ignoring differences between activities along the vertical value chain and those related to support functions transaction cost theory is a tacit barrier to a deeper understanding of the dynamics of firm creation. We argue that it is important to treat transaction costs related to financing, and indeed to all support activities, as distinct from those along the value chain and that transaction cost theory alone does not explain how entrepreneurial firms organize financing activities: agency costs should also be included. We provide empirical support by examining the initial public offerings of 400 information-technology firms at the IPO stage and comparing firms that used venture capital firms as a source of capital with those that eschewed VC backing.
Seeking Innovation in All the New Places: Context, Content, and Method

Session Chair: Dawn A Harris, Loyola University-Chicago

In with the Old, In with the New: Exploiting and Exploring Genres in Motion Pictures

Jamal Shamsie, Michigan State University
Xavier Martin, Tilburg University
Danny Miller, Groupe HEC-Montréal/University of Alberta

The concept of dynamic capabilities has rekindled a great deal of interest among strategy researchers. In this paper, we broaden the concept of dynamic capabilities. We examine the efforts of a firm to exploit capabilities in areas where it has experienced some recent success. We contrast this with efforts of the firm to explore capabilities in areas where it has not had any recent success. We studied the genres of the films that were offered by each of the Hollywood studios over a thirty-year period to test for the effect of exploitation and exploration. Our results suggest that both of these types of efforts do contribute to the overall financial performance of a firm.

Property Rights and Information Flows: A Simulation Approach

Max H Boisot, University of Catalonia
Ian C MacMillan, University of Pennsylvania

The paper explores an issue raised by Lawrence Lessig: how 'tight' do intellectual property rights need to be to maximally benefit society? We use an agent-based simulation model, SimiSpace, that implements a conceptual framework, the Information Space or I-Space, to establish how far the diffusibility of knowledge - a surrogate measure for the 'leakiness' of intellectual property rights - affects the amount of knowledge produced by a given industry and at what cost to society, for different rates of obsolescence of the industry's knowledge-base. The simulation results broadly support Lessig's contention that intellectual property rights should be moderately 'leaky' to benefit society. Yet, whereas Lessig draws primarily on copyrighted knowledge to support his argument, the simulation suggests that the argument works best for patented knowledge.

Dual Effects of an External Orientation on Seeking Breakthrough Innovations

Kun Liu, University of Utah
William S Hesterly, University of Utah

Research has shown that an external orientation in searching for technological solutions is helpful for generating breakthrough innovations. We argue that adopting external orientation in creating breakthrough innovations can be paradoxical. To do this, we argue that there are two dimensions in external orientation - search for solutions and search for problems. Previous studies have focused on the dimension of solution search and neglected the second dimension of problem search. We argue that an externally oriented approach to identifying problems, although rational in nature, can lead to serious pathologies. We highlight the direct negative effects of external problem search on producing breakthrough innovations. In addition, we suggest that this approach can negatively moderate the effects of external solution search on producing breakthrough innovations.

The Strategic Value of IT: Two Different Management Perspectives

Dawn A Harris, Loyola University-Chicago
Linda Salchenberger, Loyola University-Chicago

We present the results from a project designed to identify, analyze, and evaluate perceptions of the business value of IT by CEO's and CIO's to help organizations to better align business and IT strategies. There is considerable evidence that aligning business and IT strategies to achieve business value from IT is an unanswered strategic issue, especially critical in times of constrained resources. Existing research examines strategic alignment from the perspectives of either business or IT leadership. This research has yielded valuable results from analyzing the interviews of CEO/CIO pairs from the same organization, from a variety of diverse businesses. A framework that helps organizations to identify the strategic role of IT in their organization and the best practices of successful organizations will also be shared.

Linking Dynamic Capabilities and Performance of High Growth Ventures: A Longitudinal Research Agenda

Charlene L Nicholls-Nixon, University of Western Ontario

Surprisingly little is known about why some high growth ventures are more effective than others at managing rapid growth. The present paper addresses this issue by presenting the research methodology (sample selection, survey design, techniques of data analysis) for testing a conceptual model, developed previously by the author, which links the performance of high growth ventures and the organizational capabilities needed to manage rapid growth. Building on the concept of 'continuous morphing' (Rindova & Kotha, 2001), this paper presents a research agenda to explore whether there is a systematic relationship between the performance of high growth ventures and their capacity to engage in continuous morphing.
THE FUTURE OF CORPORATE STRATEGY RESEARCH AND PRACTICE

Jay B Barney, Ohio State University
Douglas Miller, Tulane University
Patrick Vigerue, McKinsey & Company

There are few topics older in the field of strategic management than corporate strategy. And yet this well-researched area was recently revived with debates about whether or not there is a diversification discount. The consensus now is that there isn’t a discount, on average. But this debate has raised interest in corporate strategy once again—both for scholars and practitioners. This seminar draws on both the world of scholarship and the world of practice to discuss the future of research and practice in this important area of work.

IT’S IN THE EYE OF THE BEHOLDER: VALUING INNOVATION IN NEW VENTURES

Session Chair: Achim Berg, McKinsey & Company

Financial Decision, Agency Conflicts: The Implication of Agent-owner during the Post-venture Capital

Sineenad Paisittanand, Bangkok University/University of Nebraska-Lincoln
Terrence C Sebora, University of Nebraska-Lincoln

The use of venture capital changes the ownership structure of the firm invested in. The governance of the firm is also changed. Where once there was an agent-owner, the post-VC, the firm has two sources—the founder and the VC firm, and two agents—the founder and the VC management team. Few researchers studied the agency conflicts in agent-owners, who act both as owners and agents for other owners. This paper addresses the agency conflicts between VCs agent-owners and entrepreneur agent-owners. As seen in the Board of Directors who must link all owners’ interests in the areas of equity ownership, dividend policy, and return on investment during VC phase of a company’s growth.

Understanding Value Generation in Buyouts: From Governance to Corporate Revitalization and Growth

Achim Berg, McKinsey & Company

Buyouts have been described as a specific form of financial acquisition that leads to potentially substantial, but also highly volatile returns to equity investors. Previous research has illustrated a number of mechanisms through which buyouts cause increases or decreases in company value. Besides the traditional mechanisms like improved governance or incentive systems, more innovative and entrepreneurial levers like increasing strategic distinctiveness and parenting effects have recently been examined. While it is important to understand the performance impact of each of these levers individually, we are still missing a framework that captures the complexity of the buyout value generation process and recognizes interdependencies between various factors. We therefore develop a three-dimensional conceptual framework that categorizes and links the different levers of buyouts value generation and categorize previously identified levers of value generation according to our framework.

New Venture Valuation by Venture Capitalists: An Integrative Strategic Management Approach

Dingkun Ge, San Francisco State University
James Mahoney, Federal Reserve Bank of New York
Joseph T Mahoney, University of Illinois-Urbana Champaign

How to valuate a new venture is critical in entrepreneurial financing. However, little work is available on the valuation of venture capital investments (Wright and Robbie, 1998: 558). As one of the few studies on new venture valuation, this paper aims to fill this gap. Leveraging established theories in strategy, we provide an integrative framework to examine whether VCs, valuation of new ventures can be explained by factors identified in strategy literature as important to firm performance. Empirical results support this central proposition. VCs do take those important factors into consideration in their valuation decisions. This finding helps to establish an initial linkage between strategy theories and VC valuation practice. The results hold promise for developing a complementary method to accurately valuate a new venture.

Do Corporate Investors Harvest Exploitative or Exploratory Innovations from Corporate Venture Capital Investments?

Anu Wadhwa, University of Washington
Suresh Kotha, University of Washington

Firm-level theories of innovation and technological change suggest that when firms increase their knowledge-bases their innovativeness increases. Prior literature has studied various drivers of innovation such as patent search behavior, alliances, and acquisitions. However, despite the increasing use of corporate venture capital investments by established firms in private entrepreneurial companies to gain strategic benefits, the link between corporate venture capital investments and innovation search behavior in the corporate investor has not been examined. We explore how corporate venture capital investments impact exploratory or exploitative search for innovation in the corporate investor.
**MONDAY**

**MONDAY Sessions 10:00 - 11:15**

**Salón del Mar**

**PAPER TRACK D**

**INNOVATION, TECHNOLOGY, AND THE BOTTOM LINE**

**Session Chair: Petra de Saá-Pérez, University of Las Palmas-Gran Canaria**

**Technological Knowledge and Performance: A Direct versus Indirect Effect**

Nieves Lidia Díaz-Díaz, *University of Las Palmas-Gran Canaria*
Inmaculada Aguiar-Díaz, *University of Las Palmas-Gran Canaria*
Petra de Saá-Pérez, *University of Las Palmas-Gran Canaria*

The aim of this paper is to study the relationship between technological knowledge assets and performance, being one of the first studies that explicitly test the direct versus the indirect effect. To that end, a study of 1,444 industrial firms was carried out over a period of three years. The results confirm that technological knowledge assets have a negative direct effect on performance and that the indirect effect is positive and mediated by the innovation. The results also reveal that technological knowledge assets have a different influence on corporate performance, depending on their nature. In this way, the acquired explicit technological knowledge assets have a positive direct effect on performance, while the tacit one has a negative direct effect.

**Innovation versus Efficiency or Efficiency in Innovation: Determining the Performance Impact of Technological Innovation**

Tunji A Adegbesan, *IESE Business School-University of Navarra*

In this paper, I highlight the importance of the study of the determinants of the impact of technological innovation on firm performance, in the light of recent evidence against the assumed positive relationship between innovativeness and performance. I try to contribute to this line of research by defining and distinguishing between technical advancement, technological innovation, and technological change. I make a comprehensive review of the literature related to innovation and performance, showing that there are substantial gaps to be filled in our understanding of the relationship between technological innovation and firm performance. I present propositions to help advance this important area of study, and to form a basis for hypotheses that will be tested in the empirical part of this study.

**Open Source Software and Firm Performance: An Empirical Investigation in the Game Software Industry**

Christian Loepfe, *University of St Gallen*
Georg F Von Krogh, *University of St Gallen*
Mark Macus, *University of St Gallen*

Our paper addresses an important gap in the new and rapidly growing research stream on open source software (OSS). This field in management theory has so far been lacking a perspective on the strategic implications of OSS. Based on a large-scale survey of approximately 1,000 computer game software developing firms worldwide, we identify the performance effects of using OSS in the game development process. Specifically, we examine whether three main benefits of using OSS (i.e., quality advantage, time advantage, and cost advantage) identified in previous research also apply to corporate users that develop proprietary software based on OSS development tools.

**Assessing the Differential Impact of Diversification Strategies on Hospital Financial Performance**

Won Sik Suh, *Florida International University*
Susan K Key, *University of Alabama-Birmingham*

The objective of this study was to investigate the relationship between diversification and financial performance by looking at both economy of scope (Channel 1)-the focus of most research--and multi-market contact (Channel 2). Our research which focused specifically on hospital diversification led to three major findings: First, diversification measured through economy of scope (Channel 1) was significantly (negatively) associated with hospital performance. Second, diversification measured through multi-market contact (Channel 2) shows a positive relationship with hospital performance. And finally, the effect of diversification on financial performance measured through multi-market contact (Channel 2) was greater than diversification measured through economy of scope (Channel 1). Therefore, the results suggest that organizations should pay attention to both channels when considering diversification.

**PROBLEMS IN MAINTAINING STRATEGIC BALANCE: RESOURCES, APPROPRIATION, AND COHERENCE**

**Session Chair: Lee Tom Perry, Brigham Young University**

**A Resource-based View of Innovation in Mature MNCs: A Case Study of SCA Packaging**

Gunilla Nordström, *Lund University*
Allan T Malm, *Lund University*
Frank Linnerz, *SCA Packaging*
Richard L Sanders, *SCA Packaging*

The RBV has helped researchers in understanding drivers of competitive advantage, and the role of resources,
from many perspectives. However, development and management of resources and capabilities are seldom discussed, why this case study aims at complementing the RBV with an increased understanding of dynamics of resources and the managerial processes organizations go through in their pursuit of competitive advantage and performance improvements. This paper suggests that by adding a process perspective to the RBV and includes theories of learning and cognition our understanding of drivers of competitive advantages may be extended.

**Collective Resources and Cluster Advantage: An Examination of the Global Wine Industry**

James E Henderson, Babson College  
Karel O Cool, INSEAD  
Luciana Pagani, Babson College

Anecdotal evidence suggests that geographic proximate clusters enable the creation and maintenance of "collective" or common resources: quality standards, reputation for quality, regional brands etc leading to cluster advantage. Yet, the underlying process mechanisms have not been fully explored. The paper examines the $12 billion global wine industry consisting of various clusters competing on the perceived quality and reputation of their wines, e.g. Champagne, Bordeaux, Australia, etc. However, not all of wine clusters have been equally successful in export markets. Thus, this paper explores the link between the strength of the "common resource" effect over time on the price of a bottle of wine purchased in the United States and the processes pursued by each cluster to create and maintain the common resource.

**Coherence in New Product Development Decisions: A Framework**

Giulia Calabretta, Bocconi University  
Boris Durisin, Bocconi University

New product development is a major field of research. Our paper represents a tentative attempt of appraising the diverse research streams, providing a systematic assessment of empirical studies, and organizing them into a framework covering aspects of new product development and launch. The presented framework is founded on a “decision perspective” (Krishnan and Ulrich, 2001). It allows a comprehensive approach to the topic, overcoming the inconveniences of function-focused or other partial perspectives and offering a viewpoint able to catch interdependences and provide coherence. Six categories have been investigated and for each category, an extensive literature review has been carried out, with the purpose of detecting the most recurring constructs and variables, providing propositions, and suggesting some managerial implications for managing coherence and indicating directions for future research.

**A Bayesian Model of Firm Performance: CEO Effect versus Firm Effect versus Industry Effect**

Mark H Hansen, Brigham Young University  
Lee Tom Perry, Brigham Young University  
C Shane Reese, Brigham Young University

A Bayesian hierarchical approach is used to model firm performance as a function of the CEO, the firm, the industry, and the major strategic actions taken by the firms. This modeling approach produces a probability distribution for each CEO, each firm, each industry, and each of 10 categories of strategic actions examined in the study. We have identified 28 CEOs that have been the CEO of at least two publicly traded companies for at least ten quarters at each company. Thus, we are able to examine the abilities of individual CEOs to manage different bundles of resources. This, in turn, allows us to empirically examine the resource endowment versus resource management question.
### MONDAY

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<th>Time</th>
<th>Session</th>
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<tr>
<td>12:30 – 13:45</td>
<td>LUNCHEON – BUSINESS ROUNDTABLES – SAN CRISTÓBAL BALLROOM</td>
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<td>13:45 – 15:00</td>
<td>FEATURED SESSIONS</td>
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<td>Las Olas</td>
<td>&quot;Organizational DNA for Strategic Innovation&quot;</td>
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<td>Jerald G Fishman, Analog Devices</td>
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<td>Vijay Govindarajan, Dartmouth College</td>
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<td>San Gerónimo Ballroom</td>
<td>&quot;Competitive Dynamics: Game Theory in Action&quot;</td>
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<td>Adam M Brandenburger, New York University</td>
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<td>Bruno Cassiman, IESE Business School-University of Navarra</td>
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<td>Catherine A Maritan, State University of New York-Buffalo</td>
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<td>15:00 – 15:30</td>
<td>COFFEE BREAK – PEACOCK ALLEY</td>
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<td>15:00 – 16:45</td>
<td>INTERACTIVE (POSTER) SESSION – SAN GERÓNIMO FOYER</td>
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<td>TRACK K</td>
<td>The Major Buyer's Economic Incentive of Teaching in the Manufacturing Alliances</td>
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<td>Shiou Fen Tsai, Shu-Te University</td>
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<td>In the OEM or ODM environment, learning from major buyers is an important external source of organizational learning of subcontractors. This study proposes that major buyer's economic incentive of teaching depends on three dimensions - the bargaining power, the risk of knowledge spillover and the relative absorptive capacity. We use structural equations modeling with data collected from Taiwan’s PC suppliers to confirm these relationships; they also show that the capability of acquiring orders from major buyer plays an important role on firm performance.</td>
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<td>TRACK B</td>
<td>The Strategic Gamble of Open Organizing</td>
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<td>Quintus R Jett, Dartmouth College</td>
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<td>Liisa Välikangas, Woodside Institute</td>
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<td>Recognized today as a viable and highly effective form of developing software products, &quot;open source&quot; refers to the volunteer efforts of a vast, open community of individuals who are contributing, without formal administration, to a demanding public-interest project. We examine the grassroots campaign of presidential candidate Howard Dean to evaluate how open-source ideas can be transferred into an arena outside the software development context. We explain how &quot;open source&quot; organizing in the Dean campaign was inherently a strategic gamble as we look at how and why it worked, its payoffs and failures, and its internal risks.</td>
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<td>TRACK H</td>
<td>Resource Reconfiguration, Competence, and Firm Growth</td>
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<td>Heng-Yih Liu, Yuan Ze University</td>
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<td>Ji-Ren Lee, National Taiwan University</td>
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<td>Extant literature in growth strategy seems to lack in systematically suggesting a strategic framework for a firm's successful resource reconfiguration. However, it is central to the new formation of a firm's dynamic capabilities, which in turn prompts the growth of the firm. Moreover, prior research seems to discretely dichotomize resource reconfiguration between path dependent and path breaking change of resources. In contrast, this paper argues that resource reconfiguration follows three growth dimensions, namely geography, product, and industrial value chain scope expansion. Each dimension is a combination of competence replication, leveraging, upgrading and building activities. We define this competence-based view of resource reconfiguration as a GPI framework, underlying which we are able to explain and suggest how firms conduct growth strategies in a balanced manner.</td>
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<td>TRACK K</td>
<td>Web-based Product Development: To What Extent do Companies Actually Import Customer Knowledge through Virtual Environments?</td>
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<td>Emanuela Prandelli, Bocconi University</td>
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<td>Gianmario Verona, Bocconi University</td>
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<td>Deborah Raccagni, Bocconi University</td>
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<td>Digital environments offer flexible tools to interact with customers and co-produce value with them. Notwithstanding the positive potential outcomes, there are several organizational and marketing problems underlying a successful implementation of digital tools to support cooperation. In this paper, we explore how consumer market companies can design virtual environments enabling effective collaboration with their customers. We focus on new product development as a key process benefiting from collaboration and we highlight how and to what extent firms are leveraging the Web to involve customers in their innovation activities. After a theoretical modeling, through extensive data collection we provide empirical evidence about the usage of Web-based tools supporting collaborative innovation in five industries: automotive, motorbike, toiletries, food &amp; beverages, consumer electronics.</td>
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The Strategic Meaning of Social Constitution of Supplier-customer Relations in Poland Organizations
Jan Stachowicz, Polish Academy of Science
Piotr Kordel, Silesian University of Technology-Gliwice

In the article the review of the problem of the meaning of social aspects of supplier-customer relationships was described. The three-dimensional research model of the social capital (Nahapiet J., Ghosal S.), referred to the above problem was presented as principal. This model, along with the idea of "balanced scorecard", determined basic the bearing structure for conducted empirical research. Results of instantaneous empirical research, passed on the transverse test of 100 organization from the region of Upper Silesia in Poland, became synthesized and presented in the last part of the article. Empirical analyses show the essential meaning of the social aspects of supplier-customer relationships especially in the perspective of the efficiency measured with the efficiency of internal organizational processes.

Improving SMEs Competitiveness through Action Research: Fostering Knowledge, Capabilities, and Change by Activating SMEs´ Board
Alejandro Carrera, Austral University
Juan Quiroga, Austral University

We introduce a new management tool for Small and Medium-Sized Enterprises (SME): the Joint Board (JB). It is a network of SME owners who co-participate in the Boards of Directors of their firms with the pedagogical assistance of a facilitator. Through his/her participation, each businessman experiences a personal learning process. In this way, the JB acts as a change agent on the businessmen, first, and then, each businessman acts as a change agent on his/her organization. This study has important implications for network and organizational learning theories as the JB may be considered as a practical application of a Joint Development Activity and as its working shares roots with the concepts of Action Learning and Management Self Development. The paper approaches the analysis of an in-depth case study on a longitudinal basis.

Reducing Uncertainty to Transform Entrepreneurial Rents into Quasi-rents
Douglas A Bosse, Ohio State University
Sharon Alvarez, Ohio State University

Entrepreneurial rents are one type of economic rent that is created under conditions of uncertainty. Creating an entrepreneurial rent involves coordinating a new combination of resources with an unknown value ex ante. Entrepreneurial rents are not appropriable. Quasi-rents, on the other hand, are appropriable rents that are not uncertain. Entrepreneurial firms are often faced with the challenge of transforming an uncertain entrepreneurial rent into an appropriable quasi-rent. This paper explores the sources of uncertainty that must be reduced by the firm in order to transform an entrepreneurial rent into an appropriable quasi-rent. It goes on to discuss one of the ways firms can reduce the uncertainty and the threats they incur during this process.

Benefits of Strategic Similarity: Contributions, Extensions, and Implications
Maximilian Scherr, McKinsey & Company
Achim Berg, McKinsey & Company

Differentiation and heterogeneity are at the core of strategy research. Traditionally, strategic similarity and especially imitation have been seen only as "levelling the playing field". But the perceived attractiveness of innovative configurations of market positions has often led to overly optimistic imitation and excess entry. Whereas the patterns of why, how, and whom firms imitate, seem to be well understood, the consequences are often neglected or implicitly assumed to be negative. However, benefits of similarity can be substantial - and mutually beneficial. In this conceptual paper we: 1) integrate the dispersed literature from different disciplines; 2) introduce the concept of category equity by extending Aaker's brand equity concept to the domain of the interfirm; and 3) discuss implications for further research.

Capital Structure, Debt-maturity Structure, and Local Financial Development: An Empirical Analysis in Italy
Maurizio La Rocca, University of Calabria
Elvira-Tiziana La Rocca, University of Calabria

The relative efficiency of different financial systems and its impact on corporate performance and managerial decision has become a research topic of great importance. In particular the degree of financial development can have a large potential impact on corporate financing choices. We apply the new indicator of financial development of Zingales at local level and a new indicator of financial reputation, to study the determinant of the capital structure and debt-maturity structure. The object of this paper is to analyze how the local financial development and financial reputation, jointly with other factors at firm-level, affects the capital and debt-maturity structure decisions of the Italian firms. We the results obtained through the two-stage-least squares and ordinary-least-squares.
**The Performance Implication of Outgoing CEOs' Post-Succession Chairmanship**

Yoon-Suk Baik, Long Island University  
Byungjin Kwak, Purdue University  
In Ho Suk, Purdue University

This study explores how the outgoing CEOs' post-succession chairmanship helps refine the impact of CEO succession on firm performance. Using the data of 518 CEO succession cases of large U.S. firms listed in Forbes, this study tests the hypotheses on the moderating impact of whether outgoing CEOs remain as the board chairmen on the relationship between the origin of CEO succession and firm performance. By casting light on the role of the outgoing CEO's post-succession status in CEO succession and suggesting a way to refine the mixed empirical results in the literature, this study will contribute to the literature.

**The Role of Seemingly Impossible Goals in Organizational Learning and Performance**

Sim B Sitkin, Duke University  
C Chet Miller, Wake Forest University  
Kelly See, Duke University  
Michael W Lawless, Wake Forest University

Organizations tend to focus on the exploitation of current capabilities while neglecting the exploration required for long-term learning. One proposed means of encouraging more exploration is the adoption of goals that are seemingly impossible given an organization's current knowledge and capabilities (i.e., "stretch goals"). To pursue such goals in any meaningful way, searches for and experimentation with novel approaches must be undertaken. In our work, we explore the potential effects of seemingly impossible goals. Our analysis of relevant research suggests these goals are likely to have complex and mostly negative effects on both learning and short-term performance. Our analysis also suggests, however, that stretch goals are seductive for many organizations, including some that can least afford the risks associated with these goals.

**Organizational Creativity and Complexity: Balancing On The Edge Of Chaos**

dt ogilvie, Rutgers University  
Reuben R McDaniel Jr, University of Texas-Austin

Managers and scholars indicate that creativity in modern organizations is increasingly important. Organizations with a culture of creativity respond to unexpected phenomena by using creative acts to interpret and make sense of the environment rather than attempt to control it. Unfortunately, the Newtonian view of the world, which conceptualizes organizations as linear and deterministic systems, sees creativity as rare and unnatural. When we manage in ways consistent with complex adaptive systems, creativity emerges as a natural output of the system. This paper discusses the role of creativity in organizations from a complexity theory perspective. This perspective has important implications for organizations trying to adapt to changing situations and improve their organizational performance. We discuss implications for practice and make recommendations for grounded practice.

**Strategy as Control**

Vinod K Jain, University of Maryland University College  
Mark Moran, Booz Allen Hamilton

Performance is the raison d'être of organizations, and strategy is the raison d'être of superior performance. Strategy without clear control and measurement constructs can be fruitless. Control and measurement are an integral part of strategy and must be embedded throughout the strategy process. The paper develops a model of organizational performance, highlighting three dimensions of control in organizations, viz., feedback, concurrent, and feed forward controls. Taken together, these three types of control provide managers with powerful approaches for mistake-proofing, continuous improvement, making mid-course corrections, and identifying and correcting impending problems before they actually arise. Specific control techniques from disciplines such as manufacturing and finance are illustrated. It is posited that these techniques have wider applicability within organizations than their specific disciplinary homes.
ASSETS AND LIABILITIES: THE JUSTIFICATION FOR M&A
Session Chair: Álvaro Cuervo-Cazurra, University of Minnesota

Mergers and Acquisitions Activity and Post-acquisition Performance: The Moderating Role of Resource Complementarity
Sebastian Knoll, University of St Gallen

The paper takes a resource-based perspective on mergers and acquisitions (M&A) and examines the moderating role of resource complementarity on the relationship between M&A activity and performance. We argue that the relationship between acquisition activity and post merger performance is positive for acquisitions that have the potential to realize synergies from complementary resources. Furthermore we suggest that such acquisitions lead to abnormal returns for the acquirer and that greater asymmetry between the strength of complementary resources of the target and the acquirer leads to greater post-acquisition performance.

A Dynamic Resource-based Analysis of the Interaction between Technological Resources and Diversification
Francisco Javier Forcadell Martinez, University of Rey Juan Carlos
Luis Angel Guerras-Martin, University of Rey Juan Carlos
César Alonso-Borrego, University of Carlos III-Madrid

This study analyzes the relationship between corporate diversification and technological resources. The main theoretical contribution is the proposal of a dynamic (recursive) framework between both variables. The Resource-Based View of the Firm is taken as a basis, and in particular the dynamic capability view. The study carries out an empirical analysis using the information of the Survey of Business Strategies, a representative sample of Spanish manufacturing companies for the period 1991-2001. It uses a panel data analysis which considers the interactions of the variables in a longitudinal framework. Empirical results show that the existence of related diversification positively influences the accumulation of technological resources, and vice versa. In addition, it highlights that the investments in technological resources promote the development of new and related businesses.

The Causes of the Liability of Diversification
Álvaro Cuervo-Cazurra, University of Minnesota

The liability of diversification is the competitive disadvantage of a diversified firm’s operation in a new industry in relationship to established companies there. I build on the RBT to analyze its causes. I integrate previous arguments on barriers to entry and complement them with new insights. I theoretically separate the causes into types according to two dimensions. First, the four resource-based challenges the firm has to solve to successfully diversify: the existence of barriers to the transfer of resources to the new industry, the inability to transfer an advantage to the new industry, the creation of disadvantage in the new industry, and the deficiency in resources to properly function in the new industry. Second, their specificity: specific to a firm or common to several companies.

TAKING A PRACTICAL VIEW ON STRATEGY: SOME EXEMPLARS
Session Chair: Olivier Furrer, Radboud University Nijmegen

The Gaps between Strategic Management Literature and Practice
Brian den Ouden, Radboud University Nijmegen
Olivier Furrer, Radboud University Nijmegen

The existence of a relevance gap between management science and practice is at the heart of a vivid debate. In this paper, we investigate two possible types of gaps: a time lead gap for which management science is ahead of the needs of management practice and a time lag gap in which management science is lagging behind practice. Drawing from the diffusion literature, we provide explanations for their emergence. The empirical part of the paper explores this gap issue in the strategic management field and findings support the existence of a time lead gap.

Stakeholder Analysis for Scenario Planning: A Study in the Retail Automation Industry in Brazil
Joao Mauricio Boaventura, University of San Paulo
Adalberto Fischmann, University of San Paulo

The aim of this paper is to propose a model to generate the key-variables for scenario planning by using stakeholder analysis and test the model. The proposed method tries to overcome traditional and more extensive ones used in scenario planning. The model is based in theoretical concepts of stakeholder analysis and scenario planning. The test is developed in the retail automation industry in Brazil. The findings shown that the model is operationally viable. Regarding the retail automation industry in Brazil, the study reveals that key-variables refers to the outcomes of the current fiscal law reform in Brazil, the effects of future flotation of the exchange rate of the local currency and the U.S. dollar, and the consumer behavior changes.
The Limits of Abnormal Returns in Predicting Future Performance: Evidence in Returns to Acquiring Firms
Jeffrey S Harrison, Cornell University
Derek Oler, Indiana University
Matthew Allen, Cornell University

This study demonstrates that although financial market participants use information in acquisition announcements to predict acquisition performance, their adjustments to stock values at the time of announcement typically are not adequate. However, we do not interpret this finding as inconsistent with the efficient markets hypothesis. Our perspective is that investors cannot be expected to make consistently accurate assessments of future performance based on information about a complicated event such as an acquisition. Rather, investors continue to adjust their evaluations of the value of the acquisition as hard evidence about performance is released in the post-acquisition period. We demonstrate this phenomenon in a large sample of acquisitions. Our paper is a warning to strategic management researchers regarding the way event study results should (and should not) be interpreted.

Balancing Strategic Regional Development by Emphasizing Both Individual Skills and Organizational Capabilities
Henrik Hultin, Synocus Oy
Ville Kuusela, Synocus Oy

Regional competitiveness is a dynamic property. That is why the values of the individuals must be understood and the capabilities of the employers must be recognized. Being a competitive territorial area you need to support and nurture individual innovation creation and capability development of employers in order to maintain performance and utilize the knowledge development. This paper will summarize the impact of the values of the individual knowledge holders to the balanced strategic regional development and describe the process steps in one regional competitiveness project conducted in Finland. The implications of the mentioned experiences are analyzed by understanding the practical benefits of the conducted survey process in order to achieve strategic balance and maintain performance at the regional level.

Investigating the Impact of Special Issue and Regular Journal Articles in the Field of Management
Donald E Conlon, Michigan State University
Frederick P Morgeson, Michigan State University
Robert M Wiseman, Michigan State University

Over the past twenty years, the top journals in the management field have increasingly relied on special issues as part of their publication strategy. We examine the implications of using special issues versus the traditional, non-directive publication strategy. Data from eight journals over a 15-year period reveal that special issue articles in the aggregate do achieve higher citation rates than regular issue publications. However, rather than broadening the network of authors who publish, special issues are more likely to have authors who come from more elite (Carnegie I or Top 50 Business Schools) institutions, compared to regular issues of journals. We discuss the implications of special issues for the management field, as well as other patterns related to specific journals and their publication patterns.

Recognizing Business-management Research: A Vision of Several Schools of Thought of the Year 2010
Pekka Huovinen, Helsinki University of Technology

The suggested paper is one of the outcomes of a four-year literature-review process carried out between the years 1999-2003. Herein, the purpose is to recognize and enhance business-management research as an academic field. The aims are as follows: 1) To report on the conduct of the comprehensive review briefly; 2) to justify the focusing on business-level management within strategic management research; 3) to introduce a new grouping of the various traditions of business-management research; 4) to envision the emergence of several schools of thought in business management by the year 2010; and 5) to suggest some viable ways of enhancing business-management research, e.g., replacing the name “competitive strategy” of one of the Strategic Management Society’s Interest Groups with the name “business management” or “business strategy”.

Strategy Concepts and Contrasts among Educators and Practitioners: An Empirical Exploration
John G Keane, University of Notre Dame
James H Davis, University of Notre Dame

This research mainly examines whether strategy educators and strategy executives view the relative merit of strategy concepts the same way. If differences in perceived concept importance do exist either educators are out of touch with practice or practicing executives are not adequately informed. Differences in views may have to do with the context within which educators and practitioners work. A sample of executives completed a survey to test hypotheses developed in this study. Results suggest that: 1) there are differences among educators;
2) differences among practitioners; and 3) that the most pronounced differences are between educators and executives. Results also suggest that context plays a notable role.

What They don't Teach You in Strategy Classes
Avinash V Mainkar, James Madison University

Researchers have suggested ways to increase student involvement and participation in a required course such as strategy. But relatively little attention has been given to identify what is not covered in strategy classes. The purpose of this paper is to identify gaps perceived by working professional in the traditional strategy classes. The results suggest how we might change some of our content to suit the needs of the working professionals.

Balancing Exploration and Exploitation Models to Foster Efficiency and Innovation in Incumbent Firms
José Ignacio Galán Zazo, University of Salamanca
José Angel Zuñiga-Vicente, University of Rey Juan Carlos

This article presents new empirical evidence on how incumbents in traditional industries can be successful in the presence of major technological and environmental discontinuities. The managers of these firms can turn them into leading firms when they feel able to simultaneously implement efficiency and innovation. Our study suggests that to continue to effectively grow over long periods, it may be essential for managers to appropriately balance elements which define exploration and exploitation models. This requires that managers to be prepared to design ambidextrous organizations and internal entrepreneurial strategy. They must venerate efficiency and the short-term by introducing incremental innovations, but must also value flexibility and creativity and, hence, be willing to constantly change to meet the long-term by incorporating radical innovations.

A Conceptual Framework for Hoshin Kanri and the Balanced Scorecard
Barry Witcher, University of East Anglia

This paper considers the importance of balance to the setting and deployment of strategic and other cross-functional objectives. It relates the balanced scorecard to its progenitor, Hoshin Kanri, positing them as steps within the broader Thompson & Strickland five-task model of strategic management. The implementation and execution task is broken down into four sub-stages (the FAIR model - focus, alignment, integration and review). This is based upon findings from a U.K. ESRC-sponsored Hoshin Kanri research project. Hoshin Kanri makes a distinction between breakthrough change and incremental change and this is reflected through all four sub-tasks, but particular attention is given to the first sub-task, focus, when senior management use the balanced scorecard and an assessment of core processes to set annual cross-functional objectives.

Incentive Designs for Balancing Innovation and Execution
Jonathan Day, McKinsey & Company
Paul Y Mang, McKinsey & Company
Ansgar Richter, European Business School
D John Roberts, Stanford University

One of the challenges that firms face in achieving long-term survival under shifting environmental conditions is how to run their current businesses optimally while at the same time searching for and developing new strategic opportunities. This paper examines the incentive design conditions for balancing execution and innovation. In contrast to execution, innovation requires ‘explorative’ activities for which it is hard to measure performance. Using incentive designs that link rewards to highly imperfect measures of performance in this situation exposes employees to risk and is therefore sub-optimal. We argue that a commitment regime, where efficiency wages above the market rate are paid to employees in return for high commitment and flexibility, enables firms to achieve both innovation and execution objectives.

Explorative Innovations, Exploitative Innovations, or Both Simultaneously: How do Environmental and Organizational Antecedents Matter?
Justin JP Jansen, Erasmus University-Rotterdam
Frans A J van den Bosch, Erasmus University-Rotterdam
Henk W Volberda, Erasmus University-Rotterdam

This study examines how environmental and organizational antecedents affect a unit's explorative and exploitative innovations. Results from 363 business units show that environmental dynamism increases a unit's explorative innovations; competitiveness induces a unit's exploitative innovations. In addition, highly dynamic and competitive environments require units to become contextually ambidextrous and pursue both explorative and exploitative innovations simultaneously. Our study also reveals differential effects of organizational antecedents on a unit's ability to pursue explorative and exploitative innovations. Moreover, our findings show that units with decentralized and densely connected social structures are able to increase both levels of explorative and exploitative innovations simultaneously. Accordingly, our study provides new insights regarding managing contradictorily pressures for explorative and exploitative innovations.
A Renewed Vision of Market Entry and Performance with Organizational Choices as Explanatory Variable

Valérie Claude-Gaudillat, CERAM Sophia Antipolis
Bertrand V Quelin, Groupe HEC-Paris

Innovation drives the creation of new markets that involve the development of new capabilities. This paper investigates how the choices made by a firm to enter into a new market will influence its performance. We consider four modes that firms can use to access new capabilities needed when entering a new market: internal development, alliances, acquisitions, and market transactions. We develop a theoretical framework linking these modes to the performance achieved by the firm. The model is tested in the setting of the online brokerage market by using a database specifically constructed that covers the 1994-1999 period. Our paper contributes to the literature on entry by proposing a renewed vision that sees the entry mode as a multi-staged process involving the development of capabilities.

Validity and Reliability in Case Study Research: Patterns across Management Journals

Winfried Ruigrok, University of St Gallen
Michael Gibbert, Bocconi University
Barbara Kaes, University of St Gallen

The case study method has been recommended as a research strategy to untangle firm-specific resource-based competitive advantages, but has also been the object of validity and reliability concerns. This paper analyzes all case studies on for-profit organizations published in ten influential management journals from 1995 until and including 2000. We find that case study researchers mentioned the terms construct validity, internal validity, external validity, and reliability only infrequently, and reported even fewer measures to enhance them. Overall case studies were more likely to refer to external validity, yet we find markedly different patterns at case studies published in the highest-ranked journals. The paper discusses the reasons and implications of these findings.

Strategic Process: Towards an Understanding of Its Real Complexity

Mark P Kriger, Norwegian School of Management BI

What are the conceptual areas and relevant aspects of strategy and organization that underlie the real complexity of strategic process? This paper presents a framework that integrates a range of ways of conceptualizing strategy process which includes: multiple levels of scale and time frames, multiple logics and causes, complementary processes, the salience of managerial wisdom and multiple forms of intelligence, the presence of paradoxical tensions and competing values, the role of middle managers, and processes of micro-strategizing. It will anchor the framework with the cases of Nucor, Nokia and Intel corporations, exemplar companies that have created abnormal returns and growth over several decades. The paper concludes with advice for strategic managers as to how to avoid several common pitfalls in the implementation of strategic process.

When and Where? Investigating Incumbents Entry Decision into an Emerging Industry

William B Lamb, Ohio University
Donald E Hatfield, Virginia Polytechnic Institute & State University
Linda F Tegarden, Virginia Polytechnic Institute & State University
Shaohua Mu, Baylor University

Geographic clustering has recently focused on the type of cluster characteristics which foster innovative activity. We develop propositions based upon the literature on both geographic clustering and the emergence of new technologies. We explore not only the “where” decision for startups and establish firms, but incorporate the “when” factors into the entry model. Finally, we develop and test propositions regarding the relative size of the investment, as a proxy for hedging or option strategy.

Economic Integration, Cultural Barriers to Trade and Industrial Agglomeration: Lessons from the European Beer Industry

Richard A McGowan, Boston College

This paper will examine two interrelated, yet previously overlooked, aspects of European economic integration. The first section will analyze how strong cultural preferences limit the potential gains from trade liberalization and policy harmonization in Europe. The second section will examine how firms have attempted to circumnavigate heterogeneous tastes and closed market channels in order to gain entry into those markets by acquiring competitors thereby increasing industrial concentration. The European Beer industry will be utilized to illustrate this phenomenon.
Subsidiary Strategy: The Embeddedness Component
Carlos Garcia-Pont, Iese Business School-University of Navarra
Juan Ignacio Canales, Iese Business School-University of Navarra
Fabrizio Noboa, Iese Business School-University of Navarra

Subsidiaries in Multinational Corporations are embedded in a differentiated network. This paper further develops the concept of subsidiary embeddedness, which shapes subsidiary strategy. In as such, we differentiate embeddedness among Operational, Capability and Strategic. Operational embeddedness relates to the interlocking day-to-day relations among value chain activities. Strategic embeddedness deals with subsidiary participation in the strategy setting. Capability embeddedness deals with the development of competitive capabilities for the multinational as a whole. We deem these three types of embeddedness as a main component of subsidiary strategy, not merely as an outcome of the institutional setting. Hence, different subsidiary roles imply different types of subsidiary embeddedness. We illustrate this framework with an example of a longitudinal case study from a subsidiary in the automotive components industry.

Turnaround Strategies in Southeast Asia
Alexander D Falkenberg, University of St Gallen/Wharton-SMU Research Center
Li-Choy Chong, University of St Gallen

We develop a set of propositions of turnaround strategies in Southeast Asia along contextual factors from preceding literature and explore turnaround strategy content in Southeast Asia using a rigorous Straussian Grounded Theory research approach based on 46 interviews. We discover that in situations of firm-based decline with high availability of resources, turnaround success is related to strategic renewal. If available resources are low, strategic renewal in combination with portfolio and/or financial restructuring is related to turnaround success. In industry-contraction based decline situations, generally turnarounds involve a strategic investor, a merger and/or a capacity reduction to the sustainable demand level. Only infrequently the firm reinvents itself by leveraging organizational capabilities, an existing customer base and/or other strengths in another industry, industry niche or geographical market.

How National Corporate Governance Systems Affect Global Integration
Ruth V Aguilera, University of Illinois-Urbana Champaign
George S Yip, London Business School

Multinational companies vary in both their use of global strategy and in the systems of corporate governance in which they operate. We develop a framework and set of propositions to show that differences in national corporate governance systems influence the behavior of corporate actors, which in turn explains the ability of MNCs to change their global strategies. We conceptualize our comparative model for MNCs by drawing on an actor-centered institutional theory perspective, focusing on five key governance actors: employees, shareholders, boards of directors, top management teams, and governments, to predict an MNC’s ability to achieve global integration in terms of global strategy and organization. We show that despite increasing convergence pressures, nationally embedded institutional characteristics continue to shape the globalization strategies of multinational companies.

Foresightful Thinking Flaws: The Rise and Fall of the Dundee Jute Industry
Bradley MacKay, University of St Andrews
Swapnesh K Masrani, University of St Andrews
Peter P McKiernan, University of St Andrews

Foresightful thinking flaws, MacKay and McKiernan (2004) argue, results from the hindsight bias, creeping determinism and a shallow perception of history. This paper presents an empirical evidence for its support. We employ the case-study method and study four firms over the rise and fall of the Dundee jute industry (1850s-1990s). The findings underline the significance of hindsight-bias and its implication for organizational strategy formulation. We also discuss its wider implication at the industry level i.e. how it can impede an industry’s growth.

Exploration, Exploitation, and Firm Performance: Analysis of Global 500 Manufacturing Corporations
Juha Uotila, Helsinki University of Technology
Markku Maula, Helsinki University of Technology
Thomas Keil, York University
Shaker A Zahra, Babson College

According to the influential theory of March (1991), companies need to find a balance between exploring new opportunities and exploiting existing resources. Literature suggests that large corporations frequently concentrate too much on exploitation, and could improve performance by increasing the relative share of exploration. We examine how the relative explorative versus exploitative orientation in new business development activities influences the financial performance of Global 500 manufacturing companies. Prior empirical research on exploration and exploitation has suffered from the difficulty to operationalize these concepts. We use a novel approach to operationalize the relative explorative versus exploitative orientation using content analysis of...
thousands of company news documents. We find a positive relationship between the relative share of explorative orientation in new business development activities and financial performance.

**Industry Convergence and Firm Strategy**  
*Ayesha Malhotra, Saint Louis University*

Industry convergence occurs when the firms in two previously distinct industries become direct competitors. This conceptual paper makes the following contributions to the literature on industry convergence and firm strategy. First, we provide a clear conceptual framework, with demand and supply-side dimensions, for understanding industry convergence. Second, we explore four sets of factors that affect the speed, magnitude, and stability of the process of industry convergence. Third, we propose a reduced-form model of the determinants of an individual firm’s corporate strategy in a convergence context. Specifically, we focus on understanding the levels of a firm’s intra-industry acquisition and product diversification behavior.

**A New Strategic Era: Beyond the Computer and Innovation Paradoxes**  
*Richard H Franke, Loyola College-Maryland  
Gerald Barrett, Barrett & Associates Inc*

The G-7 major advanced economies show changing relationships cross-nationally among culture, technology, and economic performance over the past four decades. Evaluation of past economic growth rates by Franke, Hofstede, and Bond in SMJ 1991 showed individualistic, entrepreneurial, and innovative societies such as the U.S. to be disadvantaged in competition with more cohesive and bureaucratic societies such as Japan. However, the present extended analysis shows that educating children to be independent and self-confident leads in adulthood to individualism, reduced toleration of hierarchy, and promotion of innovation and investment in new technology. In the 1990s and up to the present time, these cultural attributes and associated technological behavior appear to benefit economies—indicating needs to recognize and adapt to a new strategic era for corporations, national economies, and international competition and trade.

**Managing Exploration and Exploitation: Exploring Senior Team Integration of Strategic Paradoxes**  
*Wendy Smith, Harvard University  
Michael L Laüfer, Pfizer Corporation  
Steven W Floyd, University of Connecticut*

Exploring and exploiting simultaneously involves contradictory and inconsistent strategies and structures. Using a comparative case study of 10 business unit senior teams, we identify dynamic managerial capabilities to successfully managing strategic contradictions. We find that successfully exploring and exploiting involves senior teams that can embrace contradictions, that is clarify the differences between the exploratory and exploitative agendas, while seeking points of integration. We identify two successful senior team models depending on whether contradiction is located with the leader or the whole team. While both models successfully manage exploration and exploitation, team centric teams better meet team members’ needs, compared with leader centric teams. We explore the implications of these results for the more general issues of teams managing contradictory strategies.

**How Do Entrepreneurial Beliefs Drive Their Firms’ Strategies?**  
*Session Chair: Ricarda B Bouncken, Brandenburg University of Technology-Cottbus*

*What They See, How They Act: New Venture Perceptions and Decisions of Managers and Entrepreneurs*  
*John W Mullins, London Business School  
David Forlani, University of Colorado-Denver*

We conducted an experimental study to examine differences in perceptions of new venture risk and potential and differences in new venture choices between a sample of successful entrepreneurs and one of successful large company managers. Entrepreneurs and managers perceived similar levels of risk in a set of proposed new ventures, but counter-intuitively and contrary to our prediction, entrepreneurs were more circumspect in the degree of potential they perceived. Overall, and perhaps surprisingly, entrepreneurs did not choose significantly more risky ventures than did their managerial counterparts. However, riskier ventures were chosen by those from both groups having a higher predisposition toward risk-taking; less risky ventures were chosen by those who perceived higher net benefits (new venture potential minus new venture risk) in the choice set.

**Variety in Strategic Management, Perceptions of Strategy: A Study of Entrepreneurship in Medium-sized Firms**  
*Keith J Perks, University of Brighton  
Ricarda B Bouncken, Brandenburg University of Technology-Cottbus*

Small and medium sized firms (SMEs) and entrepreneurs strongly contribute to the development of new ideas and technologies, which drives growth of (new) industries, but they rarely utilize formalized strategic management concepts. Following the research goal to explore the entrepreneur’s perception of strategic management this paper explores strategic management perceptions and conceptualisations in SMEs from a combination of the entrepreneurial research and a behavioural approach of managers. To explore the conceptualization and
meaning of strategic management in an entrepreneurial context we have interviewed entrepreneurs in Europe that have grown their businesses rapidly from small to medium-size in terms of employment over a five-year period. We found typical and mixed entrepreneurial styles.

Strategic Balance, Executive Management, and Differential Performance: A Resource-based Approach
Abhijit Mandal, University of Warwick
Donizete Antunes, University of Warwick
Howard Thomas, University of Warwick
John D Morecroft, London Business School

This paper proposes the concept of strategic balance as a way to account for differential performance. It conceives strategic balance as a meta-capability that managers use to balance different capabilities to adhere to or even improve the performance of a firm in response to changes in the environment that are perceived to be incremental and non-substantial. We conceptually account for the reasons why, given identical strategic positions, dynamic capabilities, initial resources and capabilities and ability to improve capabilities, firms may still show a performance difference, over time. Three propositions are advanced at this stage as a basis towards a future empirical test using simulation. The last part of the paper discusses some of the anticipated conclusions regarding the theoretical and empirical contributions of the paper.

Entrepreneurial Orientation: The Role of Institutional Environment and Firm Attributes in Shaping Innovation and Proactiveness
Pat H Dickson, Georgia Institute of Technology

In this research I suggest that an entrepreneurial orientation (E/O) is to an extent a strategic response to a complex set of institutional environment and firm factors. Utilizing survey responses from 2,211 small to medium-sized manufacturing and service firms from nine countries and a wide range of macroeconomic, legal, cultural and risk measures I test the study assumptions. The results suggest that entrepreneurial behavior, behavior that is more innovative, proactive and risk taking, is significantly associated with specific attributes of the institutional environment of the firm as well as the perceptions that firm leaders have of that environment and the resources available to the firm for responding to environmental conditions.

BOARD AND CHARACTERISTICS, STRATEGY AND PERFORMANCE
Session Chair: Gavin J Nicholson, University of Queensland

The Effect of Diversity on Boardroom Decision-making
Gavin J Nicholson, University of Queensland
Amy Hillman, Arizona State University
Geoffrey C Kiel, University of Queensland

We develop a model that investigates the effect of board diversity on decision-making processes in order to gain a better understanding of how boards of directors make decisions. First, we explore the concept of boards as decision-making groups and how they differ from traditional work groups. Next, we identify and discuss two key elements of a board’s collective cognition important to decision-making: cognitive overlap and cognitive complexity. Finally, we outline the hypothesized effects between board diversity and the two elements of collective cognition as well as the moderating effects of CEO duality and director network density on these relationships. We conclude with a discussion of our model's limitations and the model's implications for practice and research.

The Evolution of Boards of Directors: The Contingency of Top Management Team Competence
Yasemin Y Kor, University of Delaware
Vilmos F Misangyi, University of Delaware

This paper develops and tests a theory about the changing advisory and monitoring roles of board of directors at different stages of entrepreneurial development. This empirical examination involves a dynamic analysis of the relationships between outsider and experience compositions of the board and top management team competence. The proposed research matters because, without an understanding of the shifts in the primary role of the boards over time, essential adjustments to the board composition may not be made, and firms may be deprived of important benefits of board governance.

Toward a Better Understanding of the Role of Boards of Directors in Mergers and Acquisitions
Kimberly M Ellis, Michigan State University

An increasing number of shareholders are demanding the boards of directors become more vigilant in exercising their fiduciary responsibility. One critical strategic decision where the interests of managers and shareholders may not align is M&As, which have accounted for significant amounts of shareholder value destruction in the past several years. The current study represents an initial effort to explore the relationship between the role that board directors play in the acquisition decision-making process and post-deal performance outcomes. In doing so, we develop a direct measure of board involvement during M&As. Results indicate that involvement by the target firm's board, but not that of the acquiring firm, was a significant predictor of changes in the combined firm's stock price two years following the deal.
Managing Global R&D Networks: A Comparison of Organizational and Political Approaches to Control

Björn Ambos, University of Edinburgh
Bodo B Schlegelmilch, Vienna University of Economics & Business Administration

Along with an increasing number of foreign R&D units, the issue of finding appropriate coordination and control mechanisms to manage these units has assumed major importance. Drawing on both, organizational- and resource-dependency theory, this study develops and empirically tests two sets of hypotheses aimed at explaining how headquarters control their overseas R&D units. Data collected from 134 R&D units of German MNCs serve to test the hypotheses. Our results show that the units’ R&D mandate and its interdependence significantly help to explain this phenomenon. Furthermore, results indicate that the arguments resting on the units’ task context have a higher predictive power than resource-dependency theory.

The Headquarters-subsidiary Trench: Tracing Perception Gaps within the Multinational Corporation

Tina Claudia Chini, London Business School
Katrin Wehle, Goldman Sachs International
Björn Ambos, University of Edinburgh

The emergence of perception gaps between headquarters and subsidiaries has an important bearing on research practice as well as on managerial issues. This study is among the firsts to systematically investigate the link between the MNC unit’s strategic environment and perception gaps. Our results show that perception gaps vary significantly across strategic environments, while no difference with respect to host country could be found. Collectively, we seriously question the appropriateness of research based on a single informant approach to access variables from other units within the MNC and we suggest how managers may identify perception gaps in their firm in order to avoid tensions.

Inside the “Double Paradox”: Comparing Strategic Behaviors in a Globalizing Industry

Luis Vives de Prada, Massachusetts Institute of Technology
Silviya Svejenova, ESADE
Mitchell P Koza, CEDEP

This paper examines a double-paradox that emerges when using insights of two influential theoretical streams in organization theory and strategy - New Institutional Theory and RBV - to understand strategic behaviors in a globalizing industry. We introduce and discuss the double-paradox by making reference to the evolution in the positioning of two major players in the global wireless industry - Vodafone and NTT Docomo. The first part of the paradox is manifested in how homogenization drivers generate heterogeneous pathways and strategic behaviors, at odds with tenets of the New Institutional Theory. The second part of the paradox is in the way these heterogeneous strategic behaviors, which represent different investments in resources and capabilities, produce equifinal strategic positions and outcomes, at odds with Resource-based View arguments.

Testing the Performance of Integration-responsiveness Orientations in International Strategy

Torben Juul Andersen, Copenhagen Business School
Maheshkumar P Joshi, George Mason University

Three distinct strategic orientations to create competitive advantage have emerged in international business. We argue that if pressures embedded in the industry structure drive the choice of strategy orientation then there should be a relationship to performance of the firm. We test this proposition in computer products (as a representative of global orientation) and food processing and clothing industries (as representatives of multi-domestic orientation). Based on the survey responses from 185 firms we find that the structural variables of the industries do not differentiate or lead to higher economic performance of the strategy orientations proposed by the underlying theory. This suggests that other overarching considerations may influence the choice of effective strategy processes.
this discussion will link together three concepts: critical theory, communities of practice and economies of meaning to recast leadership that promotes a learning organization. Josh Plaskoff is the Director of Learning at Emnis Communications where he is responsible for developing the infrastructure for a learning organization. Paul Kirkbride is Director, Value Based Leadership Development & Chief Learning Officer of ITT Industries, Inc. and was formerly a Research Fellow at Ashridge Management College. Both will address the importance of leadership and leaders to the development of learning organizations and of the necessary infrastructure.

**STRATEGIC BALANCE IN FIRM’S RESPONSES TO TECHNOLOGICAL CHANGE**

*Session Chair: Gwendolyn K Lee, INSEAD*

**How Do Firms Change under Constraints? Estimating Entry and Survival in an Emerging Product Market**

Gwendolyn K Lee, INSEAD

Firms’ industry of origin prior to market entry has been identified as a significant constraint that affects post-entry survival (Carroll et al., 1996). The key question is then what are the firm-specific factors that allow firms to adapt when they originate from an industry that puts them in a weaker position initially? Prior research shows that firms’ pre-entry resources and capabilities affect their probability of market entry and their long-run survival rates and market shares (Helfat and Lieberman, 2002). However, the mechanism by which this occurs remains an open question. This paper identifies one of the mechanisms linking pre-entry conditions to post-entry survival to explain why established firms originating from different industries vary in entry speed and post-entry survival in an emerging product market.

**Digital Convergence and Orchestration: The Case of the Mobile Telecommunications Industry**

Johan Wallin, Synocus Group

Orchestration is to mobilize and integrate the resources of other companies to create value. This paper evaluates the role of orchestration in the context of firms providing telecommunications products and services and facing the broader ongoing digital convergence. The emergence and implications of digital convergence is presented, based on which the role of orchestration as a viable strategic alternative is suggested. A typology of plausible orchestration strategies in the context of digital convergence is developed. Using this typology, alternative strategies for major players in the telecommunications industry are discussed.

**Acquiring versus Developing Complementarities within Business Models: A Dynamic Approach on the Italian Mobile Industry**

Lucia Marchegiani, Luiss Guido Carli University

Drawing from the consolidated resource-based view, dynamic capabilities are considered among the main driver to foster innovation. Underlying is the assumption that the performance of a corporation is ultimately affected by the ability to either match over time its set of resources and competencies to the changing environment, or to implement effective strategic alliances with external actors. Complementarities are to be sought when changes in the strategic configuration of resources and competences are required, especially within information intensive industries. Dynamic environments suggest to adopt a system dynamics perspective, when it comes to investigate business-related behaviour. Business models analysis combined with system dynamics approach provides powerful frameworks of analysis to study nonlinear dynamic networks, which are at the basis of resources acquisition or development processes.

**Unbundling Competitive Heterogeneity: Incentive Structures and Capability-based Influences on Technology Adoption**

Michael J Leiblein, Ohio State University
Tammy L Madsen, Santa Clara University

Work frequently argues that the continual creation of new ideas by small, young entrepreneurial firms steadily destroys the competitive positions of their larger, more established rivals. Even though there are numerous and dramatic examples of small, young ventures successfully entering markets previously dominated by large, established firms, drawing definitive conclusions from the fragmented empirical literature remains difficult. What explains the observed heterogeneity in technological performance among these two general classes of firms? Drawing from the resource-based view of the firm and agency theory, this empirical paper suggests that heterogeneity in firms’ technological capabilities and incentive structures underlie differences in their propensities to adopt new, displacing generations of technologies. We test our hypotheses in the global semiconductor industry from 1990 to 1999.

**NOT A SECOND TIME: BUSINESS MODELS AND STRATEGIES OF IMITATION**

*Session Chair: Maximilian Scherr, McKinsey & Company*

**Antecedents and Consequences of Imitation in Strategy: The Role of Uncertainty and Competition**

Kyung Min Park, INSEAD

The study investigates the question of what drives firm-level imitation of other’s strategy and of what the
Consequence is of firm-level imitation, by developing a novel measure of firm-level Imitation-Differentiation Index (IDI). The study performed panel data analysis on 299 firms in the U.S. food industry during the period of 1988-2002. From the analysis on antecedents of strategy imitation, I found that market uncertainty and competitive intensity significantly influence the firm-level tendency to imitate others’ strategy, i.e., IDI. The analysis on the consequence of strategy imitation revealed that strategy imitation rate was negatively related to firm-level performance. Therefore, the study suggests that imitation of other’s strategy is harmful at least in the U.S. food industry. The study contributes to the literature by suggesting initial answers to questions such as when firms imitate others’ strategic position and what the strategy imitation’s consequence is.

Momentum, Imitation, and Learning: Evidence from and Effects on the United States Retail Industry
Jens L Boyd, McKinsey & Company/Free University-Berlin
Rudi KF Bresser, Free University-Berlin
We study the occurrence and performance effects of organizational learning in the U.S. retail industry. Six modes of choosing competitive actions are distinguished: momentum, blind imitation, learning from own success, learning from others’ success, risk-related learning, and opportunity-related learning. We find that momentum, blind imitation, and risk- as well as opportunity-related learning are prevalent. Further, the results point to the importance of inter-organizational learning. Firms in this industry should have used the past actions of their competitors as a benchmark, but seem to have failed to realize this necessity.

Explaining CLEC Survival through Resource Stocks: The Power of being Nimble and New
Richard J Gentry, University of Florida
Mark Jamison, University of Florida
Traditional approaches to the Resource-based View ignore the human component of decision-making and resource deployment. Research has shown that managers are biased decision-makers and large resource stocks create distortions in the decision-making process. Research has yet to pair the problems of decision-making with the application of resource stocks. This paper, using data from the telecommunication industry, finds that established firms are more likely to fail than entrepreneurial firms are. The difficulty of making decisions in complex and changing environments encourages managers of large, established firms to fall back on their heuristic decision rules, a process that leads to “competency traps” and simplicity. This paper suggests that in highly competitive situations firm resources hinder performance rather than create a competitive advantage.

Business Strategy and Business Model: Contrasting Strategy and Structure
Christoph Zott, INSEAD
Raffi H Amit, University of Pennsylvania
We extend the strategy-structure-performance paradigm to highlight the interdependencies among a firm’s competitive strategy, the structure of transactions it enables with external stakeholders, and its performance. Anchored in contingency theory and in institutional theory, we offer propositions that highlight the contingent effects of business-level competitive strategy, and business model design on firm performance. Using our unique data set on business models and business strategy, we establish empirically that competitive strategy and business model design are distinct constructs. We also find that novelty-centered business model design coupled with a differentiation strategy or with a cost leadership strategy enhances firm performance.

Cognitive and Perceptual Processes
Session Chair: Paul A Phillips, University of Kent

A Multidimensional View of Competitiveness: Performance and Effectiveness
Luiz Moutinho, University of Glasgow
Paul A Phillips, University of Kent
In light of the appearance of multidimensional competitors, the saturation of key market segments, the downward price pressure and drive towards cost-cutting, bank branch managers are reappraising ways to enhance competitiveness, performance and effectiveness. Using data derived from the perceptions of 58 bank branch managers (managers, assistant managers and customer/business managers/advisers) selected from 14 branches belonging to two major Scottish banks, we extend prior research on strategic performance measurement by analysing the impact of some current management practices on competitiveness, overall performance and, strategic planning and marketing effectiveness along several dimensions. The findings highlight the importance of management effectiveness, long-term innovation, long-term thinking and planning implementation and control.

The Role and Dynamics of Schemata in Strategic Sense-making Process
Leena Ilmola, Fountain Park Ltd/Helsinki University of Technology
Markus Y Nordberg, CERN
The aim of this paper is to understand the structure and dynamics of schemata and to describe information filters that dampen weak and potentially vital signals during a sense-making process. We apply complexity theory, cognitive decision-making theory and strategic management theory to describe both the information filters and the outcome of the sense-making process, the schemata. Two research propositions are tested by using a case study of two different risk scanning methods: the Failure Mode and Effect Analysis and weak signals analysis.
Thus, this paper contributes to the existing theory on organizational sense-making by developing a coherent model of information filtering phenomena in a decision-making process.

**Strategic Decision-making in an Uncertain Environment: The Case of Learning Alliances in High-tech Industries**

Jorge Walter, University of St Gallen  
Christoph Lechner, University of St Gallen  
Franz W Kellermanns, Mississippi State University

Effective alliance-related strategic decision-making within an organization is of paramount importance for the benefits of its learning alliances to materialize. This paper empirically examines the strategic decision-making processes within firms related to their learning alliances as a subgroup of effective alliance management. Specifically, we argue that procedural rationality, decision speed, constructive confrontation, and recursiveness within an organization significantly influence the performance of its learning alliances. Our preliminary empirical findings from 90 European high-tech firms engaged in learning alliances largely confirm that, paradoxically, a rational-comprehensive decision-making style - in contrast to a much more flexible incremental style - is the appropriate response to the challenges of strategic decision-making with respect to collaborative learning agreements in high-tech industries.

**Strategic Channels at General Electric, 1950-2001: An Attention-based Perspective**

William Ocasio, Northwestern University  
John Joseph, Northwestern University

This paper undertakes an inductive analysis of strategy process at GE from 1950 to 2001. We explore whether and how strategic decision-making and communication channels constitute sources of dynamic capabilities. We compare strategy process under four regimes of CEOs at GE: Cordiner, Borch, Jones, and Welch. The findings suggest that corporate organization add greater value to a multi-business organization the greater the corporate level initiatives are tightly coupled with business unit activities. Unlike prior analysis that suggests that failure of strategic planning at GE was due to too much top management control, we find that strategic planning failures under GE were due to insufficient coupling between corporate level planning and financial, operational, and human resource practices at both corporate and business unit levels.

**Learning in Alliances**

**Session Chair: James C Hayton, Utah State University**

**Heterogeneity of Global Innovation Alliances and Alliance Learning: Impact on Firm Performance**

Satish Nambisan, Rensselaer Polytechnic Institute  
Iftekar Hasan, Rensselaer Polytechnic Institute

Strategic innovation alliances enable firms to acquire new knowledge that are of value outside the alliance context. However, the notion that the ‘private benefits’ derived from such alliance learning will lead to superior firm performance has received scant empirical attention, and motivates this study. The study focuses on an important dimension of alliance learning - alliance heterogeneity, and proposes that heterogeneous alliance conditions enable firms to acquire unique and diverse knowledge with implications on firm performance. The study hypotheses, which relate multiple dimensions of alliance heterogeneity to firm performance, will be tested using data on U.S.-based high-tech firms with global innovation alliances. The findings will have several important implications including on the relative value of different types of alliance heterogeneity and on the formation of alliance portfolios.

**Learning to Collaborate: The Moderating Role of Experience**

Christina Elisabeth Wyss, University of St Gallen  
Simon Grand, University of St Gallen

Although previous alliance research has highlighted the paramount importance of alliance experience to alliance success, we state that such an experience effect should not universally be taken for granted. In this paper, we cross-fertilize the alliance and learning literature and show that an alliance capability is either developed through internal learning modes, or firms tap from other organizations’ experience and, as such, external learning contributes to its formation. Thereby, the frequency of alliance experience appears to be a key contingency factor in the respective effectiveness of the proposed learning modes. More specifically, depending on the learning mode (internal and external) and the frequency of prior alliance experience, firms are differently engaged in experiential, cognitive and vicarious learning or graft alliance experts from other organizations in order to enhance their probability of alliance success.

**Organizing to Learn, Learning to Organize: Impact of Organizing Experience on R&D Consortium Formation Process**

James C Hayton, Utah State University  
Paul M Olk, University of Denver

Managers and academics have shown that companies can learn from strategic alliances. While most prior research has focused on the ‘know-what’ and how this is transferred from the alliance to the company, this study focuses on the lesser studied issue of learning how to organize, or the ‘know-how’. In doing so, this study
examines learning about the process of organizing an alliance. Specifically we ask: Does the organizational learning that occurs in forming an R&D consortium affect a company's efforts in forming subsequent consortia? Our analysis of the formation processes of 53 R&D consortia -- an organizational structure designed to develop knowledge for its member organizations -- contributes towards understanding how companies learn from the process of organizing an alliance.

**The Interaction between Market Cycles, Technological Change and Resource Configurations among Alliances to Predict Performance**

Anthony Robinson, Georgia State University
William C Bogner, Georgia State University

This paper examines the effect of technological change on the performance of alliances with different resource configurations among alliance partners. We explore the impact of competency destroying and opportunity enhancing technological change on the utility of resources based on alliances sharing complementary or redundant resources. The resource-based view and resource dependency perspectives are used to explain why firms prefer to share complementary or redundant resources within the alliance given an industry's position in the life cycle. We posit that link alliances, those based on complementary capabilities, are more apt to offer stable or increased performance given competency destroying and opportunity enhancing technological changes in growing and turbulent markets. Alternatively, mature markets that have high capital requirements offer advantages for alliances based on redundant resources.

**ORGANIZATIONAL FORMS FOR INNOVATION**

Session Chair: Ellen Enkel, University of St Gallen

**Corporate Success Factors for Managing Knowledge Networks**

Ellen Enkel, University of St Gallen

Using knowledge networks to manage knowledge transfer and creation can extend from setting up single networks with very selected employees to the integration of a web of networks as new organizational layer to successfully transfer strategic goals into action. Those networks are organized in concepts and build a distinct system linked to the core organization in order to enfold their competency to build actionable knowledge. However, theory hasn’t as yet acknowledged this form of managing knowledge. The results are based on a comparative case study investigating 230 networks in four companies of knowledge intensive industries. The case studies prove that knowledge networks won't work effectively without taking elements such as a strong link to corporate strategy and objectives into account.

**Strategic Choices of Management Structures Facilitating Radical Innovation**

Richard P Leifer, Rensselaer Polytechnic Institute

A longitudinal study of organizational level radical innovation initiatives in twelve established companies was begun in 2001 when the initiatives were early in their development. In this paper we describe five strategic reasons for beginning these initiatives and then discuss three models for organizing and structuring organizational radical innovation activities. Utilizing the familiar funnel model of innovation, the three models pertain to: 1) discovery; 2) discovery and project incubation; and 3) discovery, project incubation, and commercialization. Descriptions of the three models, experience with their usage and how they compare to each other are discussed.

**A Comprehensive View on Corporations’ Intellectual Property: Towards a Specific Strategy-Structure Contingency Framework**

Markus Reitzig, Copenhagen Business School

This paper brings together well-established theory from organizational science and strategic management with recent insights from intellectual property theory to establish the first coherent contingency framework for corporations' management of codified intellectual property - particularly patents, but also trademarks. As an inevitable interim step, the paper develops a coherent concept denoted by the term “Intellectual Property Strategy”.

**Structural Reconfiguration and Innovation: A Framework of What Goes Where and Why**

Samina Z Karim, Boston University

This paper explores how firms innovate and reconfigure business units and their resources. By reconfiguration I mean the addition, deletion, movement or combining of resources and units. I present a structural reconfiguration framework that addresses the question: "what goes where and why?" First, I study where firms innovate: in internally created units, acquired units, or reconfigured units? Second, I examine how unit reconfiguration affects innovation. To support my arguments, I draw upon literature from strategy, organizational learning, evolutionary perspectives, and innovation. The findings, from 250 medical firms studied over 20 years, are that units consisting of some internally created portion innovate more than acquired units, reconfiguration exhibits a U-shape relationship with innovation, and reconfiguration has at most a seven year span of influence upon innovation.
Does Prior Experience Really Pay? The Types of Experience and Mechanisms that Drive Performance Improvement
Susan Perkins-Rodriguez, New York University

Many scholars have demonstrated that prior experience with FDI leads to future performance improvements. However, two aspects of the theory remain unclear: 1) the types of experience and 2) the specific mechanisms that lead to performance improvements. First, I reexamine the hypothesis that prior experience leads to subsequent performance improvement by demonstrating that firms with similar institutional experiences are more likely to succeed than firms with less similar experiences. Second, I propose a framework that illuminates the mechanisms of prior experience that lead to firm success. I argue firms with prior experience have an ability to more accurately mitigate risk which leads to improved cash flows, less subjectivity to investment volatility and better selection of entry decisions ex ante. I examine the survival rates of 132 Brazilian telecommunications firms from 1994-2003.

Overcoming the Liability of Foreignness by Expressing Concern for the Natural Environment Credibly
Trevor Hunter, King's University College
Pratima Bansal, University of Western Ontario

MNE subsidiaries face a liability of foreignness which, in part, results from a lack of legitimacy in their host countries. Past research has suggested that to build legitimacy firms should express credibly a concern for the natural environment. This paper examines whether the credibility of an MNE's expression differs between subsidiaries in different countries. We argue that credibility of expression may depend upon the foreignness between subsidiary and parent. The greater the foreignness, the less credible will be the subsidiary's expression. Two factors are hypothesized to moderate this relationship: degree of parent firm internationalization and the subsidiary's host country experience. We argue that if the subsidiary's expression is not credible, it may miss an opportunity to overcome the liability of foreignness.

Dynamic Capabilities and Global Strategy: Building Capabilities to Enter New Markets
Ted London, University of North Carolina-Chapel Hill

This study explores the discovery by MNCs of opportunities at the base of the pyramid and the processes used to build the capabilities needed to target these new markets. While the literature on global strategies primarily views growth in terms of incremental extensions of existing capabilities, MNCs' exploration of lower income markets in developing countries is challenging this perspective. Using the lens of dynamic capabilities, this longitudinal analysis examines the strategies, structures, and collaborations used to build the new capabilities needed to reach the four billion potential customers in these markets. The findings extend the dynamic capabilities and global strategy literatures, and may also offer insight into how international markets can be the catalysts for the often recommended, but rarely studied, process of strategic renewal.

The Impact of International Diversification Experience and Environment on Modes of Entry Choice
Deepa Vaidyanath, Arizona State University
Michael A Hitt, Texas A&M University
Vincenzo Pisano, University of Catania
Katalin Haynes, Arizona State University

Institutional theorists have consistently argued that characteristics of institutional environments influence business activities. We develop this reasoning further and explore the domain of institutional influences on a firm's choice of international entry modes. We examine the research question, "How do institutional factors affect the entry mode choices that firms employ to enter international markets" and develop a model suggesting that the relationship between a firm's international diversification experience and its mode of entry choice is moderated by the dynamics of the target market's local institutional environment.

Mr Porter and the Baconians
Ajit Prasad, International Management Institute

Porter's five forces model has emerged as one of the more analytical ways of looking at the environment supporting the formulation of strategy. Unfortunately, the teaching of the model poses substantial difficulty as there are significant errors in the use of the English language, which inhibits the full understanding of the model. For example, the force listed as the "bargaining power of the buyer" may cause confusion due to definitional difference between the buyer, the customer and the consumer. The correct usage should be "the bargaining power of the customer": it is the customer who as the DMU has the bargaining power. The paper attempts at pinpointing seven such mistakes, the correction of which can greatly enhance the understanding of the model.
Using Simulations to Teach Strategy: A Personal Perspective
Patrice A Luoma, Quinnipiac University

A strategy simulation is an excellent teaching tool for classroom instruction. The appropriateness of using simulations to teach strategy concepts is well documented. This paper outlines a presentation of personal experience with, and perspective of, using strategy simulations in the classroom. The presentation will include empirical data assessing the degree of student comprehension of the strategy concepts taught with the simulation and overall student learning from the simulation experience.

Teaching Strategy Using Multiple Perspectives: A New Model for Decision-making
Gwendolyn Whitfield, Pepperdine University

The rapidly changing business environment calls for new strategies for teaching. There have been several major pedagogical developments in the teaching of strategy. These changes have centered on strategic thinking, alternative case analysis and critical thinking. With the rising demands of stakeholders and increasing organizational complexity, there is a need for developing new models of case analysis. Analyzing cases using multiple perspectives gives students the opportunity to build a skill set that enables them to make strategic choices within and across contexts. It helps them to take a broader approach to analysis and decision-making while critically analyzing information and stakeholder expectations.

Teaching Managers to Become Better Strategists: A Value Innovation Approach
Ralph G Trombetta, Value Innovation Network

Over the past thirty years, business management has become adept at applying increasingly sophisticated operational management methods. As a result, line managers are very confident about their capabilities when it comes to controlling the internal aspects of their firms. However, line managers have spent less time developing their strategic thinking skills. Given the mature nature of many industries, the time is right to help line executives to raise their strategic thinking IQ. In this paper, I will show several examples of how I have successfully helped line executives to gain confidence in dealing with their external environments to develop innovative growth strategies by applying the powerful principles of Value Innovation.

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Organisation for Knowledge Transformation
Session Chair: Aldas Kriauciunas, Purdue University

Making use of Knowledge Management
J C Spender, Open University/Emerald Group Publishing

Novelty is not the main cause of the fragmentation evident in the knowledge management (KM) literature. KM should be called Knowledge-problem Management for its real focus is on how managers might respond to various knowledge failures. Studying KM is thus somewhat analogous to studying market failures. We do well to parse the literature according to the type of knowledge problem being addressed. We propose three categories: knowledge as data, knowledge as meaning, and knowledge as practice. Each allows us to discuss different knowledge problems, implies a different knowledge-oriented notion of the firm, and very different notions of what managers contribute. The insights resulting from interacting these categories are of considerable value to managers, going beyond IT implementation to embrace both power and change.

Organisational Learning and the Materialisation of Knowledge into Performance Improvements: The Studsvik AB Case 1987-1999
Thomas Kalling, Lund University
Per-Hugo Skärvad, Lund University

This paper reports the findings from a twelve-year study of Studsvik AB, originally a state-run power research operation. In 1990 it was turned into a private business on the market. The turning into a regular business was a disruption of proportions to the organisation. We use the findings to discuss theory on learning and knowledge management, arguing that those fields of theory need to extend their views on the role of learning in improving financial performance. Capitalising on learning require the management of incentives, control mechanisms, consensus and norms and values, i.e. motivational factors rather than cognitive ones. These factors ought to be included in any strategically (i.e. performance-) orientated framework of organisational learning and knowledge management.

Achieving Successful Organizational Change through Knowledge Acquisition and Transfer: A Study of Transitional Economies
Aldas Kriauciunas, Purdue University

This research examines how firms can successfully implement organizational change through knowledge acquisition and transfer. First, I predict that all knowledge routines contribute to successful internal change, but that knowledge routines embedded completely within the firm are the most valuable to the firm. Second, I predict that the founding and current environment will have potentially contrasting effects on knowledge routines. These predictions are tested using survey data from firms in five Central and Eastern European countries. The results support the predictions concerning the importance of knowledge routines. Additionally, I find that different economic environments favor different knowledge routines to successfully implement change. The firm's current environment is more important in achieving successful change than a firm's founding environment.
Integrative Routine and Learning in Established Firms

C Annique Un, Cornell University

I identify one particular type of routine that facilitates learning, integrative routine. This is a stable pattern of cross-functional integration and transformation of knowledge among individuals inside the firm. It has two dimensions, cognitive and behavioral, that reinforce each other to facilitate learning. The behavioral dimension is the institutionalized cross-functional knowledge-sharing behaviors in the firm's everyday activity. It assists learning by providing individuals with the willingness to interact to share knowledge cross-functionally, aiding cross-functional knowledge integration when it is required by innovation projects. The cognitive dimension is the knowledge of other functions that individuals have acquired through prior job experiences. It enables learning by providing individuals with an understanding of other individuals' functional thought worlds, promoting the transformation of knowledge shared for innovation.

Mapping Science to Manage Innovation

Peter J Lane, University of New Hampshire
Richard Klavans, Strategies for Science & Technology

This workshop will provide attendees with an introduction to science-based innovation, science mapping, and its practical applications through a combination of short presentations, case studies, and demonstrations. Each workshop participant will be given a CD containing the presentations and cases discussed, additional examples of how science-mapping can be used by strategic decision makers, and an interactive demo of a new science mapping tool.

Understanding Ventures in a Global Environment

Session Chair: Zeki Simsek, University of Connecticut

Location as a Strategic Variable: Economic Geography and the MNE Internal and External Networks

Lilach Nachum, City University of New York

I argue that location should be treated as a strategic variable and location decisions should be placed within the overall strategic choices of MNEs. I apply ideas from economic geography to the conceptualization of the MNE as an internal network embedded within external networks, and argue that internal and external linkages taking place at different geographic scales differ in kind and hence have different implications for competitiveness and competitive advantage. Location configurations are linked with MNE strategies to show that different kinds of location portfolios are associated with different international strategies.

Parent-venture Relationship and International Growth: Multiple-case Analysis on Internal Corporate Ventures

Tapio Ranta, Helsinki University of Technology

This article integrates two research themes: corporate venturing and international growth. The main focus is to investigate the effect of proximity of the parent organization to the internationalization process of internal corporate ventures. Four cases are analyzed in this paper and a theoretical model of related factors is developed. The findings imply that the involvement of venture strategists in the strategy process of the parent organization facilitates the creation of commitment, resource availability and trust between the organizations. These mechanisms in turn make it possible for the venture to speed up the international growth. The concept of empowerment is introduced as a measure of giving authority to realize strategies. The developed theoretical model complements the earlier research on corporate venturing and internationalization.


Manuela Presutti, University of Bologna
Cristina Boari, University of Bologna
Luciano Fratocchi, University of L’Aquila

This paper aims to explain the role of social capital in the development of internationalisation process of high-tech start-ups. This objective is pursued on the base of a sociological perspective of entrepreneurship, which considers social capital as one of the main factors facilitating the foreign development of young firms. We use the social capital theory to enlarge the internationalisation process field, affirming that the capability of a start-up to create social ties with some business partners can improve the possibility to reach an excellent presence abroad. We carried out empirical research within an important high-tech area in Italy. We employed hierarchical regression analysis in order to test our hypotheses, taking several steps to ensure valid responses and to check that our measures were reliable.

Entrepreneurial Firm Strategies: Founders Reflect Upon Global Expansion

Nancy (Dusty) L Bodie, Boise State University

This paper examines entrepreneurs' strategic reasoning for entering global business environments. This study looks specifically at American founders of small entrepreneurial firms (under 500 employees) from across the nation. Semi-structured, personal interviews were conducted which allowed the author to probe beyond surface meaning and encouraged the entrepreneur to ask questions and provide explanations. The findings indicate
that entrepreneurs are motivated by proactive reasons (based on the firm's internal situation) and reactive reasons (based on environmental and external influences) for entering international business. While 80 percent of the responses tended to be proactive, the reason with the most responses was the firm's having a unique or technologically superior product to offer the global marketplace. Cost savings, market opportunities, and the ability to form strategic alliances also figured prominently in the founders' strategies about venturing into the global arena.

**AGENCY CONFLICTS: BANKRUPTCY, CEO ETHICS, AND NETWORKS**

*Session Chair: Cynthia E Devers, Texas A&M University*

**Balancing Exploration and Exploitation with the Help of Alliance Portfolios: A Co-evolutionary Model**

Werner H Hoffmann, Vienna University of Economics & Business Administration

Building on a co-evolutionary model of organizational change this paper clarifies how processes of variation, selection and retention in a focal firm are influenced by its alliance portfolio and how the co-evolution of the focal firm with its environment can be shaped with the help of the alliance portfolio of the focal firm. The alliance portfolio loosely couples company and environmental development and leads to a mutual adaptation of firm and environmental evolution. Alliances offer an excellent way of combining exploration and exploitation, letting firms pursue hybrid strategies. We show how one can configure the alliance portfolio to assure a strategic balance between exploitation (efficiency) and exploration (innovation).

**CEO Trustworthiness: Its Antecedents and Effects on Corporate Governance**

Mark Gavin, Oklahoma State University
K Matthew Gilley, Oklahoma State University
Bradley Olson, University of Lethbridge

We develop an integrated set of propositions describing the relationships among CEO characteristics, the perceived trustworthiness of the CEO, and the governance structure of the firm. In particular, we propose that CEO characteristics affect the board's perception of the CEO's abilities, benevolence, and integrity, and these trustworthiness perceptions then affect the governance mechanisms used to control the CEO.

**The Agency Problem during Bankruptcy: When do Directors Protect Shareholders' Interests over Creditors' Interests?**

Robert E White, University of Oklahoma
Robert E Hoskisson, Arizona State University
Jonathan Arthurs, University of Oklahoma

During a period of insolvency, the primary fiduciary duty of the board of directors shifts from shareholders to creditors. Using an agency theory perspective, we focus on the tendency of boards of directors of insolvent firms (the agent) to favor the interests of firm shareholders above those of firm creditors (the principal), despite fiduciary obligations to the contrary. We propose that board ownership, the board insider ratio, and the large block shareholder ownership are negatively associated with board intensity in protecting creditors' interests. Media scrutiny is an important moderator of these relationships. We expect board intensity to increase the amount of time spent in bankruptcy and decrease the usage of prepackaged bankruptcy deals.

**Board Composition and Firm Performance: The Mediating Role of Unethical Behavior**

Dan Li, Texas A&M University
Cynthia E Devers, Texas A&M University
Elizabeth Umphress, Texas A&M University

Although it seems logically appealing that variations in board composition would have a positive effect on firm performance, tests of this relationship are equivocal. This relationship is a distal one, involving many intervening factors that could obfuscate the effects of composition on performance. Hence, our paper argues that unethical behaviors provide an explicit proximal outcome that may be the missing link between board composition and firm performance. Specifically, we examine the following characteristics of board composition: CEO duality, the ratio inside to outside board members, director ownership, director stock option value, and board size. We investigate how these board composition variables relate to a firm's propensity to engage in unethical behaviors and examine the subsequent effect of unethical behavior on firm performance.

**AGENCY AND COMPLEMENTARITY IN ACQUISITIONS AND DIVERSITURES**

*Session Chair: Rajshree Agarwal, University of Illinois-Urbana Champaign*

**Adverse Selection in Corporate Acquisitions: The Roles of Contractual and Ownership Remedies**

Jeffrey J Reuer, University of North Carolina-Chapel Hill
Roberto Ragozzino, University of Central Florida

We examine transaction costs in M&A markets arising from information asymmetries across bidders and target
firms. The analysis investigates the role of ownership solutions and contractual solutions to these problems facing bidders when they seek to acquire private firms, new ventures, or firms with dissimilar knowledge-bases. Specifically, we simultaneously model contingent earn outs and partial ownership as M&A design features and find them to be substitutes. The arguments we develop as well as the evidence extend and contrast prior research on the market entry and discrete governance choices made by firms.

Ownership Rights, Managerial Interests, and Divestitures: A Choice between Spin-offs, Sell-offs, and Equity Carve-outs
Rolf Büchner, University of Passau
Patrick Stiller, University of Passau
Abdul A Rasheed, University of Texas-Arlington

This paper analyzes why managers choose a particular mode of divestiture once the decision to divest has been made. Grounded in agency and property-rights theory, the results show that managers have enough discretion to choose the divestiture mode that benefits them most. We find that managers divest through a sell-off when they can generate more future growth than is lost through the preceding divestiture. Further, the results give evidence that managers choose equity carve-outs in order to pursue an exit strategy that allows them to refocus the firm’s activities. Finally, managers choose a spin-off when they benefit from insider ownership and when they can prevent a conflict with their fiduciary duty to shareholders.

When Does Complementarity Add Value in Mergers and Acquisitions?
Akbar Zaheer, University of Minnesota
Xavier Castañer, Groupe HEC-Paris
David L Souder, University of Minnesota

Research suggests that relatedness in M&As creates value through both similarity and complementarity. While similarity’s effects are well understood, complementarity theory suggests that its benefits are more difficult to achieve than is generally assumed, and are furthermore contingent on organizational factors (e.g. degree of integration). We argue that matching the degree of integration with the specific type of complementarity is critical for high acquisition performance. Using a sample of 89 acquisitions, we find that complementarity - particularly when based on product attributes - is associated with negative acquisition performance, although geographic complementarity relates to higher performance when integration is kept low.

Do Pre-acquisition Alliances Help in Post-acquisition Coordination: An Experimental Approach
Rajshree Agarwal, University of Illinois-Urbana Champaign
Jaideep Anand, University of Michigan
Rachael Croson, University of Pennsylvania

In this paper, we focus on whether sequential investments where firms make alliances followed by acquisitions outperform outright acquisitions, and the theoretical rationale underlying these performance differences. We use an experimental methodology to examine how post-acquisition integration is affected by pre-acquisition interaction among partner firms. Our methodology focuses on the individual decision-maker as the unit of analysis, and also allows us to disentangle the effect of competing hypotheses related to post acquisition or alliance performance. We isolating the effect that communication and prior experience through alliances may have on post acquisition integration, and further, identify potential downsides to sequential investments that have not been scrutinized in the existing literature.
Tuesday Sessions 07:00 - 08:00

07:00 – 18:00   REGISTRATION OPEN – MAIN BUILDING, FIRST FLOOR
07:00 – 08:00   CONTINENTAL BREAKFAST – SAN CRISTÓBAL BALLROOM
08:00 – 09:00   FEATURED SESSIONS

Ceiba PAPER TRACK C
San Gerónimo Ballroom

"Practicing Strategy: A Dialogue"
Stanley A Askren, HNI Corporation
Charles E Lucier, Booz Allen Hamilton

"Leading for Growth: Managing Dilemmas"
Bala Chakravarthy, IMD
Peter Lorange, IMD

09:00 – 17:00   EXHIBITS OPEN – PEACOCK ALLEY
09:15 – 10:30   PARALLEL PAPER/PANEL SESSIONS

STRATEGIC BALANCE THROUGH SEARCH, RESOURCE ASSESSMENT, AND STAKEHOLDERS

Session Chair: Franz W Kellermanns, Mississippi State University

Resource Assessment: How do We Really Evaluate Resources
Benedict Kemmerer, Bain and Company
Franz W Kellermanns, Mississippi State University
Vadake K Narayanan, Drexel University

Our study examines how decision-makers assess resources as basis for a sustained competitive advantage. We will employ judgment analysis, which will allow us to investigate whether the criteria proposed by the RBV literature and the cues used by decision-makers in their assessments are identical. Our analysis will further enable us to assess if decision-makers make these judgements in a noncompensatory way, as the RBV would suggest. The alternative assumption is a noncompensatory assessment of resource judgement, which would show that decision-makers find the individual elements interchangeable, will also be investigated.

On Strategy Innovation
Philippe T Lê, Grenoble School of Management

In a business environment where effective innovation is considered as the key to growth—even survival—for most any corporation, this paper addresses the often misunderstood issue of strategy innovation, i.e., innovation at the strategic decisions level. Based on extensive research, we want to provide an analysis of this kind of innovation which enables a company to create and capture value, thus improving its profitability. We show how this kind of innovation relies heavily upon an acute strategic thinking as well as on the strategic configuration of the company along three axes: vertical integration, product/market, and geographic. Returning to the essence of strategy will allow us to consider the issue of strategic balance between innovation and efficiency with new eyes.

Exploration and Exploitation: Managing the Tension from Geographical Search
Laura B Cardinal, Tulane University
Donald E Hatfield, Virginia Polytechnic Institute & State University

March (1991) insight on exploration and exploitive learning strategies has been the focus of much research analyzing the innovation outcomes of firms. We build on this literature by developing and testing hypotheses regarding not only the direct effects of accessing external knowledge, but also the indirect affects of coordination. We examine the impact of geographic dispersion on the pharmaceutical industry's patent (inventive) behavior, and its new product development (innovative) efforts. In doing so, we are able to examine how organizational structural impacts firm learning strategies.

Risk Strategies and Stakeholder Ambiguity
Jeremy Hill, University of Calgary
Harrie Vredenburg, University of Calgary

Although influential to managerial thinking, recent stakeholder management approaches have insufficiently addressed the difficulties of complexity and divergent perspectives of risk. Furthermore, ambiguity, where it is difficult or impossible to identify key variables, has generally been ignored. Building on concepts developed within stakeholder theory, Simon’s concept of complexity and Knight and Tversky and Kahneman’s constructs of risk, uncertainty and ambiguity, we propose the concept of stakeholder ambiguity, a situation where it is difficult to recognize key stakeholders or reconcile their concerns. Failure to manage stakeholder ambiguity can lead to serious managerial challenges. Our argument is based on six cases in two industrial sectors; retailing (with a propensity for risk avoidance) and oil and gas (with a propensity for risk seeking).
Hospitals in the Process of Changing Dominant Logics
Harald Tuckermann, University of St Gallen

Within the research of dominant logic, the processes of its own change, remains an open question, despite being acknowledged within the construct. To explore this process of change over time is the goal of this research. Empirically, the health & care sector and particularly hospitals provide a promising context of an ethnographic single case-study within a contextualist framework to assess this phenomenon. Hospitals face fundamental environmental challenges, resulting in altered strategic orientations, hence hinting at a change of their dominant logic. Furthermore, hospitals inhabit not one, but several logics providing a setting for researching their interaction and change. Besides exploring the theoretical question, this research aims at providing insights on the basis of which hospital management can draw implications for enhancing their processes of organizational change.

Strategy Workshops: Key Episodes for Research
Gerry N Johnson, University of Strathclyde
Gerard P Hodgkinson, University of Leeds
Mirela Schwarz, University of Southampton
Richard Whittington, University of Oxford

The phenomenon of strategy workshops provides a fruitful context for research. First because, pragmatically, they represent a common and frequent organisational practice related to strategy development that is underresearched. Second because their study is a natural extension of mainstream research and theory building relating to practice and process in the strategy field. This paper will expand on these arguments and provide further reasons for the study of the phenomena. However, presently, little is known about such workshop activities. The paper therefore reports the findings of a large scale national quantitative survey in the U.K. spanning multiple sectors and a variety of organizational forms, with the purpose of establishing background data on the purpose, content and frequencies of such workshops.

Making Strategy a Daily Act: Strategic Learning in the Context of Implementation
Michelle M Stronz, Quinnipiac University

This paper discusses the preliminary findings of research that resides at the intersection of the practice of strategy implementation, learning, and action science. Using customized tools based on the work of Chris Argyris, the researcher conducts a case study of an implementation group within a large, recently-merged media corporation. The study explores the practice of strategy implementation including who is chosen to implement, how the implementers pursue their work, to what extent they are successful and why. The study sheds light on strategic learning in the implementation context, and offers additional insights into bridging the gap between strategy formulation and implementation at the individual and organizational levels.

Measuring and Managing Apparent Contradictions in Strategic Philosophy
John A Parnell, University of North Carolina-Pembroke

Recent prescriptive research in the strategic management field notwithstanding, top executives are still faced with several key philosophical concerns when formulating strategies for their organizations. Three such dimensions-management as an art or science, strategic emphasis on consistency or flexibility, and strategy as a top-down or a bottom-up approach-appear to require difficult choices or compromises between polar extremes. This paper reports on the development of scales to test for predispositions along these dimensions. Results do not support the contradictions ostensibly inherent within these dimensions. Rather, a manager's strategic philosophy may embody elements of two apparent extreme perspectives on a particular issue. Implications for managers and future research are discussed.

Strategy Execution: Toward a Logic of Doing
Thomas C Powell, University of New South Wales
Mihnea Moldoveanu, University of Toronto

Why do strategies go wrong? Conventional theories of strategy and cognition provide surprisingly little insight. Bounded rationality explains why decision-makers choose poor strategies, but it does not explain why firms execute poor strategies even when good strategies are chosen. In this paper, we investigate the separation of analysis and execution ("planning" and "doing".), and develop a "dual-selves" model of strategy execution founded on intra-personal agency conflict between the decision-maker's cognitive and performative selves. We show why planner-doer conflicts do not vanish at the firm level, and we propose a model of strategy execution founded on the reconciliation of cognitive and performative logics.
Entrepreneurial Orientation and Strategic Flexibility: Antecedents and Consequences
Patrick T Gibbons, University College-Dublin
Ciara Heavey, University College-Dublin

The purpose of this study is to identify the antecedents and consequences of firm entrepreneurial orientation and strategic flexibility, two constructs underpinning a firm's survival and success in an increasingly volatile and hostile global competitive marketplace. Based on a study of 193 firms operating in the Irish Information, Communication, and Technology industry, we find that planning extensiveness, strategic comprehensiveness, and strategy creativity contribute substantially to explanations of entrepreneurial orientation. Entrepreneurial orientation, in turn, predicts market performance and organizational learning. Additionally, strategic flexibility, which was negatively impacted by planning extensiveness, predicted growth in sales and organizational learning.

Top Level Balancing Acts: Fostering Ambidexterity within Executive Teams
Marta A Geletkanycz, Boston College

Managers today face a paradox. They are expected to capitalize on extant competitive advantage while simultaneously reinventing the firm's strengths and resources in anticipation of a changed landscape. How can top management processes facilitate effectiveness on both scores? To date, research has offered scant guidance, apart from linking succession and executive importation with strategic change. Unfortunately, both processes are highly disruptive and counterproductive to immediate interests, suggesting the need for alternative approaches. This study proposes and tests a model wherein executive networks, and the real-time information they impart, complement and extend top management expertise. Results confirm both types of knowledge are essential for sustained high performance, and neither is substitutable. Implications for executive selection, top management team design, and strategic decision-making are discussed.

A Transaction Cost Economics Perspective to Make, Buy, or Ally Decisions
David R King, United States Air Force
John Driessnack, United States Air Force

Transaction cost economics is used as a lens to describe innovation mode selection by firms. The difficulty of exchanges between firms pursuing innovation determines make, buy, or ally decisions affecting where work on developing and producing a new products and services is performed. Over time firms have performed less work internally despite the presence of market failures, providing evidence that firms balance multiple risks in selecting innovation modes. A primary contribution is better definition of organizational forms on the continuum between pure hierarchy and market, and the transaction costs contributing to their selection. Implications for research and management practice are identified.

Balancing Vertical Integration and Strategic Outsourcing: Product Portfolios, New Product Success, and Firm Performance
Frank T Rothaermel, Georgia Institute of Technology
Michael A Hitt, Texas A&M University
Lloyd Jobe, VizX Labs LLC

We study the balance between vertical integration and strategic outsourcing in organizing for innovation in the global microcomputer industry. We suggest that a simultaneous pursuit of vertical integration and strategic outsourcing exhibits a positive moderating effect on a firm's product portfolio size. We also argue that the relationship between product portfolio size and a firm's new product development is characterized by diminishing marginal returns. In a final step, we link the success of individual products to overall firm performance. Drawing on a longitudinal sample, we find broad support for our theoretical model. One managerial implication of this study is that it is critical, yet difficult, to carefully balance vertical integration and strategic outsourcing when organizing for innovation.

Creating Firm-Specific Value through Reconfiguration of Internally Developed and Acquired Business Units
Samina Z Karim, Boston University

This paper explores how firms create firm-specific value by reconfiguring their business units and resources. Reconfiguration is the addition, deletion, movement or combining of resources and units. This study compares the reconfiguration of internally developed versus acquired units, explores what forms of unit reconfiguration are common, and studies when firms may divest their acquisitions. The findings, from 250 medical firms studied over 20 years, are that acquired units are reconfigured sooner than and often merged into internally developed units, and acquisitions are often reconfigured together. Reconfiguration of internal units with one another or into acquired units is rare. Further, acquisitions are most often reconfigured before being divested, providing some evidence that firms are attempting to create greater firm-specific value from business units and their resources.
Moderating Effects from the Shift of Asymmetric Power in the Computer Video Game Industry
Ricarda B Bouncken, Brandenburg University of Technology-Cottbus
Joerg Mueller-Lietzkow, Friedrich-Schiller University-Jena

The computer video game industry experiences rapid changing product innovation conditions. To cope with the challenges firms strongly operate upon collaboration. The main players in this industry, "developers" and "publishers" form networks combining their technological, financial and marketing skills for success and to enhance innovativeness of their products. As publishers distribute successful games in different editions this paper aims to explore potential changes of the structure in the networks from a relational view. We found a shift of power asymmetry in network collaboration in case of successful games. The paper contributes to the literature and management practice by introducing a dynamic perspective to the relational view which focuses on balance, performance and power in network innovation.

SOURCES OF INNOVATION AND PERFORMANCE: RELATIONSHIP, SYMBOLS, AND TECHNOLOGY
Session Chair: Annetta Fortune, Drexel University

Dynamic Capabilities: Existence at a Relational Level
Annetta Fortune, Drexel University
Patrick Saparto, Drexel University

The intersection of the dynamic capabilities perspective and the relational view suggests that the inter-organizational shared routines and processes related to adaptation and change represent a potential source of competitive advantage. We denote these shared routines as relational dynamic capability. As firms increasingly turn to collaborative endeavors, an examination of these relationship-level dynamic capabilities becomes warranted. This examination of relational dynamic capability contributes to both the dynamic capabilities perspective and the relational view by extending the ideas of the dynamic capabilities perspective to the relational level in an effort to highlight an understudied aspect of inter-organizational relationships, which may contribute to competitive advantage. Consequently, a relational dynamic capabilities perspective, takes a meso-level approach that incorporates cross-level antecedents and outcomes of firm performance.

Dominant Designs in Fine Fashion: An Evolutionary Model for Symbolic Innovation
Rossella Cappetta, Bocconi University
Paola Cillo, Bocconi University

Innovation has been approached under different perspectives, but with a focus on technological innovation and its link with technological breakthroughs. Yet, in many industries a growing portion of innovation is linked to the symbolic elements of products or services. There is no more definitive industry to study as an ideal setting for deriving insights on a shared model for symbolic innovation than the fashion industry. We propose an evolutionary model of symbolic innovation in which companies face periods of ferment with relevant variations and periods of convergence on a single trend - that is the symbolic dominant design. We test the model with a longitudinal empirical study in the fine fashion industry. The differences with the cyclical model of technological change are explained.

On the Impact of IT Revolution on Industrial Competitive Landscape
Yun-Cheol Lee, Hankuk Aviation University
Ji-Yeon Yang, Seoul National University

The main subject of this study is the influences from the development of IT have shown simultaneous, continuous, and ubiquitous characteristics. This study will discuss four patterns of changes in the competitive landscape based on the development of IT. First, it creates the phenomenon of 'power shift' at a customer interface and also promotes the cooperation among homogeneous industries from the viewpoint of value-chain. Second, it promotes the cooperation with different industries and increases the cooperation among heterogeneous industries. Third, it converts value-chain from transaction to inter-network coordination and reduces value-chain distance. And the last, it influences technology-based industry, which is distant from the ultimate consumer, by bringing new perceptions. Therefore, IT competency promotes the unbundling process and globalization of these technology-based industries.

Between Innovation and Performance: Where to Start the Discussion
Søren H Jensen, Copenhagen Business School

This paper discusses the relationship between innovation and maintaining performance. The idea presented in the paper is that this relationship is very much dependent on how the two concepts are defined, whether innovation is seen as a radical concept or whether it can be also encompass smaller changes. Both innovation and performance are seen as concepts as defined by Koselleck, where there is a discourse concerning the winning definition. There is no answer presented in the paper as this depends on the case and from which perspectives it is analysed. The conclusion is that innovation and performance are interrelated issues, and that before answering the question of how they relate to each other it is necessary to define exactly what is meant by each concept.
'Anglo-American' versus 'German' Corporate Governances: Culture, Structure, and Strategy Moderate Their Effects on Innovation Capabilities

Michael MY Horn, University of Cambridge

This paper focuses on firms’ innovation capabilities and moderators that explain their association with firms’ corporate governance arrangements. More specifically, I focus on the two sets of ‘Anglo-American’ versus ‘German’ corporate governance arrangements that coexist in the German national context. Case study evidence from the German book publishing industry suggests that ‘Anglo-American’ corporate governance arrangements support the development of radical innovation capabilities whereas ‘German’ corporate governance arrangements let firms excel in incremental innovation capabilities. Further, my data shows that the interdependent elements of firm culture, structure, and strategy can be understood as moderators that explain the association between distinct corporate governance arrangements and differing innovation capabilities.

Strategic Issue Management through Corporate Strategic Agenda

Markus Kajanto, Nokia Corporation
Matti E Keijola, Helsinki University of Technology
Tomi Laamanen, Helsinki University of Technology

All companies have their ways of identifying and dealing with their most critical strategic questions and issues. This process is typically an emergent one, not always optimally structured to enable the effective identification of the most critical questions and the appropriate allocation of top management attention and corporate intelligence support to answer the identified strategic questions. In this paper, by benchmarking the practices of world leading firms and reflecting the practices with relevant areas of management research, the study contributes to the literature by developing a framework, named as the corporate strategic agenda, for managing strategic issues. The paper has implications both to scholarly literature on strategy processes as well as to executives in charge of managing the corporate level strategic issues in their organizations.

Family Changes and Family Business Configuration: The Role of Family in Capital Restructuring

Carmela E Schillaci, University of Catania
Rosario Faraci, University of Catania
Giorgia M D’Allura, University of Florida

In this paper we describe how changes in the family composition (e.g., size, cohesiveness) influence the family business configuration in terms of ownership, governance, and structure of the organization. We argue that socio-demographic changes in the traditional family structure effect the structuring of the family business capital and those in turn influence the business governance and operation. We propose a model that should advance future studies of family business by taking a detailed look at the concept of family and its evolution in recent times. In considering the role of the family in the configuration of the family business capital structure, we suggest that the evolution of the family may be able to predict how the ownership in the firm will change.

Gaining a Competitive Edge by Learning through Options, Alliances, and Acquisitions

Session Chair: Maheshkumar P Joshi, George Mason University

Competition for External Resources: Entry Order and the Stock Market Reaction to Alliances and Acquisition

Pablo Sanchez-Lorda, University of Oviedo
Esteban Garcia-Canal, University of Oviedo

The influence of entry order on the stock market reaction to alliances and acquisitions aimed at expanding firm boundaries is analyzed. Entry order has two opposing effects. While it decreases environmental uncertainty, it also increases the difficulties in replicating the resource combinations already assembled by the first movers. We argue that the trade off between these two effects makes alliances more valuable at the early stages of the process of market convergence, being acquisitions more valuable at the end of this process. Using a sample of strategic alliances and acquisitions carried out by European telecom firms, we provide evidence that shows that the stock market values flexibility, when a few players have expanded their boundaries, and commitment when most of them have already expanded them.

Strategic Posture and University Alliances in Technology Intensive Industries

Donna M De Carolis, Drexel University
Ken A Colwell, Drexel University

Universities produce cutting edge research that has proven to be the catalyst for transforming industries and societies. University research has proven to be an important avenue of innovation for industry. It both motivates new research and development platforms and contributes to the completion of existing products. It is perhaps not too great an intuitive leap to assume that successful collaboration with universities can lead to a sustained competitive advantage for a firm. If so, the ability to create such relationships can be regarded as an important
firm capability. In this paper, we seek to extend the research on dynamic capabilities by showing which specific firm processes and resource positions lead to successful university collaborations, and how such collaboration affects firm performance.

Repeated Partners and Repeated Modes: An Analysis of Biotechnology Firms and Learning from Strategic Alliances
Maheshkumar P Joshi, George Mason University
Hyung-Deok Shin, George Mason University

As the number of alliances keep increasing it has become a standard notion to assume that alliance provide a learning platform for firms. However, the learning effect on to performance seems to be mixed at best when using perceptual or stock market performance measures. We used objective measures of performance and demonstrated a positive effect of learning on to biotechnology firm performance. Using 83 biotechnology firms over a time period from 1982 to 1997, we find support for some of our hypotheses. Specifically we proposed that the repeated number of alliances with same partners and alliances with repeated type would lead to improved firm performance. We find that as the number of alliances increases so does the performance and as the number of repeat alliances with same partners increase the firm performance increases.

Acquisitions as Real Options on Resources
Ward A van den Berg, Erasmus University-Rotterdam
Wouter De Maeseneire, Erasmus University-Rotterdam
Han Smit, Erasmus University-Rotterdam

This paper presents an integrated real options and resource-based framework that examines the value creation in takeovers within a competitive setting. The integrated option and game model builds on Fishman (1988) by considering a potential target as a real option on a bundle of resources, and an acquisition as the successful exercise of such a shared real option. Competing potential buyers may sequentially perform due diligence and incur costs (option premium) to get informed about their firm specific value of the resources of the acquisition (underlying value) before making a bid (exercise price). Heterogeneity between bidders, idiosyncratic uncertainty about the true target value and the size of information costs determine the degree to which the acquirer can appropriate value creation.

Knowledge in Organizations
Session Chair: Constance R James, Pepperdine University

Navigating between "Not enough" and "Too much" Knowledge: The Challenge of Persistence and Renewal
Thomas Durand, École Centrale Paris

The paper addresses the issue of organizational knowledge as a source of both continued performance and potential inertia. Not enough organizational knowledge may prevent the firm from reaching its strategic objectives (this is an issue of threshold: not enough adequate knowledge). But there is also an issue of too much knowledge, which was relevant yesterday while being unfit for tomorrow (This is when organizational knowledge may imply inertia: too much unfit knowledge). In between these polar extremes, firms need to cope with both continuity and change by maintaining and adapting their organizational knowledge-based. This is the "persistence and renewal" challenge of organizational knowledge, i.e. relevant organizational knowledge, when needed.

Signifiying Strategic Change with Corporate Names: The Symbolic Management of the '.com' Moniker
Peggy Lee, Emory University
Edward J Zajac, Northwestern University

This study empirically examines the stock market reactions to both the addition and deletion of the " .com" moniker in firm name changes and the subsequent strategic behaviors of these firms. Specifically, we integrate the issues of framing and decoupling by examining the relationship between framing and actual implementation of strategies consistent with the name changes. Our focus on the dynamics of changing stock market reactions contributes to recent organizational and institutional research that suggests that stock market reactions are historically contingent and socially constructed (Zajac and Westphal, 2004); financial markets are influenced by the use of normatively appropriate language-based justifications, even to the point of reacting positively to both the addition and the deletion of the " .com" moniker over a short period of time.

From Learning to Teaching: The Evolution of a Learning Organization
Constance R James, Pepperdine University

Learning organizations are evolving from organizations that learn to those that utilize new mechanisms to complete the spiral of knowledge-creation (Nonaka & Takeuchi, 1995). While some learning organization theory focuses on leadership and process (Senge, 1990; Gavin, 1993, 2000), other scholars have focused on organization design, including knowledge-creation (Hedlund, 1994), a managerial view (Bartlett & Ghoshal, 1992) and designing learning organizations (James, 2003). This paper utilizes this literature and a field study of Best Buys, Forbes 2003 Best Managed company, to analyze a strategic approach to knowledge creation. It concludes that knowledge-creation in Japanese companies has evolved in unique ways and suggests that Best Buys has
become a teaching organization, with teaching at every level as the key resource driving innovation and its competitive advantage.

Strategy and Symbolic Moves: How Firms Influence the Media in the Social Construction of New Market Niches

Mark T Kennedy, University of Southern California
Edward J Zajac, Northwestern University

The strategy literature offers much about how firms compete in existing markets, but less is known about how firms behave when trying to create new market niches. This study explores the role of the media in the earliest moments of new markets and finds firms actively court coverage to position themselves in emerging markets and, in the process, shape the market. Hypotheses are developed from qualitative study of business news production are and tested in analyses of the emerging market for computer workstations, 1980-1990. Results show firms’ efforts to attract publicity influence coverage, mindshare, and survival. Overall, findings suggest that talk plays an important role in the social construction of new markets and firms and the business media are key players in that process.

COMPETITIVE AND COOPERATIVE DYNAMICS

Javier Gimeno, INSEAD
Vijay Govindarajan, Dartmouth College
Robert E Hoskisson, Arizona State University
Douglas Miller, Tulane University
Karen A Schnatterly, University of Minnesota
Ken G Smith, University of Maryland
Stephen B Tallman, University of Utah

This panel will address a number of issues, including the following questions: How can insights from corporate strategy inform competitive dynamics? How do firms organize to cooperate AND compete—across locations, markets, ideas? How does governance impact competition, and competition impact governance? How do these issues impact firm performance?

HOW DO CULTURE, LEADERSHIP, AND DECISION STYLE AFFECT ENTREPRENEURIAL BEHAVIOUR?

Session Chair: David G Hoopes, Southern Methodist University

Professional Cultures and Capabilities: Adaptation and Conflict in an Entrepreneurial Firm

David G Hoopes, Southern Methodist University
Steven Postrel, Southern Methodist University

Entrepreneurial firms face numerous problems in developing capabilities. Those in complex environments where non-routine tasks must be accomplished, often have multiple groups that must coordinate their efforts in novel ways. When the problems faced over time have underlying similarities, despite their variety, and the environment has some stable properties, it is common for workers in these settings to develop norms and habits that facilitate collective problem-solving. We describe such self-reinforcing and coherent constellations of norms and habits as problem-solving cultures. We discuss the problems entrepreneurial firms face in developing capabilities that span departments. We then discuss the merits and difficulties of relying on profession-based cultures. After discussing the cultures of scientists and engineers, we examine an entrepreneurial science-based firm.

The Value of Corporate Culture in Encouraging Participative Decision Taking in Multicultural Teams

Maria del Pino Medina-Brito, University of Las Palmas-Gran Canaria
Antonia García-Cabrera, University of Las Palmas-Gran Canaria
Juan Manuel García-Falcón, University of Las Palmas-Gran Canaria
Domingo Verano-Tacoronte, University of Las Palmas-Gran Canaria

Nowadays multinational companies create multicultural teams to promote efficient coordination and overall learning. However, the multicultural character of those teams is considered a double-edged sword because it can also increase conflicts and problems in the decision taking process. This is very important since, whatever the form of decision taking within the team, authors treat it as a fundamental variable for achieving the objectives established. Taking these arguments into account, this research examines the role played by corporate culture in facilitating decision taking in multicultural teams for two basic reasons: 1) the wide knowledge of its power as social glue to overcome the influence of different nationalities interacting in multinational organizations; and 2) the lack of empirical research exploring that relationship in depth.
Towards a Motivation-based Theory of the Firm: Integrating Governance and Competence-based Approaches
Oliver F Gottschalg, INSEAD

Governance-based and competence-based theories of the firm have often been perceived as competing, and at best complementary, approaches to explain firm existence. Fundamental to our argument is the insight that according to both perspectives, firms exist because they are able to coordinate human activity more efficiently than markets. However, the two approaches focus on different motivational mechanisms to accomplish this objective. While the governance-based perspective emphasizes the role of incentives (extrinsic motivation), competence-based theories highlight the desire to comply with norms and values of the firm as a social community (intrinsic motivation). Using a comprehensive model of motivational mechanisms inside firms, we are able to propose a theory that encompasses the governance-based and competence-based perspective and thus possibly constitutes a first step towards their integration.

Microfoundations of Entrepreneurial Discovery in Organizations: The Importance of Employee Voice and Managerial Decision-making
Gerald D Keim, Arizona State University
Gerhard Reber, Johannes Kepler University

In rapidly changing environments new opportunities and threats are difficult to predict but emerge continuously. Entrepreneurial firms must discover and evaluate these opportunities and threats as they emerge. Employees at the edges of the organization are in the best position to make such discoveries as they are closer to the new informational clues revealed by other actors in the environment. Managers who use more consultative decision-making styles will encourage more employees to be discoverers and provide suggestions regarding the firm’s changing opportunity set. We test propositions linking managerial decision-making styles to employee voice using data from a large Austrian industrial corporation.

Designing Organizations for Performance
Robert L Simons, Harvard University

In this paper, I argue that organization structure is the most critical mechanism for implementing strategy in large, complex organizations. A new integrative model of organization design is presented that describes how managers balance innovation and performance. Building on a foundation of individual accountability, the model illustrates how managers influence span of attention - what a person pays attention to, collects data on, and reacts to. The model shows how to design organizations to allow the execution of uniquely different strategies. To this end, we introduce four variables - customer definition, critical performance variables, creative tension, and commitment to mission - and the organization design decisions that flow from these variables. These levers are the vehicles by which individuals balance innovation and performance.

Framing Discontinuities: Incumbents Face the Internet
Gabriel Szulanski, INSEAD
Yves Doz, INSEAD

The quest to explain how incumbents respond to changes in their industry is affirming the importance of managerial cognition. Recent empirical evidence suggests that anticipating the nature and timing of industry changes increases the likelihood that organizations will develop an effective response. Mounting evidence suggests also that such ability to anticipate and respond depends on decision-makers’ prevailing and emerging cognitive frames. This raises a number of questions about the exact nature of those cognitive frames and how their characteristics impact the decision-making processes and ultimately the features of the organizational response. In this paper we report the findings from three case studies of how established incumbents responded to changes in their industries that were brought about by the emergence of the Internet.

Slowed Reaction: How Information Infrastructure Affects Firms Structural Responses to Strategic Change
Charles Williams, University of Illinois-Urbana Champaign
Will G Mitchell, Duke University

In this paper, we ask when changes in strategy (the products and services that a firm offers) lead to changes in structure. We explore how a firm’s information infrastructure - the set of business units, the links between units, and the mix of products - will affect its likelihood of matching its structure to the services it adds or drops from its portfolio. Our baseline propositions are that firms will graft (add) and prune (cut) structural units to match their market entry and exit. The propositions outlined in this paper suggest that a firm’s earlier strategic choices will both limit and enable these structural changes as the firm competes in dynamic markets.

Coordination and Evolution: The Impact of Decentralization on Market Entry by International Cellular Companies
Charles Williams, University of Illinois-Urbana Champaign

Competing claims have been made for the adaptive properties of decentralized and centralized organizations.
Some theorists have suggested that decentralization will help organizations overcome inertia by encouraging multiple experiments through strong local incentives (Rumelt 1995), while others suggest that centralization helps overcome inertia that is inherent in the high levels of interdependence in complex systems (Simon 1962; Stinchcombe 1990). This paper examines the impact of centralization on the patterns of market entry pursued by the firm. I propose that centralization and decentralization overcome different types of inertia and thus lead to different types of market entry. The findings of this study suggest that the internal organizational structure of firms will influence the pattern of adaptation and evolution that the firms follow.

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"Innovation and Execution: How to Achieve Both"

Uta Werner, Marakon Associates

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**Auditorium**

**PAPER**

**TRACK I**

**STRATEGIC SCOPE: INTERNATIONALIZATION AND GLOBALIZATION**

**Session Chair: Richard A Johnson, University of Oklahoma**

The Incentive Effects of Technological Competence and Managerial Compensation on International Diversification

- Robert E Hoskisson, Arizona State University
- Laszlo Tihanyi, University of Oklahoma
- Richard A Johnson, University of Oklahoma
- William P Wan, Thunderbird-American Graduate School of International Management

This paper explores the relationships between firm and location specific technological competence, managerial pay, and international diversification in multinational firms. Results indicate a curvilinear relationship (increasing at a decreasing rate) between firm specific technological competence and international diversification. A similar relationship was found between location specific technological competence and international diversification. Furthermore, in line with agency theory, contingent pay (stock options and bonuses) is positively related to international diversification. Conversely, non-contingent pay (cash) is negatively related to international diversification. Thus, beyond new evidence on the innovation-international diversification relationship, results of this study indicate that managerial pay be considered as a further explanation for international diversification in the context of technological competence.

Explaining the Non-sequential Internationalization Process

Álvaro Cuervo-Cazurra, University of Minnesota

I analyze the process of internationalization. Existing models of the internationalization process provide sequences of stages to follow in the firm's foreign expansion, but they do not properly account for growing evidence of non-sequential internationalization, or the skipping of proposed stages. Building on the resource-based theory of firm growth, I provide a theoretical explanation of this phenomenon that was absent in the literature. I do so by using three resource-based arguments: The characteristics of the firm's resource bundle before the foreign expansion, the firm's ability to transfer resources across countries, and the use of external methods to develop complementary resources. I separate the explanation into three levels -management, foreign operation, and overall foreign expansion- to provide a comprehensive analysis.

Internationalization and Financial Performance: A Meta-analysis

- Andreas Bausch, International University-Bremen
- Mario Krist, Justus Liebig-University of Giessen

Careful review of extant research addressing the relationship between internationalization and firm financial performance demonstrates little consistency in results. In response to the diverse findings, we provide meta-analyses of 27 empirical studies of internationalization (29 samples, N = 4.215) and their relationship to firm financial performance. The average effect size across all studies is positive but small ($r = 0.099$) and significant (95% confidence interval $0.043 : 0.155$). Moderator analysis relying on Firm Size, Firm Age, Country of Origin and R&D-Intensity provides little evidence of a systematic internationalization/financial performance relationship.

The Relative Importance of Scale Economies and R&D in Globalization: An Empirical Study

- Hongquan Zhu, Ohio State University
- Mona V Makhija, Ohio State University

Although prior research has identified several determinants of globalization, empirical evidence on the relative
importance of them is rare. The purpose of this paper is therefore to compare the importance of one such determinant of industry globalization, the ability to differentiate products (indicated by R&D intensity) with that of another, the ability to benefit from low production costs (indicated by scale economies). The relative importance of the two determinants reflects the mix of competitive advantage in each industry that influences global integration. Using intra-firm trade data of 29 U.S. industries across 17 years, we found that the importance of R&D intensity relative to scale economies is 1) low in simple global industries; 2) high in complex global industries; and 3) not different in multidomestic industries.

NEW PERSPECTIVES ON SOURCING

Session Chair: Lois Marie Shelton, Chapman University

Determinants of HR Outsourcing: An Empirical Test of TCE and RBV Explanations

Thomas Mellewigt, University of Paderborn
Rüdiger Kabst, University of Paderborn
Glenn P Hoetker, University of Illinois-Urbana Champaign

Apart from wide-ranging commentaries of outsourcing in organizational practice, its academic wisdom - in particular, theoretical understanding and empirical testing - is still lagging behind. This paper contributes to management research by pursuing two objectives: (1) a state-of-the-art of research on outsourcing (86 contributions between 1990 and 2001) will be presented. Eighty five percent of these studies are bound to the analysis of IT services, focus mainly on TCE and U.S. samples. Human resource outsourcing is rarely discussed; and (2) we analyze the determinants of HR outsourcing from two different theoretical views: transaction cost economics and resource-based view. Hypotheses generated are empirically tested via questionnaire data addressed to 600 HR managers in September 2002. In sum, while TCE explanations received mixed support, RBV explanations where fully supported.

Multi-voiced Stakeholder Strategies

Johanna Kujala, Tampere University of Technology
Hanna Lehtimäki, Life Works Consulting Ltd

This paper discusses how stakeholders can be involved in a strategy process by developing a multi-voiced stakeholder strategy. We argue that current theoretical and practical models of strategy-making are built on a single-voiced understanding of strategizing. Consequently, stakeholders are left without a voice in strategy processes and their views and opinions are not present in the final strategy documents. A multi-voiced stakeholder strategy puts challenge in discovering new concepts in strategy building and telling the focal organizations future goals from novel perspectives. It concentrates on the firm-stakeholder relations, and achieves to incorporate information from various activities into strategies. Overall, multi-voiced stakeholder strategies invite to pay attention to the current presumptions of strategy processes, and to examine, what the presumptions do and which presumptions should or could be changed.

Use It and Lose It? The Potentially Transitory Advantages of Selling to High Status Customers

Glenn P Hoetker, University of Illinois-Urbana Champaign
Anand Swaminathan, University of California-Davis

Studies suggest that firms, particularly young entrepreneurial firms, can use the legitimacy gained by partnering with high-status customers to attract and retain additional customers. However, the short-term expansion benefits that high status customers provide create longer-term negative consequences that are under-studied. As suppliers broaden their customer pool, they may dilute their legitimacy and suffer lower performance because they need more disparate routines. We argue that suppliers of architectural products, requiring customization for each customer, benefit from using legitimacy to add customers of similar status, but suffer when they add lower status customers. Suppliers of modular products, requiring little refinement across customers, benefit from adding customers of any status. Tests using a fifty-year panel of data on the U.S. automotive industry largely support the hypotheses.

Sourcing, Exploitation, and Long-term Returns In Cross-border Acquisitions of United States Technology Assets

Lois Marie Shelton, Chapman University

This study examines the value creation potential of technology sourcing and technology exploiting strategies in cross-border acquisitions in the U.S. market, and makes three important contributions. In addition to measuring the value created by these strategies, it focuses on acquisitions, which are an increasingly important form of FDI in high-technology industries. Thirdly, it examines long-term gains to these strategies by using a methodology new to global merger research - the long-term analysis of post-acquisition cash flows. As a result, this study of foreign acquisitions of U.S. technology companies from 1993 to 2000 helps clarify whether the U.S. is viewed primarily as a generator of new technology to the world, or a prosperous market for exploiting existing technology.
GOVERNANCE, ACTIVISM, AND VALUE CREATION

Session Chair: Shamsud D Chowdhury, Dalhousie University

The Danger Lurks "Off the Balance Sheet": Intangible Assets and Corporate Governance Problems
Carl Joachim Kock, Institute of Empresa-Madrid

Most strategically crucial intangible assets are not reflected on firm balance sheets, a fact that has potentially serious corporate governance implications. This paper describes two "asset-burning" strategies managers with malign intentions could follow in an attempt to deceive financial markets and increase their stock prices: decreased re-investment into, and forced depletion of off-balance sheet intangibles. The role of selected intangibles in such strategies is highlighted and illustrated with a simple model. The urgency to focus on these effects results from recent simultaneous increases in equity-based compensation, the importance of intangibles, and the occurrence of corporate governance problems. Further research is needed to provide insights for corporate governance research, shareholders, and firms interested in avoiding these potentials for danger.

Institutional Activism Types and CEO Compensation: A Time Series Analysis of Large Canadian Corporations
Shamsud D Chowdhury, Dalhousie University
Eric Wang, Athabasca University

CEO compensation is a key governance issue in Canada, in which institutions, business press, non-profit organizations, and soft-dollar intermediaries have recently become involved. Because anecdotes suggest that boards of Canadian corporations are failing shareholders when they pay higher compensation to CEOs despite weaker corporate profits, this involvement is not surprising. However, an empirical assessment of this anecdotal assertion remains hitherto unexplored in Canada. Using data from the largest 95 Canadian corporations for a period of eight years, this research examines the role of institutional activism types and salient board characteristics in determining CEO compensation. Six hypotheses linking proxy based and non-proxy based activism to both contingent and non-contingent CEO compensation are tested. The study's academic and managerial implications are also given.

Implications of Organizational Embarrassment: How Firms Respond to Targeting by A Shareholder Group
Jill A Brown, University of Georgia
Andrew Ward, University of Georgia

This study addresses how organizations respond to being publicly embarrassed about their financial underperformance. While the revealing of financial underperformance may not provide new information about an organization, the CEO's reaction to being placed on a Focus List of underperforming companies by a prominent shareholder group can provide insight into the organization's response to embarrassment and its subsequent orientation towards future performance. We utilize issues management, organizational image and organizational identity theories to develop a new construct and process model of organizational embarrassment. The model will be tested with a sample of under performing companies that are placed on a Focus List by the Council of Institutional Investors. The study has wide implications regarding the use of embarrassment tactics to "shame" organizations into better performance.

Corporate Governance Relationships and Value Creation: Authority Combined with Responsibility
Maurizio La Rocca, University of Calabria

This paper tries to describe the corporate governance relationships through the interaction between authority, as the most valuable source of incentive to offer to the manager for firm-specific investment, and responsibility, as a mechanism to avoid opportunistic behaviors. The two functions authority and responsibility, minimizing their distance, let to maximize the value of the CG relationships and enhance the firm value. It is through the "interaction" between the authority and responsibility that managers resolve hold-up problems at the beginning and, after, moral hazard problems. These two factors balance the incentive problem with the need of a constraint to the manager's activities and explain the way to incentive innovation and managerial creativity to reach firm's success.

RELATIONSHIPS, RIVALRIES, AND RESOURCES

Session Chair: Kendall W Artz, Baylor University

Resource Systemics and Survival
Rodolphe Durand, Groupe HEC-Paris

The aim of this paper is to give empirical evidence of the fundamental mechanisms underlying the resource systemics: time compression diseconomies, asset mass efficiency, and interconnectedness of assets. It assumes that in time, resource properties and interactions are the critical elements leading to accumulation of idiosyncratic resources, firm performance and survival. Results from a Cox regression on a simulated dataset confirms the protective effects of time compression diseconomies, asset mass efficiency, and interconnectedness of assets against firm's death.
An Examination of Competitive Dynamics and International Diversification under Different Regulatory Regimes
Kendall W Arzt, Baylor University
Patricia M Norman, Baylor University
Richard J Martinez, Baylor University

Drawing on competitive dynamics, resource-based, and international diversification theories, this research examines the relative contributions of industry and firm-specific factors in determining firm globalization and performance in regulated and deregulated environments. Specifically, this study examines how an industry's competitive dynamics, and a firm's strategic profile and resources, influence the firm's decision to expand internationally. It then examines the effects of the globalization decision on firm performance. Importantly, because the regulatory environment has been found to have a strong influence on firm behavior and performance, we examine the impact of regulation on the relationships that we model. We test our hypotheses using longitudinal data of a single industry over two different time periods - one in which high regulation existed, and one after deregulation had occurred.

The Effect of Price Discrimination on Competitive Interaction: An Empirical Analysis
Javier Gimeno, INSEAD
Govert Vroom, INSEAD

Although price discrimination is often associated with monopoly, research shows that it is more prevalent in oligopoly and competition. Yet, empirical research has not examined the consequences of price discrimination for competitive interaction (entry, rivalry). Price discrimination allows firms to respond more flexibly in different customer segments, and such flexibility could make incumbents more potent and aggressive competitors relative to uniform pricing. Using U.S. airline industry data, we examine the effect of price discrimination by incumbents on market entry deterrence, and post-entry competitive interaction between entrants and incumbents. We also examine the intensity of rivalry in oligopolistic markets when incumbents simultaneously pursue price discrimination schemes. These hypotheses represent robust predictions of the existing game-theoretical literature on price discrimination under competition that demand empirically examination.

The Dynamics between Cooperation and Rivalry: An Analysis of Player Trades in Major League Baseball
William D Schneper, University of Pennsylvania

While inter-firm cooperation often grows from simple, non-binding arrangements into more complex and enduring structures, researchers generally focus on how firms choose partners for the most elaborate types of inter-firm endeavors, such as alliances. Thus, the drivers of potentially antecedent relationships have been left underexplored. We focus on a relatively basic example of economic exchange, player trades in Major League Baseball, to understand how cooperative ties initially emerge. We find a curvilinear relationship between the characteristics argued to increase rivalry and the likelihood of trade between teams. Managerial mobility further increases this likelihood, while similarity between managers decreases it. The results paradoxically suggest that firms tend to cooperate with the counterparts that they would compete against most intensively, if their current rivals did not exist.

Effects of Top Management Team Demographic Composition on New Product Program Creativity
Erwin Danneels, Worcester Polytechnic Institute

This study examines the effects of TMT size, age, and tenure, and CEO duality on the creativity of the new product program of manufacturing firms. New product program creativity is the extent to which firms develop and launch new products that don't conform to industry conventions, setting them apart from competitors. Survey and archival data on 145 U.S. public manufacturing firms suggest that TMT size and average tenure have a negative impact on new product program creativity, while heterogeneity of tenure has a positive impact. These effects are strengthened when organizational and environmental variables are controlled for, suggesting that the presence of suppressor effects in the relationship between TMT characteristics and organizational outcomes may account for the ambiguity of findings in TMT research.

Influence of Industry R&D Intensity on Product Diversification: Moderator Effect of Free Cash Flow
José Ignacio Galán Zazo, University of Salamanca
Maria J Sanchez, University of Salamanca

This study analyzes the relationship between industry R&D intensity and degree of product diversification, and examines the moderator effect of the free cash flow on previous relationships at the current time in large U.S. firms. Using the S&P 500 sample we found support for the hypothesis that highly diversified firms are more likely to operate in high-tech sectors, and partial support that the free cash flow moderates the prior relationship positively.
Strategic Marketing Planning in Young Growth Companies
Bernadette Sager, University of Regensburg
Michael J Dowling, University of Regensburg

When examining strategic marketing planning (SMP) in young growth companies, previous studies have often concentrated on planning formalization. As a result, either such companies were accused of a lack of sophisticated SMP in the traditional sense, or an emphasis was placed on the need to redesign SMP. The aims of this paper are: 1) to explore SMP in entrepreneurial firms by examining its contents and process components; 2) to study how and why SMP is conducted in such companies; and 3) to explain where and why a low degree of formal planning and other differences from the traditional SMP approach are appropriate for young growth companies. Data from three case studies are used to develop a theoretical framework of SMP for young growth companies.

Organizing for a 'Strategic Balance': Two Extreme Cases of Managing Dualities
Leona Achtenhagen, Jönköping University/University of Bamberg
Leif Melin, Jönköping University

In recent years, different authors have discussed how companies could organize to strike a ‘strategic balance’ between seemingly contradictory demands. Yet, much of this discussion is referring to static situations and often addresses structural issues. In this paper, we present two extreme cases studies of how companies manage dualities. By taking on a process view, we analyze the emergence of contradictory demands in the organizations, different strategies chosen to tackle these, as well as the challenges and outcomes of these processes. We illustrate the complexity of these processes, which are partly due to the constant change of the contradictory demands as well as their interrelatedness with other equally contradictory demands.

ACQUISITION OF EXTERNAL KNOWLEDGE AND FIRM PERFORMANCE
Session Chair: Anne Marie Knott, University of Maryland

Spillover Asymmetry and Why it Matters
Anne Marie Knott, University of Maryland
Xun Wu, University of Pennsylvania
Hart E Posen, University of Pennsylvania

Two conventions have developed around the directionality of spillovers. One convention, prevalent in Industrial Organization, is that all R&D contributes to a spillover pool that has a common value for all firms in an industry. An alternative convention prevalent in evolutionary economics and the endogenous growth literature is that spillovers have directionality. A number of important conclusions rely on spillover symmetry: 1) the impact of market structure on innovation; 2) optimal absorptive capacity; and 3) the relative returns to own R&D versus spillovers. However, we don’t know if spillovers are symmetric. We test spillover symmetry by examining firm innovation as a function of its relative knowledge. We find that firms’ innovation rates increase with their “knowledge distance” from the technological leader. Thus spillovers appear to be asymmetric.

The Adoption of External Technologies: Existing and Emergent Capability
Oana Branzei, York University
Stewart Thornhill, University of Western Ontario

The study helps extend the predictions of the resource-based view by fleshing out the interplay between externally-acquired technologies and two different types of internal capabilities - the prior absorptive capacity of the adopter and emergent human capabilities specifically designed to improve the fit of the externally-acquired technologies within the adopting organization. While mere adoption of external technologies does not improve operating margins, we find that both larger investments in external technological capabilities and the emergence of technology-specific human capabilities in-house fuel important performance gains among technology adopters. Higher levels of absorptive capacity do not significantly improve the odds of adoption, nor do they contribute direct performance gains. However, within the boundaries of each adopter, absorptive capacity improves the effectiveness of specialized training by stimulating double-loop learning.

The Performance of Industry-science Links: A Process Perspective
Maria Otegui, IESE Business School-University of Navarra
Giovanni Valentini, IESE Business School-University of Navarra

This study intends to explore the factors that narrow the gap between the expected potential benefits of university-industry relationships and their actual performance. We focus on R&D cooperative agreements between science and industry in the Spanish chemical industry, and argue that firms’ perceived performance is a function of three fundamental dimensions of the relationship: equity, efficiency and relational quality. We contribute to the underdeveloped literature on the process of industry-science cooperative agreements. Departing from pure ‘initial conditions variables’ sheds new light on the determinants of the performance of these increasingly important organizational arrangements.
The Impact of Federal Government Acquisition Reform on United States Small Business Entrepreneurs

Timothy S Reed, United States Air Force
Patricia Luna, Air Force Institute of Technology
William Pike, Air Force Institute of Technology

Congress has directed federal agencies to reform acquisition procedures while promoting participation by small business contractors. Reports on the federal government as a whole suggest that acquisition reform has had a negative effect on small business participation. These agencies benefit in many ways from working with small businesses, especially in areas involving innovation and technology. This research finds that, over the past thirteen years, at least one department, the Air Force, has increased the number of small businesses receiving contract awards and has maintained a steady stream of new small businesses into that group. The research also tests variables to determine their effect on small business participation and concludes that total number of contract awards and total number of government-wide agency contract orders placed are useful for predictive purposes.

STRATEGIC CHOICE: BUILD, BUY, OR ALLY

Session Chair: Xavier Castañer, Groupe HEC-Paris

Equity Ownership in Technology Sourcing Relationships: A Decision-making Perspective

Prashant V Kale, University of Michigan
Phanish Puranam, London Business School

This paper takes a decision-making perspective on how managers make choices of equity ownership levels in technology relationships. We use a policy capturing exercise to investigate managers’ actual decision-making processes with respect to equity ownership levels. Our results show that managerial decision-making reflects several important theoretical criteria forwarded by extant academic research. However, our results also show that while managers consider multiple criteria from different theories in their decision-making, they systematically place different weights on these criteria. Finally, the results show that managers perceive criteria that influence equity ownership decisions to be interdependent.


Bernard Garrette, Groupe HEC-Paris
Xavier Castañer, Groupe HEC-Paris
Pierre Dussauge, Groupe HEC-Paris

Prior literature on alliance formation has discussed the different motivations that might drive firms to ally rather than to autonomously undertake a project. However, extant research is limited in two ways. First, it ignores the role of experience in the project domain as well as in collaboration, which we claim affect the decision between cooperation and autonomous project governance. Second, empirical research has focused on the determinants of alliance formation, ignoring the autonomous option. This paper addresses these two gaps, by testing our model in a sample of 293 new product development projects in the worldwide aircraft industry in the 1950-2000 period. As expected, we find that domain experience decreases the likelihood of collaborative versus autonomous development whereas cooperative experience increases it.

A Temporal Perspective on Learning Alliance Formation

Ming Piao, Northwestern University

When to enter the first learning alliance has strategic implications for firms’ long-term success. However, research on timing of the first learning alliance is rare. As one of the few empirical studies on this issue, this paper aims to fill the gap by asking what the implications are when firms launch their first learning alliance at different points of time. Empirical results support the central proposition that if firms enter the first learning alliance too early or too late, they tend to rush into a second learning alliance in a short period of time. In the long run, they will lose the ability to innovate. Overall, this study has fundamental implications for organizational learning in particular and theory building in general.

Networking Capabilities and Governance Structure: A Choice between Alliances and Mergers and Acquisitions

Haibin Yang, University of Texas-Dallas

This paper explores the choices of either alliances or acquisitions from a dynamic capability perspective. We identify an important dynamic capability—networking capability to illustrate a firm’s orientation for different governance modes. Specifically, we differentiate the capability to secure central positions in inter-organizational networks and the capability to fill in structural holes positions. We argue that a firm that is adept at weaving many firm-level ties with other partners enjoys the benefits of centrality and is more likely to use alliances rather than M&A. However, a firm that is good at building efficient networks and sitting between unconnected firms can reap the benefits of resource control and will forgo M&A to seek more strategic flexibility through alliances.
The Visible Hand of Management

Session Chair: Robert E Morgan, Cardiff University

Top Management Team Composition for Successful Turnaround Management
Alexander D Falkenberg, University of St Gallen/Wharton-SMU Research Center
Helena Glamheden, University of St Gallen

Research on turnaround management has stressed the need for top management replacement in situations of financial distress, but has not yet paid significant attention to favorable compositions of top management teams. An integration of the upper echelon literature with the turnaround literature leads us to propose that long executive industry tenure and long organizational tenure in top management teams tend to be negatively related to turnaround success. Additionally, we argue that the severity of the turnaround situation, the distribution of power and the organizational setup with centralized power versus decentralized decision-making, moderate the impact of the top management team characteristics on turnaround success.

Fair Process and Managerial Involvement in Implementing Strategy
Eleri R Thorpe, Cardiff University
Robert E Morgan, Cardiff University
John Cadogan, Loughborough University
Douglas W Vorhies, University of Mississippi
Constantine Katsikeas, Cardiff University

Fair process in strategy-making can induce commitment, trust, and satisfaction by mid-level managers creating a climate to stimulate effective strategy implementation. The strategy literature also propounds that implementing strategy should provide the focal point for attention as it directly impacts the performance of organizations as the vital link between the formulation of strategies and achieving enhanced organizational performance. However, developing effective implementation environments through intangibles such as actors and processes has received little research attention to date. Furthermore, mid-level managers have largely been ignored despite their intricate involvement in strategy implementation activities. This study builds upon existing research in this area and draws upon the concept of procedural fairness as a theoretical framework.

Maintaining High Performance in Adverse Times: TMT Beliefs and Response in High and Low Velocity Environment
Sucheta Nadkarni, University of Nebraska-Lincoln
Pamela S Barr, Georgia State University

Successful firms maintain their high performance by responding to adverse events in their competitive environments in a timely and appropriate manner. Yet the strategy literature offers differing views on the definition of "timely" (fast versus slow) and "appropriate" (aggressive versus defensive). This paper seeks insight into this dilemma by comparing the firm-environment beliefs held by top managers from successful firms in high velocity environments with the firm-environment beliefs held by top managers from successful firms in low velocity environments and relating differences in those beliefs to variation across these firms in the timing and content of their responses to adverse events in their industries. The results provide insight into the relationship between TMT beliefs, organizational response to adverse events in differing industry types and firm performance.

Impact of CEO Affective Traits on the Strategic Behavior of Spanish Financial Intermediaries
Juan B Delgado García, University of Burgos
Juan M Fuente Sabaté, University of Burgos

The development over recent decades of research into managerial cognition has brought with it new and promising explanations of the causes behind differences in organizational strategies and performance within a given industry. However, this line of research has traditionally circumvented the role of emotions and their mutual dependence with cognition. The aim of our research is to study this relationship more deeply by analysing the influence of the emotional traits of the CEOs (Chief Executive Officers) on the strategies adopted by Spanish banks and savings banks. In our opinion, their affective traits can affect innovation and risk levels and the combination of tangible and intangible resources maintained by those aforementioned financial intermediaries.

Intellectual Property Rights and Knowledge Management

Session Chair: Stuart J Graham, Georgia Institute of Technology

Knowledge Transfer in the Industrial MNC and the Role of Incentives and Institutions
Thomas Kalling, Lund University
Frank Linnerz, SCA Packaging
Richard L Sanders, SCA Packaging

Theory on the firm-internal transfer of knowledge focuses to a great extent on cognitive factors in their choice of independent variables driving learning. This case study, however, centered upon a production knowledge transfer
venture in a European industrial MNC, argues that theory needs to take into account also the role of incentives. In contrast to the cognitive orientation of existing theory, including the role of factors such as tacitness, causal ambiguity and absorptive capacity, this paper suggests that motivation is equally important. Here, explanatory factors are found in the local perceptions of transfer ventures, aspiration and strategic ambitions, internal competition, the view on the nature of knowledge and local communication.

**Fuel Cell Development: The Clustering of Automotive Firms’ Strategies**
Romano Dyerson, *University of London*
Alan Pilkington, *University of London*

How far are automobiles firms developing technology in the same direction, who else might be important in the wider development of fuel cells? This paper attempts to answer these questions through analysis of the patenting activity of the individual firms engaged in fuel cell development. Using American patent data, indexes of patent quality and activity are constructed and assessed in order to explore who the key inventors and firms are in fuel cell development and how many are automotive based. Also explored is the technological status and advances being pursued in fuel cell commercialization. This allows us to group firms on the basis of technological focus and suggests the existence of networks of firms clustering activity around certain technological problems.

**Are Intellectual Property Protections Complements or Substitutes? Evidence from Software Litigation**
Stuart J Graham, *Georgia Institute of Technology*
Deepak Somaya, *University of Maryland*

This paper explores a fundamental question of innovation strategy: Are IP protections complements or substitutes? We employ litigation data on patents, copyrights, and trademarks to study the overlapping IP protections used by software firms. Despite the relative weakening of legal copyright protection in the 1990s, we find a surprisingly large and growing reliance on copyright by software firms. While prior research, as well as the policy debate, has tended to view different types of IP as substitutes, we propose conditions under which they can act as complements. We design an empirical test that uses a fixed-effects seemingly-unrelated-regression (SUR) model to estimate the occurrence of litigation over patents, copyrights, and trademarks, and find evidence of complementarity between these different types of IP used by software firms.

**Profiting from Licensing: The Role of Patent Protection and Commercialization Capabilities**
Ashish Arora, *Carnegie Mellon University*
Marco Ceccagnoli, *INSEAD*

We develop a structural model in which both patenting and licensing behavior are jointly determined by factors such as patent effectiveness, the presence of commercialization capabilities and their complementarity with R&D activity, and industry and technology characteristics, such as the nature of knowledge and competition. We estimate the model using the Carnegie Mellon survey on industrial R&D, which provides detailed information on the patenting and licensing activities of manufacturing firms in the U.S. We find that increases in patent effectiveness increase both patenting and licensing propensity. Conditional on patenting, increases in patent effectiveness decrease licensing propensity. However, higher patent effectiveness elicits much larger increases in licensing from firms lacking commercialization capability or characterized by a lower degree of complementarities between R&D and commercialization capabilities.

**Innovating, Innovation, and Learning in Companies**
Johan Roos, *Imagination Lab Foundation-Switzerland*
Cliff Dennett, *Imagination Academy*
Lewis J Pinault, *EDS*

In this panel a senior executive, a consultant and management researcher will share their experience of trying to innovate how to innovate learning in firms. They have collaborated to design and stage unusual, hands-on learning experiences in the interface between a large corporation and its clients. Using a facilitated group process called LEGO Serious Play™ they have addressed real business issues, like client engagements in a large firm. This way they have tried to move beyond traditional cognitive, deliberate and often boring modes of interaction, which rely on visual, textual, and often two-dimensional media. The panelist will offer their perspectives and views, from the three vantage points they represent.

**How Do Venturing Firms Use Their Social Networks?**
*Session Chair: Jeffrey C Shuman, Bentley College*

Dow Chemical’s SiLKnetstm Alliance: An Entrepreneurial Approach to the Adoption of a Disruptive Technology
Jeffrey C Shuman, *Bentley College*
Janice Twombly, *The Rythm of Business Inc*

Today, it is very difficult for any single company to come up with the financial, technical, and people resources to meet the innovation challenges of a rapidly evolving, technology-based industry. Consequently, traditional supply chain silos are being bridged to deliver the technological innovation customers’ require to fuel their own
business plans. Dow Chemical's entrepreneurial approach to the building of its SiLKnet Alliance, a 26-company collaborative community, is an effective means to distribute costs, leverage partner competencies, and build trust. It creates an interdependent and mutually beneficial value network that can speed the introduction of technological innovation. Contrary to traditional industry consortia and bi-lateral alliances, an entrepreneurial collaborative community can rapidly iterate in response to changing environments and can be readily adapted to other capital-intensive industries.

**Network Access and Technological Learning: New Venture Learning in University-linked Technology Incubators**

Joanne Scillitoe, *Michigan Technological University*
Alok Chakrabarti, *New Jersey Institute of Technology*

Successful New Technology-based Ventures (NTBV's) can enhance economic development through innovation, job creation, and/or profits. University-linked Technology Incubators are a new organizational form that seeks to enable NTBV success. Recent literature concerning the beneficial impact UTI's have on NTBV success has suggested that synergistic networking activity with various organizations associated with the UTI, such as universities, firms, business consultants, incubator management, and funding agencies, enhances NTBV success. This study provides empirical evidence that network access from various organizations enables NTBV learning of technological know-how needed for innovation. These findings make a significant contribution to the literature, affirming the role network access from multiple organizations plays in NTBV success and provides valuable insights regarding what interactions should be fostered by UTI's to enhance NTBV technological learning.

**The Implications of Geographic Cluster Locations for New Venture Performance**

Brett Anitra Gilbert, *Georgia State University*

New firm formation and the potential for new job creation that accompanies new firm growth are two factors that have made geographic clusters (e.g., Silicon Valley, Research Triangle, Route 128 in Boston) attractive instruments for economic development across the U.S. and around the World. Yet there is little empirical evidence to support the proposition that new ventures founded in cluster locations actually thrive in such locations. This paper utilizes institutional theory, network theory and the resource-based view to determine how two characteristics of clusters, the presence of knowledge spillovers and the social capital developed through buyer-supplier relationships, impact the performance of geographic cluster new ventures. It tests the developed hypotheses on a sample of IPO new ventures in the software and computer programming industries.

**Experience, Social Ties, Structural Position in Dense and Rapidly-evolving Networks: Longitudinal Study of High-technology Investing**

Reddi Kotha, *London Business School*
Susanna Khavul, *London Business School*

This study examines the effect of prior experience, social ties, and structural position of venture capital firms on their propensity to form future syndication alliances. Past research focused on sparse networks and dyadic alliance relationships. However, with rapid adoption of network forms of organization, firms have evolved from having few alliances with repeat partners to multiple alliances with a diverse set of partners. In our study, we extend the application of social network theory to alliance formation in the dense and rapidly evolving networks that characterize high-technology investing. We test our hypotheses on ten years of longitudinal data collected to capture the full history of investments across a population of 1,125 high technology start-up firms which received 2,100 rounds of investment from 3,374 distinct investors.

**PLACE, JUSTICE, AND THE COOPERATIVE WAY**

**Session Chair:** Jérôme Barthelemy, *ESSEC Groupe*

**Entry and Survival in Foreign Markets: Technology, Brand Building, and International Linkages**

Salvatore Torrisi, *University of Camerino*
Marco Giarratana, *University of Carlos III-Madrid*

This paper explores the effects of technological capabilities, alliances and location-specific characteristics on firm entry and survival in foreign markets. Our empirical analysis is conducted on a sample of 876 software firms from India, Ireland, and Israel. The paper addresses two main questions. First, which factors affect the firm decision to enter the U.S. market? As a proxy for entry we use the time of registration of the first firm's trademark at the U.S. Patent and Trademark Office (USPTO). Second, which factors explain firm survival in foreign markets? We use trademark renewals and new trademark applications as a proxy for survival in the U.S. market. Our econometric analysis, based on hazard models, shows that the factors that affect entry and survival are different.

**The Role of Justice Theory in Strategic Alliance Negotiations**

Africa M Aríño, *IESE Business School-University of Navarra*
Peter S Ring, *Loyola Marymount University*

We report data from a revelatory qualitative case study of a failed attempt to negotiate an international joint venture agreement. We analyze issues of justice and the role that their occurrences in the course of the negotiations might have played in this outcome. These potential antecedents of the failure were derived from
The Determinants of United States Franchisors International Involvement
Jérôme Barthelemy, ESSEC Groupe

In recent years, franchising has become a global phenomenon. However, there is little empirical research on the internationalization of U.S. franchisors. Findings from an empirical study suggest that the international involvement of U.S. food franchisors is influenced by: 1) the size of their network; 2) the extent to which they provide support activities; and 3) the use of sub-franchising agreements. On the other hand, neither domestic market saturation nor knowledge intensity had a significant impact on international involvement.

Resource Extraction International Joint Ventures in LDCs: Revisiting Joint Venture International Firm Expansion Theory
David E Allwright, Mount Royal College
Harrie Vredenburg, University of Calgary

Much of the research on international joint ventures (IJVs) has focused on manufacturing firms as opposed to resource extraction firms. This paper proposes that the fundamental differences between these two types of organizations have lead to the failure of international business theory to fully explain the failure of IJVs. The authors studied two IJVs in the oil and gas industry and examined the phenomena that lead to their failure. These case studies highlight the differences between manufacturing and resource extraction IJVs and the changing global forces that rendered the IJV partner incapable of mitigating the downside risks associated with that IJV.

THE CO-EVOLUTION PERSPECTIVE IN STRATEGIC MANAGEMENT
Joan E Ricart, IESE Business School-University of Navarra
Luis Vives de Prada, Massachusetts Institute of Technology
Johann Peter Murmann, Northwestern University
Arie Y Lewin, Duke University
Henk W Volberda, Erasmus University-Rotterdam

Although growing in importance as a perspective for strategy and organization research, co-evolution is still in need for further empirical research and theoretical developments. The main purpose of the panel is to provide an overview of the state-of-the-art research in co-evolution. Rooted in systems thinking, co-evolution has benefited from contributions coming from different authors, mainly along the last decade. With this panel we would like to summarize recent developments in co-evolution, making a critical analysis on how different theoretical streams can contribute to future developments of co-evolutionary thinking and provide future lines of research.

IN SEARCH OF STRATEGIC TRANSFORMATION
George S Yip, London Business School
Timothy M Devinney, University of New South Wales
Gerry N Johnson, University of Strathclyde

This panel will report on a major research study that seeks to explain how some firms are able to achieve strategic transformation while maintaining long-term superior performance. This latter combination is rare. The study has three major components. First, we use a systematic technique to identify patterns of long-term performance for all large, public British companies (FTSE 350) in order to find those companies with consistent superior performance on multiple measures over at least ten years. Second, we identify which of these superior performers have also significantly changed their strategies. Third, we develop case studies from about these strategic changes. Fourth, we conduct in-depth historical and clinical analysis of the management processes by which these companies were able to achieve such strategic transformations.

CEO SELECTION AND SUCCESSION
Session Chair: John A Pearce II, Villanova University

Selecting CEOs for Change versus Stability: Theory and Evidence
Ayse Karaevli, Northwestern University

Given the arguments of many dimensions upon which top executives can differ and that there are degrees of “insiderness” and “outsiderness”, it is not very surprising to see that the implications of new CEO insider/outsider dichotomy for firms’ strategic initiatives are still unclear. This study addresses this issue by theorizing and testing a more comprehensive and nuanced framework on how economic and socio-political factors external and internal to the organization influence the degree of change in CEO demographic characteristics. A longitudinal (1972-2002) investigation of the relatively stable U.S. chemical industry and turbulent U.S. airline industry highlight the importance of both economic and institutional aspects of the external environment and the intra-organizational socio-political forces (and not the pre-succession firm performance) for change in CEO characteristics.
CEO Survival and Firm Performance Following an IPO
John A Pearce II, Villanova University
Shawn Howton, Villanova University
Shelly Howton, Villanova University

The relationship between the CEO continuity through the initial public offering (IPO) process and the financial performance of the firm is not as well understood. In this research, we study 273 corporations to identify the links between their IPOs and subsequent financial performance. Our empirical investigation yields positive associations between CEO survival through the IPO period and the variables that may explain it, including the hypotheses that CEO turnover is inversely related to CEO duality, CEO ownership, and the percentage of insiders on the board, and directly related to the size of the board, directorships held by board members, outside CEOs on the board, inside director ownership, and stock ownership of outside directors.

CEO Origins: Closer to Home
Karen A Schnatterly, University of Minnesota
Scott Johnson, University of Minnesota

In this study, we examine the circumstances under which a firm is more likely to choose a new CEO from each of four categories: insider, outsider on board, insider in industry, outsider not in industry. The phenomenon of the replacement CEO coming from the board has not been investigated before. If this is a growing phenomenon, it will increase scrutiny of the board, as well as make the nominations process of the board more critical. We also investigate the impact of the exiting CEO’s power and type of exit on this process. There has been very little attention paid to this dimension of succession. A better understanding of CEO selection is important, as it is a major organizational event that has implications for firm strategy.

One Size Does Not Fit All: Redefining the CEO
Sylvia Sloan Black, North Carolina A&T State University
Marta A Geletkanycz, Boston College

Prior research has largely assumed that CEO roles are the same, with strategic decision-making serving as the most important task. This study takes a broader viewpoint, positing that the organizational life cycle combined with strategic contingencies will dictate more varied roles. We propose that CEO roles and responsibilities vary based on the organizational context. We develop a typology incorporating the organizational life cycle concept with Mintzberg’s CEO roles to ultimately suggest appropriate types of strategic leaders at each stage of the organization life cycle. Using grounded case study analysis of more than 50 CEOs, our research not only uncovered variance across firms, but also the effects of organizational evolution. Specifically, as firms traverse the life cycle, changes were evidenced in the mandates before the CEO.

Improving Performance
Session Chair: Véronique Ambrosini, Cranfield University

What is a Valuable Resource?
Cliff Bowman, Cranfield University
Véronique Ambrosini, Cranfield University

Our aim here is to clarify the notion of ‘Valuable’ resources. The argument that valuable, rare, inimitable and imperfectly substitutable resources can be a source of superior performance is appealing to most executives, however the application of this principle is difficult. Here, by first arguing that unit margin could be used to define ‘valuable’, and then that there are two main value creation processes with the firm: those activities that reflect the firm as a supplier of new use values to its customers and those that reflect the firm as a customer of use values from its suppliers, we hope to bring some conceptual clarity while moving towards making the view more managerially relevant. We conclude with some suggestions about how valuable resources can be identified.

Supporting Leadership Behavior: A Driver of Organizational Performance
Ragnhild Kvålshaugen, SINTEF
Alf Inge Stiansen, Euro Business School
Sigurd Austin, Gjensidige NOR
Øyvind L Martinsen, Norwegian School of Management BI

The paper examines to what extent supporting leadership behavior has any effect on organizational performance. A supporting leadership style is characterized as a solution-focused, results-oriented systematic process in which the leader facilitates the enhancement of the employee’s performance and empowers the self-directed learning, personal growth and the achievement of the employees. We suggest that supporting leadership behavior has positive influence on employee satisfaction, loyalty and contribution, customer loyalty, and economic performance. The study was conducted among 152 retail store leaders, applying a 360-degree assessment (leaders, followers, and superiors) examining the relationships between supporting leadership behavior and organizational performance. Our study suggest that empowerment is important for employee satisfaction, loyalty and contribution, while facilitating leadership behavior is important for customer loyalty and economic performance.
Who Molds Organizational Capabilities? A Longitudinal Event-sequence Analysis of Product Development Processes
Carlo Salvato, Bocconi University

While the connotation of some core organizational processes as 'dynamic capabilities' has become common in strategic management literature, little progress has been made towards a fine-grained understanding of how dynamic capabilities come into being and evolve, and of the role specific organizational actors play within these processes. To better understand the evolution of capabilities, and the role key organizational actors play within these processes, I engaged in an inductive, longitudinal study of 41 new product development processes at Alessi, world leader in design household products. Adopting sequential analysis methods coupled with optimal matching techniques and cluster analysis, I described different clusters of NPD processes, and related different roles played by few key organizational actors in shaping the firm's product-innovation capabilities.

DYNAMIC CAPABILITIES: ACHIEVING BALANCE BY LEARNING TO DO NEW THINGS
Session Chair: Dany Jacobs, University of Groningen

Dynamic Capabilities and the Process of Structuration
Ken G Smith, University of Maryland
Qing Cao, University of Maryland
Shawn M Lofstrom, University of Maryland

Drawing from structuration theory, we propose a three-step process model of dynamic capabilities involving the processes of searching, entrepreneurial acting, and learning. Searching leads to the discovery of opportunities or new propositions about how resources might be reconfigured; entrepreneurial actions are used to test these propositions; learning from the outcome of actions improves understanding of the resource/performance relationship. The cycle begins when decision-makers question their prior beliefs on how resources affect performance, and concludes as they attempt to revise their beliefs to reconfigure resources. Dynamic capabilities become a more important source of competitive advantage in environments characterized by great variation of viewpoints among market participants. Our theory allows for managers to proactively influence their environment as well as to react to changes in it.

Towards a Dynamic Theory of the Firm
Angelina Zubac, University of Queensland

This paper develops the theory that a firm should be defined as an assemblage of closely interrelated and potentially productive resource investments. It takes the position that this definition of the firm provides more scope to advance resource-base view (RBV) theory than prior definitions because of its capacity to explain: 1) why different combinations of resources will be more important at different times in a firm's life, and as its growth and performance prospects change; 2) why some resource investment proposals are rejected; 3) how value accrues to the firm; and 4) whether firms at a similar stage of development or operating in comparable markets or that have experienced persistent above average returns will possess resource investment configurations that are fundamentally the same.

Dynamic Capabilities as Key Processes to Pursue and Achieve Strategic Balance
Roger Miller, École Polytechnique-Montréal
Nathalie Drouin, University of Quèbec-Montréal

In the 80s and 90s competitive advantage rested on variables such as efficiency, customer, speed. In the new economy, control over these variables represents the minimum threshold to "play the game". Today's organizations face additional challenge- the requirement to innovate. Inconsistencies between activities focused on productivity and those focused on innovation is an interesting dilemma. Our study demonstrates that managers count on their understanding of key capabilities to create value. Excellent firms build capabilities to match the game they compete in. However, no best practices could be identified to address the strategic balance in driving innovation and maintaining performance simultaneously. It is more an understanding of the relationships Industry dynamics-Game dynamics and Capabilities transformation that has great value in the quest to achieve strategic balance.

Outline of a Theory of Competence Development
Heike Proff, Zeppelin University

This paper examines competence development as a facet of the dynamism of firms. Proceeding from a "model of competence building", it outlines a theory of competence development. From this it is possible to derive the recommendation that competence development should cyclically alternate between competence upgrading and competence renewal depending on various factors, such as the firm-specific resource-base, how managers perceive competences to create customer value, the undesired diffusion of knowledge and changes in the environmental dynamism specific to firms. The relevance of the theory is underlined by the fact that it stands up to empirical analysis.
Knowledge Transfer Methods: An Empirical Investigation of Their Function, Timing, and Effectiveness

Robert J. Jensen, University of Pennsylvania
Gabriel Szulanski, INSEAD

Both the academic and practitioner literature’s have discussed various methods firms use in the transfer of organizational practices. The purpose of this paper is to empirically explore various transfer methods to ascertain underlying mechanisms or constructs. In this regard, we surveyed participants of 122 different transfers of organizational practices in eight companies, asking their usage of 38 different transfer methods derived from the literature and field research. Exploratory factor analysis reveals four underlying dimensions representing implementation, sharing, persuasion, and training methods. We then empirically explore the effect on transfer stickiness of using the four factors across the four temporal stages of a transfer. The analysis suggests that the type of method used differentially affects the stickiness, or difficulty, depending on the stage of the transfer.

The Impact of Knowledge Management on MNC Subsidiary Performance: The Role of Absorptive Capacity

Volker Mahnke, Copenhagen Business School
Markus Venzin, Bocconi University
Torben Pedersen, Copenhagen Business School

Empirical studies on the impact of knowledge management on the performance of MNC subsidiaries remain elusive to date. This study examines the effect of knowledge management tools on absorptive capacity and firm performance with unique data from subsidiary units in a large German MNC - HeidelbergCement. The findings suggest that knowledge management tools unfold their performance impact through their significant influence on absorptive capacity and knowledge inflows. The key contributions to the current literature on knowledge flows in the MNC include an empirically corroborated link between deployments of knowledge management tools and their impact on the subsidiary employee’s ability and motivation to learn from internal knowledge flows in the MNC as well as their impact on subsidiary business performance.

Determinants of Knowledge Transfer in Interorganizational Relationships: Empirical Evidence in Academic-industry Relationships

Alicia M. Bolívar-Cruz, University of Las Palmas-Gran Canaria
Desiderio J. García-Almeida, University of Las Palmas-Gran Canaria
Juan Manuel García-Falcón, University of Las Palmas-Gran Canaria

This paper attempts to study the factors that impact on knowledge transfer which is generated when technological co-operation agreements are established among firms and universities. Although this type of agreement has been traditionally studied within the interorganizational relationship framework, in this work an innovative vision is used performing the analysis under the knowledge-based view. Thus, the work contributes to the study of the university-industry relationships, which are a key factor in the development of the innovative activity of the firm, as well as to the knowledge-based view, focusing on one of the most interesting topics in this perspective: the knowledge transfer.

A Comparative Analysis of Open Source Software Development and Genomics in Sharing and Transmitting Knowledge

Dodo zu Knyphausen-Aufsess, University of Bamberg
Leona Achtenhagen, Jönköping University/University of Bamberg

The aim of this paper is to further our understanding of the processes of sharing and transmitting knowledge in communities of practice in knowledge-intensive industries. We conduct a comparative case analysis of the case of open source software development and the much more or less prominent case of genomics. An analysis of the similarities and differences of the knowledge sharing and transmitting in these two cases allows us to address the transferability of these factors to communities of practice in other industries.

Escalating Investments and Declining Returns: Tracking Momentum Creating Strategies in the United States Motion Picture Industry

Joseph Lampel, City University-London
Jamal Shamsie, Michigan State University
William Greene, New York University

Recent perspectives on strategy have proposed that firms should confront their rivals more directly in order to keep pushing on their own capabilities. We suggest that such a focus on rivalry tends to lead firms to try and outspend each other on similar practices and techniques even though they do not end up being any better off. We show this “Red Queen” effect with the investments that have been made by the Hollywood studios on the
production and marketing of films. Over a ten-year period, our results show that there have been diminishing returns on these investments in terms of the sales momentum that is generated at the box office.

Reconceptualizing Hypercompetition: Unraveling the Puzzle
Dev K Dutta, University of Western Ontario
Mary M Crossan, University of Western Ontario

Ever since the publication of D'Aveni's influential book on hypercompetition, there has been growing research and practitioner interest on the subject. Yet, the phenomenon remains poorly understood, with several untested theoretical assertions as well as confounding empirical findings. We examine the theoretical underpinnings of hypercompetition to address the following research questions: 1) What forces cause firms to behave in hypercompetitive ways? 2) If these forces prevail, how do we explain the equivocal findings observed with respect to hypercompetition? We develop the perspective of “aggregate” versus “disaggregate” competition and use this in conjunction with objective versus perceived environments to answer the questions posed. Our main contribution is in offering a plausible explanation that reconciles divergent and often conflicting evidence on hypercompetition noted in prior empirical work.

Strategic Groups and Competitive Groups in the United Kingdom Pharmaceutical Industry: Studying the Competitive Process
Graham Leask, Aston University
David Parker, Cranfield University

Strategic groups and competitive groups both describe intra-industry groups that have been linked to performance (Bogner, 1991; Porac et al., 1989; Porter, 1979). Strategic group research seeks to define firm performance as a function of group membership delineated by common strategies and represents a supply side concept. In contrast competitive groups define firms on the basis of rivalry and describe a demand side concept. This paper explores the relationship between these two alternative classifications and the implications for competitive dynamics and performance within U.K. pharmaceuticals.

The Rise of Hypercompetition in the United States Manufacturing Sector, 1950 to 2002
L G Thomas III, Emory University
Richard A D'Aveni, Dartmouth College

Recent theoretical work has posited that many industries have become hypercompetitive, characterized by rapid competitive moves and volatile or transient competitive advantage. This study documents the spread of hyper-competition in the U.S. manufacturing sector from 1950 to 2002. In so doing, the study provides careful definition of different types of competition, offers specific constructs to measure competitive type for an industry, and estimates these constructs. We find a monotonic shift towards hyper-competition in most industries, with acceleration in this transition around 1980. These findings are consistent with theoretical work about the decreasing sustainability of competitive advantage.

Which Game to Play? Modeling and Testing Export Producer and Intermediary Relationships
Asda A Chintakananda, University of North Carolina-Chapel Hill
Anne S York, University of North Carolina-Chapel Hill
Hugh M O'Neill, University of North Carolina-Chapel Hill
Mike W Peng, Ohio State University

Prior research has used transaction cost and agency theory to explain export producers’ or intermediaries’ one-time decisions to cooperate or compete. Game theory provides a vehicle for modeling the dynamic and sometimes dependent set of choices made by both parties. This research develops and tests a game theoretic model of export producer and intermediary interaction. We first identify factors that underlie partners’ choices to compete or cooperate and assess their impact on each party's satisfaction. Our findings suggest that whether firms choose to play a competitive (“prisoner’s dilemma” model), cooperative (“stag hunt” model), or mixed game depends on information shared, pricing, and transactions costs. No matter which game they choose, parties playing the same game are more satisfied than those playing different games.

Complexity and Complicity in Mobile Telecommunications: The Effect of Isomorphic Strategies on Network Externalities
Tanya Sammut-Bonnici, University of Warwick
John McGee, University of Warwick

Network externalities deal with winner-takes-all scenarios where only the strongest firms survive. However we observe many important industries such as telecommunications where market tipping does not occur and the competitive environment is preserved. Industry players in the mobile communications market moderate their strategic behavior and opt for strategies that imply a form of complex adaptive behavior. The common goal becomes the collective survival of the firms in order to eliminate the probability that one firm will prevail and the
Rest will fail. A complex set of isomorphic strategies emerges at the level of technical standards, network platforms and the consumer platform. As a result market shares of competing firms converge dramatically and network externalities are reconfigured to act for the benefit of the whole industry.

**Complementarities, Competition, and Sustained Intra-industry Profit Heterogeneity**

Michael J Lenox, Duke University
Scott F Rockart, Duke University
Arie Y Lewin, Duke University

A central question in the field of strategic management is what explains sustained intra-industry heterogeneity in profits. Recent work proposes that the mere complexity of a firm's strategy may be sufficient to generate profit heterogeneity. Complementarities between the activities that a firm engages in may make a firm's decision problem computationally complex and raise a significant barrier to imitation. We propose, however, that competition may moderate the impact of complementarities on intra-industry heterogeneity in profits. To explore this proposition, we develop a model of endogenous competition in complex environments building off a Cournot model of competition in an undifferentiated, oligopolistic market. Analyzing our model, we find that under certain conditions competition mediates the importance of complementarities and may even suppress profit heterogeneity all together.

**Extreme Manifestations of Herding Behavior in Fine Chemicals M&As: When Actions of Others Prevail on Feedback from the Market**

Laurence Capron, INSEAD
Andrew Horncastle, Roland Berger Strategy Consultants

The herding concept has hardly been applied to M&As, beyond some observation of clustering behaviour: the merger waves. Particularly, in the context of M&As, it might be valuable to observe that firms not only tend to make acquisition in waves, but also tend to make similar valuation mistakes, and as a result they all overpay. Investigating how firms can all overpay is interesting from the standpoint of the herd behaviour theory because the market at the announcement penalizes overpayment. If managers mimic earlier value-destroying deals, they attribute higher value on information provided by others’ actions than on information provided by stock markets. In the fine chemicals industry, we find evidence of herd behaviour applied to M&As.

**THE ROLE OF KNOWLEDGE IN M&AS AND CORPORATE VENTURE CAPITAL CONTEXTS**

**Post Acquisition Integration: A Social Network Investigation of Behavioral Change**

Joan T Allatta, University of Pennsylvania
Anjua Gupta, University of Pennsylvania

Mergers and acquisitions are considered value creating activities. However, the benefits of these activities hinge to a large extent on the post-acquisition integration process. This paper uses a micro-level approach to investigate how workers from an acquired firm integrate with workers from an acquiring firm. Social network measures are used to analyze a unique set of behavioral data (email logs) during the first twelve months of the acquisition. This longitudinal study investigates changes in worker behavior at the individual, dyadic, and firm levels. We find that workers communicate more across firms when their practices are similar. We believe this type of analysis is beneficial to academics studying mergers and acquisitions and to managers overseeing the integration processes.

**A Dynamic View of Knowledge Organization during a Corporate Merger**

Mark WS Chun, Pepperdine University
Ramiro Montealegre, University of Colorado-Boulder

Past organization research has concentrated on structural features that enable researchers to identify how existing knowledge is organized in firms. Comparatively little research has been conducted in how firms dynamically change the way knowledge is organized to support implementing acquisitions, alliances or organizational changes. This study uses as its basis an in-depth field study in the context of a recent merger of two telecommunications companies that formed the fourth-largest long-distance company in the United States to identify, describe, and analyze how the merged firm dynamically changed the way it organized knowledge. The findings suggest that this dynamic process can be captured along four dimensions: knowledge routinization, knowledge acquisition and release, knowledge dispersion, and knowledge hierarchy and delineation. Implications for research and practice are also presented.

**A Knowledge-based Approach to Predicting the Post-merger Performance of High Technology Mergers and Acquisitions**

Marianna Makri, University of Miami
Peter J Lane, University of New Hampshire

This study proposes and tests a knowledge-based model of acquirer-target relatedness and performance in high technology mergers and acquisitions. The concept of knowledge relatedness is revisited to give equal emphasis to complementarity (supporting or facilitating knowledge-bases) and similarity (overlapping knowledge-bases). Hypotheses are offered linking different types of science and technology relatedness with post-merger innovation performance and financial performance. Similarities and complementarities between the technological and
scientific portfolios of the acquirer and the target are shown to have different effects on both types of performance, with complementarities playing especially important roles. It is also shown that assessing the relationship between acquirer-target relatedness and financial performance requires matching the time frame for evaluating performance to the type of knowledge relatedness.

**A Contingency Framework Relating CVC Investments and Firm Innovation: Evidence from the Telecommunication Equipment Manufacturing Industry**

*Anu Wadhwa, University of Washington*

Despite the increasing use of Corporate Venture Capital (CVC) investments by established firms in entrepreneurial companies as a tool to gain strategic benefits, the link between CVC investments and innovation outcome for the corporate investor has not been examined. We explore conditions under which CVC investments impact innovation in the corporate investor. We propose that the scale of CVC investment stimulates innovation in the corporate investor. In addition, given the complex nature of the relationship between CVC investment and innovation, there can be a myriad of contextual factors that impact this relationship. We build a contingency framework that highlights how contextual factors drive the effectiveness of CVC investment as a mechanism for harnessing innovations.

**The Thinking Manager: The Challenges Ahead for the Cognitive School in Strategy**

*Vadake K Narayanan, Drexel University*
*James P Walsh, University of Michigan*
*Anne S Huff, London Business School*
*Pamela S Barr, Georgia State University*

The primary objective of this panel is to raise the major scholarly challenges confronting the cognitive school in strategy. The panel will discuss several related questions: What was the historical context in which attention to cognition became necessary, and how is that context different today? How has the cognitive school linked theoretically to the mainstream strategic management literature? What has been the contribution of the empirical works following a cognitive perspective? What are the uncharted territories? What are the institutional challenges confronting cognition scholars?

**Are People Really the Most Important Factor in Entrepreneurial Success?**

*Session Chair: Warren D Miller, Beckmill Research*

**Corporate Entrepreneurship: Linking Middle Manager's Strategic Roles to Multiple Dimensions of Performance**

*Johanna Mair, IESE Business School-University of Navarra*
*Cristina Rata, IESE Business School-University of Navarra*

Using data from a large European financial service firm, which engaged in an entrepreneurial initiative to enhance its competitiveness, this paper explores the strategic role of middle managers in the context of corporate entrepreneurship and its link to multiple dimensions of performance. The findings indicate that middle managers' role can be decomposed along four reliable and stable dimensions that are consistent with those suggested by the literature. Building on a stakeholder approach the paper relates the identified roles to multiple dimensions of performance, namely to financial performance, customer satisfaction and employee satisfaction. Canonical correlation analysis - a useful and powerful method to explore relations among multidimensional variables - indicates a significant but weak relationship.

**Strategy Process in Family Firms: An Investigation of the Unique Psychodynamic Effects on Organizational Performance**

*Kimberly Eddleston, Northeastern University*

Family firms are often plagued by conflict. This study tests the performance effects of relationship conflict in family firms and identifies information processing structure, altruism and control concentration as potential antecedents of such negative conflict. Relationship conflict was found to negatively impact family firm performance, while the occurrence of altruism in family firms was found to reduce the occurrence of such conflict. Ownership concentration and information processing structure were not found to significantly influence relationship conflict, however information processing structure was found to have a direct positive effect on family firm performance. Implications for the findings are discussed.

**Should They Quit Their Day Jobs? Regional Variations in Founding Teams and Firm Resource Obtainment**

*Kelley A Porter, Queen's University*

Organization structures are shaped by the era in which their industries originate, as well as the common knowledge of their participants. In addition, regions, and their local cultures, may influence who founds firms, and therefore firms abilities to obtain resources. This study considers how a single industry, which simultaneously emerged in multiple regions, was shaped locally by those involved. Comparisons between founding teams of biotechnology firms in the Boston and San Francisco Bay areas reveal significant differences in the teams'
Much strategizing does not rise to the challenge of providing inspiring, adaptive, innovative, and effective strategy. This workshop calls attention to this “failure of imagination” by offering participants a preview of “crafting sense,” a more imaginative way to strategize. Our approach builds on an innovative conceptual framework of imagination in human experience, which permits managers to identify specific areas of improvement in behavioural, material, and conceptual facets of strategizing. This workshop includes presentation of new material, experiential learning, and group discussions.

**Crafting Sense: Preventing the Failure of Imagination in Strategizing**

**Session Chair:** Johan Roos, Imagination Lab Foundation-Switzerland

Much strategizing does not rise to the challenge of providing inspiring, adaptive, innovative, and effective strategy. This workshop calls attention to this “failure of imagination” by offering participants a preview of "crafting sense," a more imaginative way to strategize. Our approach builds on an innovative conceptual framework of imagination in human experience, which permits managers to identify specific areas of improvement in behavioural, material, and conceptual facets of strategizing. This workshop includes presentation of new material, experiential learning, and group discussions.
The Synthesis Model of Value Creation: New Horizon for Dynamic Management View

Stephen In-ho Kim, Hanyang University

Through the synthesis model of value creation with mediating and moderating variables, this paper shows how innovation links to firm performance in what manners/under what conditions/in which contingencies, and opens a new horizon for dynamic management view (DMV) by emphasizing the firm power as the source of value creation as well as an empirical indicator of dynamic capabilities, and by prompting to change the mindset from; reductionism to holism; the Porter's value chain to the extended-value chain; focusing on value chain itself to on business paradigm as the mechanism to combine the extended-value chain with market customer needs; competitive advantage to business paradigm fit; industry structure to industrial system including factor and customer market as well as industry structure; static standpoint to dynamic perspective.

Digital SMEs: Drivers and Success Stories

Jeremy Millard, Danish Technological Institute
Ivana Tichá, Czech University of Agriculture-Prague
Jan Hron, Czech University of Agriculture-Prague

The article summarizes findings drawn from research carried on within European project "Best e-European Practices" with a focus on digital SMEs only. Lessons are drawn from an analysis of case studies, that are coded structurally using a set of indicators for each success factor and thus provide for learning of potential users. Synthesis and generalization has been done on factors explaining motivations for introducing e-practices, results firms seek to achieve and benefits from the adoption of digital technologies.

National Competitiveness Heterogeneity

Edmund R Thompson, Ritsumeikan Asia Pacific University

Existing approaches to identifying national competitive advantage tend to regard national competitiveness as homogenous at either an economy- or sector-wide level for all firms. While such approaches implicitly view national competitiveness as a complex of factors determining the munificence of, respectively, macro-national or mezzo-sectoral task environments, none explicitly acknowledges the variable perceptions or heterogeneous strategic choices of individual firms, nor, consequently, the possibility that national competitiveness itself may be heterogeneous for firms depending on not just their sector, but strategies, national origin, size and other differences. Using data from 998 firms from two economies, this paper uses moderation analysis to test the hypothesis that national competitiveness is heterogeneous by firm heterogeneity other than sector. Results find significant interactions between firm sector, size, origin and strategy.

Entrepreneurshipscape: Dimensions, Operationalization, and Linking it with Performance

Mariusz Bratnicki, Karol Adamiecki University of Economics-Katowice
Wojciech Dyduch, Karol Adamiecki University of Economics-Katowice

The paper presents organizational entrepreneurshipscape model composed of four complementary, yet interdependent dimensions that can lead to organization’s performance: strategic, administrative, behavioral and political. The model is intended to be a cutting-edge, state-of-the-art, and innovative approach to entrepreneurship in organizational settings, therefore linking entrepreneurship with strategy. Further on, we operationalize our model, test it on a 136-company sample, and link it with performance. The research results suggest that strategic and political dimensions of the entrepreneurshipscape reveal strongest correlations with performance. As for the future research implications, we propose to compare our approach with well-known in the literature operationalizations of organizational entrepreneurship (e.g. Entrepreneurial Orientation, Entrepreneurial Management, and Entrepreneurial Performance Index) and analyze which operationalization is best correlated with performance.

An Alternative Approach to the Problem of International Alliance Corporation with a Case Study

Koji Yoshimoto, Seoul National University

There are many corporations built on international alliance in which conflicts rises from the partners of different nationalities. The first purpose of this paper is to investigate and analyze existing strategies used extensively by corporations to resolve such disputes. I would like to suggest an alternative approach to the problems of international alliance corporation. There is particularly in the Korean market, a large number of foreign investing enterprises, of which Korean and Japanese companies will be analyzed as samples. I will propose a method of resolving issues, which was improved from the existing strategies. The merger case studies will be done on Korea Xerox and LG Hitachi. Finally, conclusions and suggestions are presented.

Rationalizing the SWOT Factors in Strategic Analysis

Zainal Abidin A Mohamed, University of Putra Malaysia
Haim H Abdullah, University of Putra Malaysia

The SWOT and TOWS analysis has become an acronym that needs no introduction. But the determination whether a factor is a threat or opportunity (if external) or a strength or weakness (internal) does get some
attention. The paper looks at determining these factors different than from those found in a common strategic management text. Factors are considered neutral until its weights are determined and the company's capabilities of overcoming that factor are ascertained. The high weighted score would reflect rationally the opportunities (if external) or strengths (if internal). The threats and weaknesses however need to be computed based on the gap between the importance and the capabilities scores. This approach received better acceptance from clients than others.

**The Influence of Organization Structure on the Speed of Internal Alignment and the Moderating effect of Vertical Integration**  
**Sebastian Frankenberger, University of St Gallen**

In this paper, we argue that the speed at which an organization aligns its internal structures and processes is dependent on the organization's organizational structure and configuration. More specifically we analyze the relationship between formalization, centralization and integration and alignment speed. We argue that there is a curvilinear inverted u-shaped relation between formalization and alignment speed, and a positive relationship between both centralization and integration and alignment speed. Furthermore we discuss the moderating effect of vertical integration. First, vertical integration leads to a shift of the optimum level of formalization to the right, i.e. that the point for highest alignment speed is located at a higher level of formalization. Second and third, vertical integration weakens the positive relation between centralization respectively integration and alignment speed.

**'Corporate Design' of Japanese Companies in 2010: Towards Integration of Heterogeneous Management**  
**Akira Aihara, Seijo University**  
**Naoto I Iwasaki, Seijo University**  
**Makoto Kanda, Meiji-Gakuen University**

Under the radical change in managerial environment for businesses in Japan, the most appropriate 'corporate design' has to be founded in order to survive and develop. It is extremely easy for most companies to rebuild some parts which might be inappropriate to develop businesses. If one strategy have been implemented enough not to generate sustainable competitive advantages, its strategy would have been reconsidered. This is a typical solution most Japanese companies used to do. However, this research found that in order to create the most appropriate corporate design, a total approach which has three points of view such as 'business design', 'management design', and 'governance design' is strongly needed. Most Japanese companies have recognized that mix-and-match management, heterogeneous management is the key for success.

**Institutional and Governance Changes in China (1978-2002)**  
**Michel Ghertman, Xi'an Jiaotong University/University of Nice**  
**Yuan Li, Xi'an Jiaotong University**

This research offers the results of a sample of 240 Chinese executives providing perceptual data on changes in outsourcing in China between 1978 and 2002. It tests a series of hypotheses on determinants of changes coming from both the governance and institutions of the environment perspectives of the New Institutional Economics. They are tested in a decreasing order of importance for the purpose of theory validation. Hypotheses confirmations point to the major role of informal and formal institutional changes upon changes of attributes of governance and transactions and in turn on changes of vertical integration. Cost of governance change is found to have a commanding influence, comforting the governance perspective.

**Founder Centrality Effects on the Kenyan Family Firm’s Strategy and Performance**  
**Louise Kelly, Alliant International University**  
**Peter M Lewa, United States International University**  
**Kinyua Kamaria, Alliant International University**

Using social networks, we examined the founder's influence on key strategic behaviors in Kenyan family business. We drew on a sample of 45 Kenyan family businesses and 225 managers to show how founder centrality affects the top management group members' cohesiveness. Top management group members' cohesiveness was examined in terms of the firm's culture, its strategic vision, and strategic goals. Second, we examined how founder centrality and top management member group cohesiveness are related to performance in terms of financial, social and family-oriented objectives. Results show that founder centrality in Kenyan family businesses have a strong effect on the cohesiveness of the top management team and that this cohesiveness and founder centrality do in fact have a positive relationship with firm performance.

**A Dynamic Theory of Strategy: An Increasing Returns Approach**  
**Fernando Buendia, University of the Americas-Puebla**

Even though Porter's (1980) generic strategies have been recognized as the most common actions firms can put into operation to cope with the five competitive forces and create a defensible position in the long run, they are far from being complete. In this paper I suggest a dynamic theory of strategy based on the notion of increasing returns, which includes broader set of generic strategies. To this end, I identify and integrate in a general theoretical framework the main sources of increasing returns that affect the main specific advantages of the firm. I conclude that managers must address multiple-dimensions strategies instead of three-dimension strategies.
Is the German Automotive Industry Ripe for Disintegration?
Stephan A Friedrich von den Eichen, Cell Consulting/University of Innsbruck
Hans H Hinterhuber, University of Innsbruck/Bocconi University
Michael Mirow, Technical University of Berlin
Carsten Vollrath, Cell Consulting AG

The more intensive the level of competition, the more important focussing becomes. This also applies to the automotive industry. For decades, value creation has been migrating from OEMs to suppliers. The augurs already predict - after mass production and lean prediction - a third revolution: The deconstruction of the automotive value chain. Does the future of the industry really lie here and how far away is it? The paper constructs a viable vision of the automotive industry based on the Netstructuring approach, creates individual roles and derives role-specific value chain profiles. These are then empirically compared with the attitudes of managers, current value chain profiles and the planned process migrations. With "value chain design" and "Cell Management" the paper finally helps to close the gap between vision and reality.

"Outsourcing Strategies in the Global Economy: Not Just for Manufacturing Anymore"
Francesco E Martinez, University of Puerto Rico
Shubhro Sen, FSO Magazine
Stephen B Tallman, University of Utah

"Success, Renewal, and the Entrepreneurial Mindset"
Christine Lloyd, Nokia
Rita Gunther McGrath, Columbia University

Do Competence-based Firms Perform Better than Opportunity-based Firms when Entering Emerging Industries?
Chin-jung Luan, National Taiwan University

Links between the attributes of competencies and performances of diversified entries into emerging industries are examined. The entrants of PDA, handset and digital still camera industries are distinguished, by the proposed attributes, into two patterns: competence-based and opportunity-based firms. The value of the study is the first paper to determine the relationship between the entrants themselves and the performance of post-entry into new industries. Competence-based firms, ceteris paribus, which own higher degree of both R&D inputs and long-term investments, have better performance measured as return of equity than opportunity-based firms. However, entry into new industries attenuates the significantly positive effects from competencies and this leads to the argument whether industry effects dominate in the first stage of industry life cycle.

Pre-entry Resource Leverage, Competitive Strategy, and Performance of Internet Shopping Malls: A Multiple-case Study
Eonsoo Kim, Korea University
Su Jin Han, Korea University
Hyun Jin Choi, Korea University
Won Gyu Song, Korea University

What determines the performance of the Internet shopping malls? Do pre-entry resources possessed by their parents play an important role? Drawing upon the resource-based view of business entry and the concept of generic competitive strategy, we argue that specific type of pre-entry resource along with certain competitive strategies determines the performance. A multiple case study of nine dominant Internet shopping malls in Korea reveals that the resource - strategy - performance relationship is influenced by what the parent's prior business was (i.e., department store, catalog retailer, or TV home shopping) and, thus, pre-entry resources. Firms with high level of specialized resource and integrated strategy combining cost leadership and differentiation show higher performance. We argue that pre-entry resource works as an enabler in achieving such strategic balance.
Making it Pay to be First: Determining the Choice of Entry Timing and First-mover Advantages

Nile W Hatch, Brigham Young University
Douglas R Johnson, Purdue University

Being an early entrant in a new product or market does not guarantee first mover advantages. Acquiring competitive advantage through moving first typically involves large investments in a race to beat rivals to market. The focus on beating rivals reveals the need for game theory while the focus on strategic investments in assets with uncertain value points to real options analysis. We develop an analytical approach to strategic decision-making that integrates these methods and apply this approach to the strategic interaction between Airbus and Boeing in the super-jumbo aircraft market. We find that firms exhibit heterogeneous preferences for moving first that depend on their capabilities. Therefore, obtaining competitive advantage through first-mover advantages requires transforming capabilities to make early entry profitable.

The Informational and Competitive Dynamics of Foreign Market Entry

Bradley L Killaly, University of California-Irvine

We investigate the influence of competitor foreign market entries on the likelihood of mimetic entry by others. Whereas prior research has focused on the information benefits and competitive crowding effects of competitor market density on the likelihood of entry, we argue that firms attend to both the stock (density) and flow (recent entries) of competitor market positions in deciding whether to enter a market. We rely upon theoretical developments in information economics to argue that the information and competitive effects of competitor market entries is a complex interaction of density and recent entries. We find strong support for this complex relationship by examining all foreign market entries by all firms providing international telecommunications service between the U.S. and all foreign markets from 1985-2000.

Relatedness and Performance

Session Chair: Donald D Bergh, Purdue University

Relating to Relatedness: The Survivor-based Approach
Lasse B Lien, Norwegian School of Economics & Business Administration
Peter G Klein, University of Missouri-Columbia

This paper addresses the perpetual problem of measuring relatedness in research on corporate strategy. We evaluate a fundamentally different approach to this problem, one where a combination of selection forces in competitive markets and the wisdom of local decision-makers is substituted for any presumption of superior knowledge on the part of researchers or the designers of the SIC-system - in terms of determining what is related to what. Specifically, we compare a survivor based approach to relatedness with the conventional SIC-based approach in terms of a) predicting which industries a given firm diversifies into, and b) predicting reversal of such entry decisions following the onset of competition. Our findings are that the survivor-based measures significantly and consistently outperform SIC-based measures.

Inter Business Unit Competition in Diversified Firms: The Moderating Role of Relatedness and Environmental Dynamism
Sebastian Knoll, University of St Gallen

The paper examines the moderating role of relatedness and environmental dynamism on the relationship between inter-unit competition and performance in diversified companies. Two major forms of inter-unit competition are differentiated: competition for capital and competition for activities. I argue that the relationship between inter-unit competition for capital and performance is positive for unrelated diversifiers, negative for highly related diversifiers and stronger in dynamic environments. The relationship between inter-unit competition for activities and performance is suggested not to be moderated by relatedness. It is argued to be positive in dynamic environments and negative in stable environments. For higher levels of environmental dynamism stronger relationships between competition for activities and performance are proposed.

Reconsidering the Differentiated Fit
Moon-Goo Huh, Korea University

This study investigated the nature and features of subsidiary control in a multinational firm. A qualitative and inductive field research is used to analyze the modes of control and to identify the factors affecting headquarters’ control style of subsidiaries. Data are collected from interviews, observations, documents, and archival records. The findings suggest that headquarters applies control mechanisms uniformly across the subsidiaries with contrasting strategies and contexts. I identified a variety of factors that make headquarters exert a uniform control across its diverse subsidiaries. They included dominant logic, internal configuration, generality of control systems, corporate-level distinctive competence and inertia, identical control structure, and pressures for fair treatment. I also developed propositions that explicate why headquarters controls different subsidiaries uniformly.

The Influence of Corporate Refocusing on Financial Performance: Moderating Effects of Strategy Mode and Relatedness
Donald D Bergh, Purdue University
Richard A Johnson, University of Oklahoma

This study tests whether the financial gains following refocusing divestitures vary on the basis of the refocusing
Strategic Decision-making

Session Chair: Dante D Di Gregorio, University of New Mexico

The Politics of Middle Management Intervention: Integrating Four Organisations

Christine B Meyer, Norwegian School of Economics & Business Administration
Tore Hundsnnes, Norwegian School of Economics & Business Administration

This paper explores why there is a gap between the planned and realised integration approach in a merger between four partners of different nationalities. The merger and acquisition literature has been preoccupied with factors that influence the initial integration design, and has to a large extent neglected how the integration design is changed and challenged in the post-merger process. We find that the initial integration approach is challenged...
by middle managers who intervene in the post-merger process. These middle managers have divergent interests that cut across management functions, not former organisational affiliations as would be expected. The result is that the integration approach is pulled in opposing directions, making the realised approach unclear and diffuse.

**A Comprehensive Model of Strategic Decision-making: Impacts of Demography, Process, Power, and Networks on Three Outcomes**  
Kevin D Clark, Villanova University  
Christopher Collins, Cornell University  
Dante D Di Gregorio, University of New Mexico

Research on Top Management Group (TMG) decision-making is plentiful, yet rarely do these studies look at more than three or four decision antecedents simultaneously. Moreover, the investigation of interactions amongst antecedents is unusual. This research begins to redress these shortcomings by offering and testing a model of decision outcomes that includes multiple predictors including TMG demographic composition, TMG process, conflict resolution tactics, TMG power, and TMG networks. Using a field methodology, three decision outcomes (speed, comprehensiveness and consensus) are studied in 103 firms from the U.S. and Ireland. The results show that our understanding of TMG decision processes is dependent on employing more sophisticated data collection techniques that enable the testing of more fully specified models. Implications for management of strategic decision-making teams are discussed.

**Strategy Development in a Chinese Private Enterprise: An Empirical Case**  
Yanli Suo-Saunders, University of Southampton  
Mirela Schwarz, University of Southampton

This paper examines how a Chinese private firm (CPF) developed a diversification strategy into the coach business. The study explores the micro process of the strategic activities and the role of the general manager and other participants involved in the strategy development. The research is based on a two years in-depth field study involving interviews and observations of senior managers participating in strategy formulation, decision-making and implementation processes in a firm located in south-western part of China. This paper seeks to provide detailed insights into an empirical case, theoretical conceptualisation explaining the main strategic activities and the roles of different participants and concludes with implications for practice for managers which may contribute to improve the effectiveness of formulating and implementing strategies in CPFs.

**Strategic Decision-making Process Effectiveness: The Role of Choice in Responses to Bio-terrorism**  
Paul L Drnevich, Purdue University  
Shailendra Mehta, Purdue University  
Alok Chaturvedi, Purdue University  
Thomas H Brush, Purdue University

We examine strategic decision-making effectiveness under time critical conditions of extreme uncertainty and risk. A model and propositions from the Strategic Management literature are refined and extended to the setting of government agency coordinated responses to crisis situations. We use a Homeland Security training exercise to examine the extended model and its associated propositions for implications of variation in process, choice, and effectiveness. The model and its propositions are examined through empirical analysis of data derived from computational experimentation combining live actors with intelligent agent simulation. Findings conflict with some strategic management assumptions, but do indicate that different decision processes may influence choice and effectiveness. Results are discussed along with implications for practitioners and academic research.

**RELATIONAL RESOURCES: THE ROLE OF BOARDS AND NETWORKS**

**Session Chair:** Frédéric Dalsace, Groupe HEC-Paris

The Influence of Relational Benefits on the Competitiveness of the Suppliers' Offers  
Frédéric Dalsace, Groupe HEC-Paris

This paper investigates the micro process by which relational benefits (or relational "rents" -Dyer & Singh 1998: relation-specific assets, knowledge exchanged and goodwill trust) create value at the level of the transaction, and empirically examine whether the three types of relational benefits play a similar, reinforcing, role. As hypothesized, relational benefits play two different roles, first as a "stock" variable, and second as a "flow" variable, when the impact of the choice on existing benefits is anticipated. In both cases, relational benefits are shown to influence the competitiveness of the suppliers' offers both directly and through the deployment of asymmetric negotiation strategies ("co-construction of the offer"). Goodwill trust plays a markedly different role than the two other types of benefits.

**Boards as Resource Providers and Monitors for Search and Launch in the Innovation Process**  
Xuanli Xie, University of North Carolina-Chapel Hill

Innovation is essential for every organization. Although past research has demonstrated boards do influence innovation, the relationship between governance and innovation remains unclear. To better understand this
relationship, we suggest it is important to recognize the complexity of board roles and innovation. We argue that boards not only monitor, but also provide resources, and innovations not only require risk-taking, but also organizational search. In this study, we integrate resource-dependence and agency perspectives to examine how board’s knowledge and skills (board diversity) and board’s motivation (board composition) influence board’s ability to provide resources and design controls, which in turn affect the level of search and risk-taking in the firm. Hypotheses are tested by a panel data set of firms in research intensive industries.

The Moderating Influence of Environmental Munificence on the Relationship between Firm Strategy and Board Capital
Rebecca A Luce, Texas Christian University

Miles and Snow (1978) describe three stable strategies firms use in adapting to their industry’s external environment: prospector, analyzer, and defender. Each strategy calls for a different approach to solving what Miles and Snow term the administrative problem within the firm; that is, how to best organize to maximize performance. The choice of who governs the firm, its board capital, is one aspect of the administrative solution the company adopts. Since each strategy calls for a different administrative solution, different board capital will be sought by the firm. Firms may also meet the resource requirements of implementing their organizational choices by means other than board capital. Therefore, the munificence of the external environment is likely to affect the relationship between strategy and board capital.

MAKING BETTER STRATEGISTS: NEW TECHNOLOGIES AND MANAGEMENT LEARNING
Session Chair: John C Camillus, University of Pittsburgh

Managerial Technological Knowledge: Strategic Problem-solving in the Internet World
William J Lekse, Babson College
John C Camillus, University of Pittsburgh

Organizations have invested millions of dollars into their Computer Facilitated Communication Systems (CFCS) to maintain their competitive advantages by finding and adopting the latest technologies. The process to create and sustain competitive advantages by integrating technology and people is the primary responsibility of management in the Information Age. This paper develops a model and reports on an empirical study of how the acquisition and use of technological information by managers employing CFCS affects managerial problem-solving. Analysis of the questionnaire-based data employing PLS methodology found the moderating impact of organizational factors (e.g. organization’s technology strategy), managerial responsibility (e.g. implementing technology), and individual characteristics (e.g. to be both statistically significant and strategically relevant).

The New Face of Strategic Management: Combining Scenario Analysis with Distributed Artificial Intelligence?
William Acar, Kent State University
Douglas Druckenmiller, Kent State University

This paper discusses the evolution of strategic theory (ST) and shows the theoretical reasons that have lead to the resource-based view (RBV) and the dynamic capabilities approach (DC). It also discusses the growing importance of environmental uncertainty and of causal mapping techniques. Comprehensive Situational Mapping (CSM) is a powerful analytical tool that allows the "forward analysis" of a situation by computing potential change scenarios. It also lends itself well to the "backward analysis" of strategic assumptions deemed to be the best approach to strategic thinking in an uncertain world. By using recent distributed artificial intelligence (DAI) technology, a prototype has been built for simulating the dialectical use of CSM for situation formulation and strategic analysis.

The Corporate Strategy War Game: Experiential Content of a Strategic Management Course
Zainal Abidin A Mohamed, University of Putra Malaysia
Azizi Ali, University of Putra Malaysia

To add value, this experiential component has been added to the MBA strategic management course. Before this, case study or a computer strategic management game was the closest that one could get for a corporate environment simulation. Ten events were organized and the ‘war’ where participants had to fight with ‘a band of guerillas’ (competitors) in a jungle being the major one. From the feedback, this game now is made compulsory. It is equivalent to a six hours of lectures. Part-time Masters students do not have much time to interact with one another and this four days three nights program have made the 40-50 students (each intake) appreciate strategic management tremendously as they were able to experience the principles being applied or otherwise.

Strategies for Teaching Strategy in a Distance Environment
Brian K Boyd, Arizona State University
Paul N Friga, Indiana University

Given the rapid growth of online business programs, many faculty will have the opportunity to teach an undergraduate or MBA strategy capstone course in a distance environment. Course development is often done on an ad hoc basis, given the dispersed nature of research on this topic, and limited information on course development at other universities. This paper develops a set of best practice guidelines based on research
in education and IT. We then illustrate key issues through a comparison of the structure and process of MBA strategy courses at two universities which offer online degree programs. Recommendations for optimizing the design and delivery of online strategy courses are then discussed.

STRATEGY AND NEW VENTURES

Session Chair: Kathrin M Möslein, London Business School

Co-innovation with Customers: Open Innovation at Adidas Salomon
Frank T Piller, Technical University-Munich
Christoph Berger, Adidas Salomon AG
Ralf Reichwald, Technical University-Munich
Kathrin M Möslein, London Business School

The role of the customer is changing from a pure consumer of products or services to a coequal partner in a process of co-creating value. We discuss customer integration into innovation processes by the means of modern information technologies (a process that will be coined "open innovation") as a beneficial method to overcome some of the flaws of new product development. The paper provides a framework for open innovation by introducing the concept of the customer-integration-cube (CIC). The potential of the CIC will be explored by applying this concept at the case of customer integration in the innovation process at Adidas Salomon, a large sports good manufacturer.

Creating Value from Failure: Real Options, Discontinued Ventures and Value Creation
Taina Tukiainen, Helsinki University of Technology
Rita Gunther McGrath, Columbia University
Thomas Keil, York University

Recent debates on the applicability of real options reasoning to uncertain projects such as corporate ventures has focused on whether organizations can feasibly terminate, redirect or benefit from projects with open-ended technical or market agendas. We offer evidence from a study of a complete population of corporate ventures within one large European telecommunications equipment manufacturer to show that not only were ventures terminated, spun off or redirected with frequency, but that the parent corporation benefited even from those that failed. Failed ventures were seen to contribute to skills, products, capabilities, knowledge and market positioning of the firm's core businesses.

The Impact of Venture Investment by Corporations and Banks: Do Young Firms Really Benefit?
Ari Ginsberg, New York University
Iftekhar Hasan, Rensselaer Polytechnic Institute
Christopher L Tucci, Swiss Federal Institute of Technology

Previous studies find that corporate venture capital investments have a positive impact on the performance of the investor, but have not examined the effects of such investments on the performance of the new ventures themselves. Other studies examine the influence of corporate venture capital investments on performance at the time of the IPO (initial public offering), but do not explore performance in the post-IPO growth period. In this paper, we study a sample of 1830 young IPO firms during the 1990s to examine the effects of venture capital investment by corporations and banks on new venture performance. Our results show that corporate venture capital investing provides valuable help to young firms that positively influences their performance over the post-IPO five-year growth period.

The Origin of Capabilities in New Ventures: The Role of Pre-entry Planning and Post-entry Experimentation
Michael J Fern, University of North Carolina-Chapel Hill
Laura B Cardinal, Tulane University

While an abundance of research has explored how capabilities affect firm performance, few studies have investigated the origin of capabilities. Consequently, this research explores the origin of capabilities in new ventures, focusing specifically on the role of pre-entry planning and post-entry experimentation. This research also investigates the mediating role of strategic action. Drawing on the behavioral theory of the firm and evolutionary economics, we develop a theoretical model and several corresponding hypotheses. We propose testing our hypotheses using data from the population of 141 prospective U.S. new entrant air carriers during the period 1995-2003. By examining the interrelationship between pre-entry planning, post-entry experimentation, strategic action, and firm capabilities, this research aspires to provide new insight regarding the chain of events that lead to competitive advantage.
PERFORMANCE: DEFINING THE DIMENSIONS OF SUCCESS

Session Chair: Erik Eschen, Deutsche Bahn AG

Shifting Criteria: How Managers Evaluate Acquisition Success
Philip Bromiley, University of Minnesota
Margaret S Schomaker, University of Minnesota

Despite research showing that mergers offer low value to the acquirer, firms continue to acquire. This paper offers and tests one explanation for this behavior, rooted in the subjective nature of performance evaluation. We propose that managers change their merger evaluation criteria post hoc. The resulting managerial perceptions of positive outcomes allow them to justify continued acquisitions. The data analysis supports this argument by showing a shift of evaluation criteria into alignment with actual performance.

From Funny Money to Real Value: Using New Economy Stocks as Acquisition Currency during the Stock Market Hype
Erik Eschen, Deutsche Bahn AG
Lukas Kotulla, University of Dortmund/BDO DWT AG

The boom of the so called “new economy” at the turn of the century was characterized by increasing rates of mergers & acquisitions (M&As). Prior theories from various fields such as industrial organization, finance, management theory and the resource-based view suggest numerous reasons to explain M&As. Here, we contribute to this literature by adding another reason for the specific condition of the new economy during the hype of the stock market. We hypothesize that M&As conducted by new economy firms were partly driven by the fear of the collapse of the price bubble. Therefore, some new economy firms used their inflated stocks to acquire old economy firms “cheap”. Our hypotheses are tested by analyzing the M&A-patterns and performance of 148 new economy firms.

Performance Management: A Value-based Approach
Gabriel Hawawini, INSEAD
Venkat Subramanian, University of Hong Kong
Paul Verdin, Brussels University/INSEAD

While there have been significant developments both in the theory and practice of performance measurement, few alternatives exit when it comes to performance measurement. The paper compares three frameworks widely used in performance management: strategic planning systems, stakeholder systems and the balanced scorecard. The paper argues that the theoretical antecedents of the frameworks either not clear or comprehensive. Further, the frameworks do not offer a clear performance metric and the effect of distinct factors on this measure. This paper proposes a framework linking residual income measures such as economic profit and total market value to the firm’s strategic, operational, financial and organizational factors on the performance measures.

The Relationship between Performance Measurement Systems and Corporate Financial Performance: An Empirical Investigation
Marc J Epstein, Rice University/Harvard University
Adriana Rejc, University of Ljubljani

One of the most compelling questions in the performance measurement literature is whether the newly designed performance measurement systems actually help firm profitability. Several performance measurement frameworks that identify causal relationships between actions and performance suggest that companies adopting these systems would improve their corporate profitability. They argue that through better alignment, corporate performance is improved since the goals of managers and their subordinates are aligned with corporate strategy and goals and this alignment should lead to improved performance. Albeit intuitively appealing, there has been little literature that has empirically shown a link between performance measurement and improvements in performance. In this study we use a multiple case study approach to investigate the way in which performance measurement systems actually impact on corporate financial performance.

KNOWLEDGE INTEGRATION AND COMMUNALIZATION

Session Chair: C Annique Un, Cornell University

How Communities of Practice Enhance Innovation
Nicolas Rolland, CERAM Graduate School of Management

This paper takes up the challenge of analysing how different types of communities of practice (CoP) influence the development of innovations. It is based on research carried out in 30 firms. The first stage of the research focuses on the context of innovation development and how companies develop communities of practice. The second stage understands the impacts of the different CoPs’ types on the innovation process. This second stage examines innovation process and CoPs more closely through 93 case studies: how communities of practice have an influence on innovation and how the different types of communities enhance different types of innovation. If a company tries to emphasize a specific innovation, it has to focus on or to be supported by a specific community.
Computer-Mediated Communication and Effective Strategy Formation

Torben Juul Andersen, Copenhagen Business School
Antonio J Remedios, Consolidated Networks

Scholars argue that decentralization and use of information technology are important characteristics of successful strategy processes in turbulent industries. However, little research has actually linked communication-enhancing technologies to strategy formation and demonstrated associated performance effects. This paper suggests that significant information technology effects can be ascribed to the communication enhancing capacity of computer networks (intranet) that facilitate the coordination of decentralized actions across functional areas and increase the effectiveness of the strategy process. An empirical study of firms operating in high velocity industries provide supportive evidence for the hypothesized model and case examples are used to illustrate how the performance effects can materialize.

Riding the Regionalization Wave

Heike Proff, Zeppelin University

The international environment in which firms operate today is characterized neither by isolated country markets (localization) alone nor free global trade in a uniform world market (globalization), but rather through regionalization, as evidenced by the number of regional integration zones. A regionalized corporate environment throws up several options for managers since markets are imperfect. This paper concentrates on the following: 1) examining the impact of imperfect markets resulting from regionalization on competitive strategies using an arbitrage allocation framework; 2) examining trends in the open regionalization outside the triad economies since the mid nineties using a longitudinal cluster analysis; and 3) deriving recommendations for managers of multinational companies (MNCs) operating in a regionalized environment.

Integrative Management Practices and the Exploitation/Exploration Dilemma

C Annique Un, Cornell University

We introduce the concept of integrative management practices, or management practices that facilitate the integration of knowledge among employees based in different communities of practice to create new knowledge. We discuss two sets of such practices: task-specific and non-task-specific. We propose and empirically demonstrate that exploitation can be accomplished using each set separately, but that it is better managed using task-specific integrative management practices. Moreover, exploration can also be achieved using each separately, but it is better attained using non-task-specific integrative management practices. Finally, the use of both sets of practices does not necessarily lead to higher exploration and higher exploitation than using each set separately; practices can conflict with one another.

FAMILY MATTERS: THE DYNAMICS OF FAMILY ENTERPRISE IN A GLOBAL ECONOMY

Michael Lubatkin, University of Connecticut/EM Lyon
William S Schulze, Case Western Reserve University
Eric R Gedajlovic, University of Connecticut
Ernesto J Poza, Case Western Reserve University
Antonio Luis Ferre, Grupo Ferre Rangel

Family owned or managed firms are the dominant form of enterprise throughout the world. Although many are small, they represent about a third of the Fortune Five Hundred, produce about half of the U.S. GDP, and play an even larger role in non-western economies. Surprisingly, scholars have only recently begun to pay attention to these organizations. This symposium addresses the advantages and disadvantages family governance provides. Five aspects of the dynamics of the family enterprise in the global economy will be addressed: Entrepreneurship, The influence of Family on Firm Conduct, Inheritance and Succession, The Role of Family Enterprise in a Global Economy, and the contribution of these firms to economic development in the Caribbean and South America.

DO ENDOWMENTS DRIVE DESTINY?

Session Chair: Odd Jarl Borch, Bodo Graduate School of Business

The Mediating Role of Organizational Legitimacy in Resource-based Models of Firm Performance

Branko Bucar, University of Ljubljani/Pace University
David L Deeds, Case Western Reserve University

There seems to be a growing consensus that legitimacy issues are particularly important for firms' success and survival; however, a specific role of organizational legitimacy in firm performance models has not been explored. This paper examined the mediating role of organizational legitimacy between organizational capabilities and firm performance, as well as the moderating effect of environmental uncertainty. The model was examined in the sample of 447 emerging Internet companies that became publicly traded on NASDAQ in the period 1996 to 2001. Organizational legitimacy has a strong and positive effect on firm performance/survival and was found to be a partial mediator of the capabilities-performance relationship. Environmental uncertainty moderated the legitimacy-performance relationship, as well as one of the capabilities-performance relationships.
Who Enters, Where, and Why? Initial Resource Endowments and Location Choices of Entrepreneurial Enterprise
Aviad A Pe'er, University of British Columbia
Ilan B Vertinsky, University of British Columbia

It was suggested that “firm heterogeneity leads to asymmetric contribution to agglomeration and in turn to adverse selection of which firms agglomerate”. In this paper we extend the analysis of the optimal match of location characteristics and firm attributes. We derive a set of hypotheses that focus on the impacts of initial resource endowments and capabilities of entrepreneurial entrants on their location decisions. An econometric model is specified that explains entry in terms of firm, location and industry characteristics and their interactions. The model is estimated using a unique data-base that covers all establishments in Canada from 1983-2000.

Strategic use of New Venture Resource Endowments: Creation of Immobility Barriers versus Bootstrapping
Craig E Armstrong, University of Texas-San Antonio

Resource allocation decisions made by entrepreneurs are crucial because they frequently involve the creation, growth, and survival of new firms under conditions of economic disequilibria. Some scholars argue that heterogeneous resource endowments will sustain different levels of market performance only when they are combined with imperfect mobility of resources across firms; others argue that entrepreneurs must seek to use the minimum possible amount of all types of resources at each stage in their ventures’ growth, seeking to control the resources they need rather than to own them. Analysis of these divergent views through the lenses of firm resources and capabilities perspectives in the web retail grocer industry illustrates the ways in which resource minimization trumps immobility barriers in the growth and survival of new ventures.

Building Dynamic Capabilities for Strategic Entrepreneurship in SMEs
Odd Jarl Borch, Bodo Graduate School of Business

This paper emphasizes the challenges of entrepreneurship within existing small and medium-sized enterprises. In turbulent markets, all firms have to continually build new strategic assets to meet market challenges. Successful smaller enterprises have to improve their business concept at a fast pace to avoid devastating competition from their larger counterparts. We build upon the resource-based view of the firm and the dynamic capability approach in our search for mechanisms that increase the capability for strategic entrepreneurship within SMEs. We discuss the routines and features facilitating the acquisition and linking of new and old resources and develop new strategic action paths. We elaborate on four different dynamic capabilities including entrepreneurial orientation, radical organizational learning capabilities, a virtual organizational form and an interactive strategic decision-making process.

The Effects of Ownership Structure on Top Management Team Compensation: The Transforming Korean Context
Gyeong Mook Kim, Duksung Women’s University

The cross-section level study of 328 samples from 164 listed companies in Korea examined the impact of ownership structure on top management team (TMT) compensation. The results showed that firm performance and CEO stock ownership were positively related to TMT compensation. The results, further, demonstrate that CEO stock ownership and institutional investors’ stock ownership moderated the relationship between firm performance and TMT compensation. Implications for theory and practice are suggested.

The Board Involvement in the Strategic Decision Process: A Contingency Perspective
Alessandro Minichilli, Bocconi University

While extant research on the board of directors is focused on the relationship between its composition, its actual performance and its linkage with corporate financial results, the paper aims to go a step further by considering the board involvement in the strategic process. The adoption of a contingency perspective allows to overcome the limits of the universalistic approach, which tends to identify communalities between boards operating in different kinds of firms. In this perspective, the board involvement is predicted by the life cycle phase, the level of industry competitiveness and regulation, and the ownership type. The paper concludes with the development of a research design, and the formulation of hypotheses that should be tested through a survey on the top 500 Italian companies.

Why Boards of Directors Should Become Part-time Corporate Strategy Process Researchers
Matthias F Brauer, University of St Gallen
Sascha L Schmidt, University of St Gallen

The paper combines corporate strategy and corporate governance research and attempts to bridge the divide between theory and practice by defining and analysing the form, frequency, extent and effectiveness of boards in corporate strategy formulation and implementation. Based on the review of corporate governance indices...
and literature, we propose that boards should primarily contribute to strategy implementation by securing the consistency of resource allocation processes, representing the firm’s realized strategy, with the firm’s intended strategy. To challenge our theoretical argument, we analyse resource allocation processes in four major Swiss high-tech firms. Our analysis unravels several divergences of realized from intended strategies and suggests that boards should be involved in strategy implementation in a continuous and disciplined way to best protect the interests of internal and external stakeholders.

Do CEO’s Promote ‘Board Silence’? An Examination of American Boards and Comparison with German Boards

Ann C Mooney, Stevens Institute of Technology
Jens Grundei, Technical University of Berlin
Axel von Werder, Technical University of Berlin

Recently, American boards have been widely criticized for failing to provide input and critically question management. In this proposal, we refer to this phenomenon as “board silence” and argue that its occurrence has much to do with the role of the CEO. We offer several propositions for factors that encourage and discourage board silence. We also examine how the absence of the CEO from the board relates to board silence by comparing American boards (where the CEO always sits on the board) and German boards (where there is a strict separation of the CEO from the board). Evidence suggests that board silence is a critical problem today, and the research presented in this proposal will shed light on how it can be avoided.

HOW TO ACHIEVE BALANCE IN CORPORATE STRATEGY?

Bob de Wit, Strategy Works/Strategy Academy
Ron Meyer, Strategy Academy

At the heart of every set of strategic issues, a fundamental tension between apparent opposites can be identified. On corporate-level strategy, the issue revolves around the fundamental tension between business responsiveness and multi-business synergy. The opposites create a tension, as they seem to be inconsistent, or even incompatible, with one another - it seems as if both elements cannot be fully true at the same time. Yet, although these opposites confront strategizing managers with conflicting pressures, somehow they must be dealt with simultaneously. The panel will explain 1) the core strategic issue and the underlying strategy tension; 2) outline and compare the two corporate strategy perspectives; 3) focus on the four general ways to balance strategy tensions: as a puzzle, as a dilemma, as a trade-off, and as a paradox; and 4) introduce the paradox mapping tool.
07:00 – 11:00  REGISTRATION OPEN – MAIN BUILDING, FIRST FLOOR

07:00 – 08:00  CONTINENTAL BREAKFAST – SAN CRISTÓBAL BALLROOM

08:00 – 09:15  PARALLEL PAPER/PANEL SESSIONS

SOCIAL RESPONSIBILITY, INTERESTS, AND PRACTICES

Session Chair: David J Boggs, Saint Louis University

Balancing Interest and Identity: Adding the Issue into Stakeholder Mobilization Theory
Sally Jane Davenport, Victoria University of Wellington
Shirley Leitch, University of Waikato
Urs S Daellenbach, Victoria University of Wellington

Stakeholder research concentrates on ‘steady state’ stakeholder management in which the relationship between the focal organization and the stakeholder is relatively stable over time. The more dynamic aspects of stakeholder theory are presented in studies of stakeholder mobilization but the question of ‘what makes a stakeholder act?’ remains largely ignored. Stakeholders act in response to an issue that arises in the relationship and, using the example of Bioreg, an organization that manages approvals for new organisms, we explore the role of the issue and its impact on stakeholder management. The issue will impact upon the interests and/or identity of a stakeholder and will trigger different response modes which are characterised in an Issue-Impact-Action model. Some preliminary suggestions for appropriate stakeholder management strategies are discussed.

MNC Corporate-social-responsibility Strategies in Developing Countries
David J Boggs, Saint Louis University
Sarah Haas, Saint Louis University

Research on corporate social responsibility (CSR) suggests that multinationals may select from multiple different strategies for making CSR decisions. In an attempt to identify multinational CSR strategies used in developing host countries this exploratory study reviews CSR models that have been proposed by previous authors, and examines the CSR practices used by USA Fortune 100 consumer-products-and-services companies operating in developing countries. The preliminary research findings suggest that multinational CSR practices conform to more than one of the models previously identified in CSR literature. Based on the findings a framework for making CSR decisions is developed that incorporates and builds upon previous research.

The Effect of Corporate Social Responsibility Strategies on Institutional Investors
Henry L Petersen, Seattle Pacific University

A number of studies have tried to link corporate social responsibility (CSR) to stock market performance using the event method. However, the empirical results have been mixed. We have taken a different approach. First we focused not on events but on corporate social responsibility and sustainable development strategies since that is what strategic managers have direct control over. Second, we did not focus on abnormal returns but on the impact these corporate strategies have on institutional investors’ impressions of the corporations. Measuring Institutional Investor’s impressions allowed us to determine whether CSR strategies affect firm valuation. Through both in-depth interviews and statistical results we present the preliminary results of an empirical study conducted in Canada.

TOWARD A MORE DYNAMIC VIEW OF STRATEGY

Session Chair: Patrick Regner, Stockholm School of Economics

On the Dynamic Origins of Economic Rents
David Seabrook, Percipient Consulting LLC

This paper presents a classification of the dynamic origins of economic rents. Control theory is used to model the dynamic interaction of firms and customers as a mutual attempt at control. Rents originate from asymmetries in information, knowledge and power. This approach classifies the potential origins of monopoly, Ricardian, Schumpeterian and Penrose rents. It also identifies potential rents from sales and marketing. The control theoretical model suggests that the objective of strategy should be to maximize the return on a portfolio of investments in information, knowledge and power. The model identifies potential origins of economic rents and links firm characteristics to market outcomes. Consequently, the control theoretical model may be a useful step towards a truly dynamic theory of strategy.
Multilevel Learning and Dynamic Gap Bridging: Firm Role in Capability Space and Opportunity Space Co-evolution
Giovanni Battista Dagnino, University of Catania
Marcello Mariani, University of Bologna

Building on the hypothesis that firm strategy is a fundamentally dynamic process of gap bridging between capability space and opportunity space, this article emphasizes the importance of firm multilevel learning processes for the coevolution of the capability space and the opportunity space. In more detail, it depicts a conceptual framework which underscores how the processes of organizational learning have an essential integrating role in bridging the strategy gap, and hooks up a novel and dynamic connection between organizational learning and realized gaps, which is to be seen as the pulsating outcome of a coevolutionary process which is partly deliberate and partly emergent. This intellectual effort proffers a way of synthesizing the dichotomy, already familiar to strategy analysis, between strategy formulation and strategy implementation.

An Examination of the Dynamics of Strategic Transformation of State-owned Enterprises
Timo J Santalainen, Stratnet/Helsinki School of Economics
B Ram Baliga, Wake Forest University

The dynamics of transformation of state owned enterprises toward free market ones are examined. During the transformation process, these organizations invariably find themselves in a state of suspended animation, a state we term the parastatal. Breaking out of this state is the particular challenge facing the leader as failure to tip the organization toward the free enterprise mode can easily cause it to revert back to its statist orientation. A fine grained analysis of strategic transformation is provided through an in-depth study of organizations undergoing transformation in three countries: Finland, Estonia and India.

Taming the Economic Tiger: Forecasting and Managing the Business Cycle for Competitive Advantage
Anirvan Banerji, Economic Cycle Research Institute
Kunal Banerji, Florida Atlantic University

During economic slowdowns some firms have a rough passage while others have a smooth sailing. A major reason for that is the ability of the firm to forecast recessions and be ready for it. This is essential in cyclical industries. This paper presents a framework as to how a firm can pro-actively manage the impact of recession and make rapid market gains. Given such foresight, it is possible for firms to raise earnings, reduce earnings volatility, and make rapid market share gains or acquisitions during downturns. In effect, such strategies can be planned for, not just as contingencies, but as events that can be foreseen with the aid of a systematic analytical framework.

Change Performance Evaluation of Strategic Transformation Processes
Florian Kappler, University of St Gallen
Johannes Rüegg-Stürm, University of St Gallen

Effective execution of strategic change is essential for the prosperity and success of organizations. So far action or process models guide practitioners through strategic change processes and the success thereof is being determined ex-post with operational and financial performance measures or with project controlling tools. But what is being needed for a successful and proactive management of strategic change processes are lead indicators, which provide an ex-ante feed-back on Change Performance of transformation processes. Change Performance will be defined as the effectiveness, success, and sustainability of strategic change processes. The indicators of Change Performance are being inductively developed through a longitudinal case study that builds on a processual and discursive approach to studying change. Several preliminary propositions are being developed and discussed.

Impact of Innovation Management in Hotel Business: Results of an Empirical Study
Constanze Pick, Brandenburg University of Technology-Cottbus

Innovation management has received growing attention in order to improve competitiveness in business. However, the body of research has concentrated on product innovations although service companies present a growing industry that strongly requires innovation management. While focusing on the hotel business with its dispersed hotels, this paper is among the first to examine the specificity of service innovation management. The empirical study shows the necessity of innovations in hotels and highlights the role of guests and staff in dispersed innovation processes. From the theory deducted hypothesis were tested by multiple regression analysis. The paper contributes to the literature on innovation management in service companies and to management practice, by presenting results from guests related and dispersed innovation management.
Strategy Change: Balancing Plan and Process
Inger G Stensaker, Norwegian School of Economics & Business Administration
Joyce S Falkenberg, Agder University College

This paper addresses how strategic plans are modified upon implementation. In a longitudinal study, where the same planned change was implemented in three business units, we traced five different types of modifications in plans. The modifications could be linked to two intermediate outcome variables: substantive change and symbolic change. The major reason for modifications was individual and organizational sense-making. Organizational members at all levels need to make sense of the changes. Managers can attempt to influence sense-making through sense-giving. If the pressure to implement changes quickly is too strong, and does not allow for sense-making at lower levels in the organization, then the result may be symbolic changes, where there is a gap between the proposed strategy and actions at the operational level.

Structural and Environmental Correlates of Planning Systems
Dimitrios N Koufopoulos, Brunel University

Over the years Planning Systems and Decision-Making processes have been adopted, developed, and implemented across organizations worldwide. Their failure to deliver the promised results has attracted severe criticisms by academicians, managers and consultants. Nevertheless, resent studies report that strategic planning is back, alive and going strong. The paper sets out to investigate the well-held theoretical premise that planning systems should be aligning both with their external environments and their internal contexts. The study attempts to contribute to the existing strategic planning literature by focusing on three important domains. Firstly, the study seeks to present comprehensive conceptualisation and operationalisation of planning systems secondly, to examine the effects of two external and internal factors have on the design of SPSs and finally, to provide guidelines, conclusions and recommendations for designing planning systems.

Katja Nothnagel, University of Paderborn

The RBV has become theoretically established in strategic management, yet, the question where we empirically stand is still to be resolved. To be able to assess the empirical development in the RBV as well as the occurring research problems, a comprehensive analysis of empirical research would be necessary. Thus, the overall purpose of this paper is to provide insight in two major topics: 1) a review of empirical research on the RBV regarding the research area, the research design, and the research model; and 2) an analysis and classification of occurring research problems and the evaluation of possible solutions. Therefore, I analyze articles published between 1983 and 2003 (N = 243) in highly ranked journals which presented and tested hypotheses in an empirical model.

A Resource-based Approach to Performance and Competition: An Overview of the Connections between Resources and Competition
Flore Bridoux, Catholic University-Louvain

In this paper, we extend the resource-based view of the firm to give an overview of the connections between resources and competition. Specifically, we develop a framework explaining competitive advantage and performance that incorporate the resource-based view of the firm and Porter's approach to competitive environment. On the basis of this framework, we show how firms and groups of firms may use their resources to compete against actual competitors, potential entrants and substitutors.

Country-level Institutional Context: Explaining the Multinationality-performance Relationship
Vikas Kumar, Bocconi University
Sumit K Kundu, Florida International University

This study attempts to understand the relationship between multi-nationality and firm performance from the perspective of differing institutional contexts. In doing so we synthesize previous literature on multi-nationality
and its relationship with firm’s performance, bringing out the conflicting and somewhat confusing results that have been shown to exist. We develop an analytic framework to understand the moderating role of institutional factors on the multi-nationality-performance relationship and make propositions relating to firm performance. It is argued that for firms with a low degree of multi-nationality the impact of the institutional context is highly significant. For firms with a high degree of multi-nationality the impact of the institutional context is relatively moderate.

**KNOWLEDGE SEARCH AND KNOWLEDGE SPILLOVERS**

**Session Chair:** Wim Vanhaverbeke, Limburg University Center/Technical University Eindhoven

**Local Search and Boundary-spanning Search: Determinates of Firms’ Technological Search Boundaries**

Wei-Ru Chen, INSEAD-Singapore

This study investigates the determinants of firms’ technological search boundaries, i.e., local search and boundary-spanning search. It develops testable hypotheses based on the behavioral theory of the firm, threat-rigidity hypothesis, agency theory, and competency trap argument. By examining the patent citation data of U.S. manufacturing firms from 1975 to 1999, this research shows how past performance relative to aspirations, proximity to bankruptcy, and slack resources determine firms’ search across organizational boundaries and technological domains.

**Spanning the Boundaries of the Firm in Innovation: R&D Project Organization and Performance**

Bruno Cassiman, IESE Business School-University of Navarra

Giovanni Valentini, IESE Business School-University of Navarra

Maria Chiara Di Guardo, University of Cagliari

For many firms, a viable innovation strategy outlining the need for external versus internal technology development can be of strategic importance. Despite the relevance of the theme, very little empirical research has explained how these boundary decisions affect the firms’ innovation performance. Drawing on the case of a multinational company in the semiconductor industry, this study analyses how the organizational form of the R&D project affects its performance. Our study enriches prior research by focusing on the R&D project as the unit of analysis and by measuring performance of internal and external technology sourcing along different dimensions such as efficiency or short term performance, and, learning and long-term performance.

**Explorative and Exploitative Learning Strategies in Technology-based Alliance Networks**

Wim Vanhaverbeke, Limburg University Center/Technical University Eindhoven

Geert G Duysters, Technical University Eindhoven

Bonnie E Beerkens, Technical University Eindhoven

Exploitative and explorative learning of firms is enhanced through their social capital. We argue that the distinction between them may be an important contingency factor in explaining the value of direct, indirect and (non-)redundant technology-based alliances. Redundant and non-redundant links play a complementary role in inter-organizational learning processes: redundant information improves exploitative learning, non-redundant information enhances a firm’s explorative learning. The empirical results support these predictions. Direct and indirect ties improve both types of learning but the impact on explorative learning is much larger. Direct ties have a moderating effect on indirect ties only in the case of exploitative learning. Firm size and technological distance between a firm’s partners also have a differential effect on exploitative and exploitative learning.

**Technological Exploration: A Longitudinal Study of Recombinatory Search and Social Capital in Alliance Networks**

Corey Phelps, University of Washington

Existing research into the relationship between strategic alliances and firm innovation largely ignores the novelty of the knowledge created and embodied in the innovations measured. Thus, prior research has not sufficiently demonstrated whether or when alliances influence the development of new competencies. I examine the influence of a firm’s strategic alliances on its degree of technological exploration – defined as the creation of technological knowledge that is novel relative to a firm’s extant knowledge stock. In a longitudinal study of 57 leading telecommunications equipment manufacturers, I find that alliances do indeed effect firm exploration. The technological diversity of a firm’s partners had a positive effect on technological exploration, while the density of its technology alliance network enhanced exploration and increased the positive effect of diversity.
STRATEGY PROCESS: PERFORMANCE LINKAGES

Session Chair: William H Glick, Arizona State University

Resource-based View and Strategy Process Prescriptions
Cliff Bowman, Cranfield University
Nardine Collier, Cranfield University

The resource-based view has provided valuable insights into the sources of advantage for the firm, but there are few clear prescriptions for executives interested in improving their firm's resource configuration. Drawing on the RBV, dynamic capabilities, learning and innovation literature's, we develop a diagnostic approach to future resource creation that incorporates insights into the extant resource configuration, past resource creation processes, and beliefs about the future environment. We conclude that strategy from an RBV perspective is about future resource creation, and that firm choices about these processes are constrained by the past. The diagnostic process we advocate will produce unique configurations of resources, resource creation processes, and structures that reflect the firm's history.

Reinvestment Decision: Escalating Commitment or Real Options
Shu-Jou Lin, Kai Nan University/National Taiwan University

Many firms commit their resources to invest in other companies as their long-term investment projects with desire of earning the investment return or get the opportunity to create new business in the future. When they initially invest in them, especially those perform in high-tech industries, the future returns are with great uncertainty. The investment or diversification is a long process. After the first investment, they usually have to decide whether to continue committing to the risky project. Two different perspectives, escalating commitment and real options, can be used to explain the firms' reinvestment decisions. In this paper, I try to explore the reinvestment decision by these two perspectives by empirical method.

Success and Failure: How Do Similar Firms Reach Opposite Outcomes Starting from Same Initial Conditions?
Edoardo Mollona, Bologna University
Andrea Moro, Bocconi University

We adopted an internal venturing perspective to study the evolution of two Italian toymakers and capture the divergence originated by different reactions to environmental change despite similar initial capabilities and history, and mutual communication. We found that alternative drivers of strategy processes and various degrees of commitment and vision by the top management allowed the leverage of different strategic opportunities despite similar environmental perceptions. The toymakers became locked-in on separate strategic trajectories, featuring different forms of adaptation to the environment stimuli. Deliberate search of opportunities led one company to market leadership; limitations on emerging business experimentations and unfitting specialization led the other to bankruptcy.

Measuring Firm Performance: Cooked Books versus Fickle Markets versus Subjective Perceptions
William H Glick, Arizona State University
C Chet Miller, Wake Forest University
Nathan Washburn, Arizona State University

The measurement of firm performance is increasingly complex and controversial. Practitioners and academics are increasingly distrustful of their own measures, while insufficient attention has been devoted to developing a more robust, theoretically grounded and empirically validated set of measures. This paper introduces a modest framework for thinking about measures of firm performance and describes the utilization of different measures in academic research. The conference presentation will include a more comprehensive analysis of existing research and a more fully elaborated model of the elements of firm performance.

BALANCING INNOVATION AND TECHNOLOGY OVER THE LIFE CYCLES

Session Chair: Clay Dibrell, Oregon State University

Jumping the Global Technology Curve: Sprinkler or Waterfall Model?
Saku Mäkinen, Tampere University of Technology
Linnea Peltonen, Tampere University of Technology

Cross-national dynamics of technology adoption is of special practical interest since if companies were able to anticipate evolutionary trajectory of global technology adoption they would be prepared to plan their operations to respond to changing international market conditions. This paper indicates that internationalization strategy should change from one technological generation to the next. This is somewhat disturbing news since strategic shifts in corporations are both hard to implement and difficult to manage. However, the subsequent technological generations do have certain conformity to law and corporations have possibilities to adaptively coordinate responses to even rapid changes. Especially the result that second generation technology seem to exhibit faster adoption than the earlier generation gives indications on how to make choices between waterfall and sprinkler strategies.
A Strategic Framework for Identifying Barriers to Adoption in Mobile Internet Applications
Andrea Rangone, Polytechnic of Milan
Filippo Maria Renga, Polytechnic of Milan
Alessandro Spotorno, Polytechnic of Milan
Sven Lindmark, Chalmers University of Technology

Because of a set of circumstances, European Network Operators are experiencing ARPU’s steep decline. As a consequence, new revenue drivers are needed so to invert this trend. Mobile Internet (i.e. the use of data application over mobile communication networks) is said to become complementary to voice but data applications (generally known as Mobile Internet services) are virtually endless. This paper presents a paper with which mobile Internet actors can evaluate data applications and understand their barrier to adoption among buyers (i.e. end users).

Balancing Resource-based Competitive Advantage Over a Technology Lifecycle
J W Stoelhorst, University of Amsterdam

The purpose of this paper is to integrate research on technological innovation and competitive advantage. Because mainstream theories of competitive advantage are relatively static in nature, they have found it difficult to incorporate technological change. Research on technological innovation shows that there are empirical regularities in how competitive landscapes change over a technology life cycle. The paper uses these regularities to develop a model that shows how firms can build and maintain competitive advantage as they shift their focus from exploration to exploitation of a new technology. The model is substantiated with three case studies, and both its theoretical and managerial implications are discussed.

Integrating Firm Temporal Activities with Information Technology: Innovation and Performance Implications
Clay Dibrell, Oregon State University

Building on prior research on the effects of temporal activities (Brown & Eisenhardt, 1997, 1998) and information technology (IT) (Bharadwaj, 2000), I studied the integrating effects of temporal activities and IT on the relationships of environmental dynamism, firm innovation, and firm performance. Through my research design, a new scale of IT temporal activities, which taps into a firm’s ability to use information technology to implement time pacing activities, was created. My findings indicate that IT temporal activities do play a positive role in a firm’s ability to respond to a dynamically changing environment through an increased emphasis on firm innovation resulting in improving firm performance.

THE ROLE OF REPUTATION AND LEARNING IN STRATEGIC BALANCE
Session Chair: Janice A Black, New Mexico State University

Innovation Demands its Own 'Rules of the Game': How Innovation-awarded Companies Balance Innovation and Daily-work
Joaquim Vilá, IESE Business School-University of Navarra
Xavier Ferràs, CIDEM
Anna Simon, CIDEM

This research sheds light on how companies that have been awarded for their accomplishment in innovation balance both the demands of daily work and the needs to nurture continuous innovation. Data comes from 15 companies settled in Catalonia. The sample includes a diverse set of firms (large and small, industrial and service enterprises, multinational and local firms). The paper builds on Galbraith’s (1982) the distinction between Operating organization and Innovating Organization, and Tushman and O’Reilly’s Ambidextrous Organization (2002). Yet, it advances a more complete management model of drivers of the innovation capacity of companies (leadership, people management, strategy-making, budgeting, etc). These companies develop specific, internally coherent, rules of game to manage innovation which significantly differ from those to manage daily operations.

Balancing Reputation and Transactions Costs in Strategy: Evidence from Internet Auctions
Tomasz Oblój, University of Warsaw
Krzysztof Y Oblój, University of Warsaw/LKAEM

This research connects theories of TCE and strategic management and underlines the value of reputation and trust as a strategic resource at the marketplace by studying pairs of identical transactions on Polish electronic exchange Allegro and hypothesize that a high reputation of an exchange partner will result in ability to command premium price because it lowers transactions costs of other party. We also hypothesize that the smaller differences in the level of reputation the more valuable a unit of reputation becomes. We show that if the differences in the levels of reputation decrease, the value of a unit of difference increases - in the extreme case more that 40 percent of price variance can be explained by the variance in reputation.
Simple and Complex Proactive Leader Behaviors’ Effect on Development of Context-for-Learning  
Janice A Black, New Mexico State University  
Richard Oliver, New Mexico State University  
J Phil King, New Mexico State University

Leaders must improve critical strategic firm competences. Tacit and socially-created competences are recognized as strategically critical; however, such competencies are notoriously difficult to manage and research. This paper, building on the Winter 1994 special issue of SMJ, examines a strategically important resource of having a context that supports learning using the tool of computational modeling of an agent-based system. This paper examines the emergence of this competence in a workgroup by using virtual experiments. The experiments revealed that the composition of the group and the presence of a formal leader with a particular leadership style had very different effects on the developmental paths. The people, the leader and what the leader does are all critical in determining the developmental paths of the group Context-for-Learning.

STRATEGIC CHOICES OF ENTREPRENEURIAL FIRMS

Session Chair: Jann-Marie Culhane, Flagler College

Entrepreneurship and Privatization in Spain: Exploring the Effect of Competitive Hostility
Zulima Fernández, University of Carlos III-Madrid  
Ana María Romero Martínez, University of Complutense-Madrid  
Elena Vázquez Inchausti, University of Complutense-Madrid

This study analyses some of the strategic and organizational changes experienced in public firms following privatization in its double facet: sale of companies and deregulation. Specifically, we analyse the process of innovation in terms of products, processes and organization. We also look into the development of new businesses and strategic renewal, which in the end shape the entrepreneurial capacity of a company. A sample of Spanish firms which were privatized between 1985 and 2000 shows that after privatization, these companies have experienced a significant increase in entrepreneurship. These changes are even more appreciable when a high sector competition is added to the ownership shift.

Comparative Analysis of Entrepreneurial and Established Firms’ Alliance Formation
Yong-Sik Hwang, Indiana University  
Seung Ho Park, CEIBS/Rutgers University

At the entrepreneurial and established stages, firms confront distinct external threats and needs. Firms need to be immune to organizational change and to survive environmental changes. The problems of entrepreneurial and established firms entail unique demands and require appropriate organizational structures, decision-making processes, and strategies. Research propositions are offered based on the assumption that entrepreneurial firms possess resources and capabilities that differ from those of established firms, and that these differences make entrepreneurial firms particularly well suited to certain types of alliance strategy such as alliance frequency, objectives, partner selection, and international alliance formation.

Strategic Reform for Debased Energy Markets: Use of Game Theory Predictions
Eric Charles Woychik, Strategy Integration LLC  
A V Carlsson, Case Western Reserve University

This paper suggests a wider use of game theory to ensure that network industries, particularly electricity and natural gas (energy), move forward with competitive reform. Multilateral collusion is expected in repeating, dynamic energy markets. Game theory’s prominent folk theory shows these results to be expected. This points to needs for new competition strategy and further inquiry to gain specific knowledge about multilateral collusion. Gaming of Western U.S. energy markets is explained in the context of Enron’s specific manipulation strategies and compared to competitive markets. The primary strategy implications are to foreclose folk theorem results on the one hand and ensure viable competition on the other. The folk theorem undoubtedly has application to provide new strategy knowledge in network industries.

Jann-Marie Culhane, Flagler College

Corporate entrepreneurship (CE) has been characterized by the entrepreneurial orientation (EO) multidimensional construct (Miller & Friesen, 1982; Lumpkin & Dess, 1996). The results of empirical research on various antecedents and moderators to the EO-performance linkage have been mixed. This study follows the contingency approach of Lumpkin and Dess (1996) and explores the firm performance linkage of a subset of EO dimensions labeled “positive initiative”, as well as the organizational factors of organicity (structure) and strategic process (strategy) in the context of a turbulent industry environment. A comparative study between system integration firms in the U.S. and Germany, the research underscores the difficulty of generalizing among disparate cultures and calls into question the robustness of the EO model.
WE CAN WORK IT OUT: CONTRACTS AND COOPERATIVE AGREEMENTS

Session Chair: Luis Angel Guerras-Martin, University of Rey Juan Carlos

Trust and Formal Contracts in Interorganizational Relationships: Substitutes and Complements!
Thomas Mellewigt, University of Paderborn
Anoop Madhok, University of Utah
Antoinette Weibel, University of Zürich

This study examines factors that influence contractual complexity in Interorganizational Relationships. We focus on three different influence factors: control concerns, coordination requirements, and trust. Whereas the influence of control and coordination concerns is quite forward as formal contracts can meet both problems, the influence of trust on formal contracts is still an issue of considerable debate. However, we believe that contrary to what has been argued trust and formal contracts are as much complements as they are substitutes. Using data on outsourcing HR management functions obtained from 68 firms moderation analysis suggests that high control concerns are matched with high contractual complexity. In addition, trust is found to be an important moderator between control, coordination concerns and contractual complexity.

Fit in External Organizational Design as a Key Factor for Success in Alliances between Firms
Luis Angel Guerras-Martin, University of Rey Juan Carlos
Angeles Montoro-Sánchez, University of Complutense-Madrid

The objective of this study is to analyse the role of fit in organizational design in the success of cooperative agreements between firms. To do this, we have used the known information-processing model originally proposed by Galbraith (1977) for an internal organizational design context. We have first adapted the model to the external organizational design. Then, we have approached the key concepts of information-processing requirements and capacities and have constructed different approaches for the measurement of the concept of fit, being this one of the contributions of the paper. The main hypothesis is tested in a sample of R&D international cooperative agreements. Results show that fit between requirements and capacities has a positive influence in the success of the agreements.

Measuring Cooperative Agreements Performance: A Goals Fulfillment Approach
Angeles Montoro-Sánchez, University of Complutense-Madrid
Eva M Mora-Valentín, University of Rey Juan Carlos

This paper has two goals: 1) to propose one method to measure the fit between the importance of the objectives and fulfilment of them in cooperative agreements, and 2) to test what reasons or goals to cooperate have the most influence on the success of the agreement for firm partners. To do this we have used a sample of 800 research and development cooperative agreements between Spanish firms and research organizations. Results have shown that partners perceived success when they get to reduce the time, the risk and the costs; when they improve their reputation and competitive advantage and position, and when they access to new products, services and markets and to the resources and technological background of the partners.

INNOVATION AS A STRATEGIC LEVER

Session Chair: Thorsten Gerhard, Arthur D Little GmbH

Balanced Growth: Towards a New Understanding of Growth and How to Apply It
Thorsten Gerhard, Arthur D Little GmbH
Lars Sakwerda, Arthur D Little GmbH

Objectives for firms - value creation and growth - remain the same, conditions have changed dramatically. In 2002 only seven out of the 50 listed EuroStoxx companies were able to increase both profitability and turnover at the same time. Following conventional wisdom, the best way to create value was to focus relentlessly on sales growth or just cutting cost. But given the new challenges, this one-dimensional growth approach is no longer suitable to create long-term value. Companies have to come to a new understanding of the "growth" phenomenon. They have to take a more balanced view on growth and aspire to realise both dimensions of growth, qualitative and quantitative, at the same time. And they can, as successful cases like BMW, Iberdrola, L’Oreal, TetraPak, and Sanofi-Synthelabo show.

Chaordic Innovation Models
Guillermo Hugo Le Fosse, University of Buenos Aires

Based on system dynamics and chaos theory, the "Chaordic Innovation Models" emerge by the influence and loops generated by attractors (stakeholders, global competition, complementers, clients, specialization, and other game players) and characterize the value migration, profitability, business model and strategy of a company. Each model requires managing the dynamism of players, the grade of innovation, and a certain level Strategic Integration to success in.
The Role of Technology and Product Networks in the Firm's Strategy: Towards a New Theory
Gautam Kasthurirangan, Rensselaer Polytechnic Institute
Satish Nambisan, Rensselaer Polytechnic Institute

The highly dynamic nature of the products and the marketplace has forced companies to look beyond their organization walls for their innovation process, with the innovation happening not within a single or a couple of firms but a network of many firms. The following paper offers a new approach to study this kind of ‘networked value creation’ by using concepts from the social network theory. We build technology and product networks using constructs from the social network theory. By studying the positioning of the technologies and products in their respective networks, we were able to derive interesting implications for the design of the overall firm strategy and provide a better insight into some of the managerial and strategic issues in this new form of ‘networked value creation’.

Does Innovation Competence Predict Intellectual Property Longevity? The Case of Pharmaceuticals
Maritza I Espina, Universidad del Este

Intellectual Property (IP) contributes to the creation and enhancement of shareholder value, helps establish competitive market positions, and is an important source of revenue. With the number of patents on the rise, managers are required to make decisions related to IP more often. However, maintenance of IP has not been a focus of strategic management. Analyses of ten-year data on 224 pharmaceuticals suggests that over and above financial strength, a firm’s innovative competence predicts the longevity of their IP instruments. Controlling for size, financials, and R&D; IP capacity - as measured by length of innovation cycle, patent quality, and claims - was associated with the length of patent protection. The findings lend recommendations for future research, practice, and theory, on the intersection of strategy and IP.

09:15 – 09:45
COFFEE BREAK – PEACOCK ALLEY

09:45 – 11:00
PARALLEL PAPER/PANEL SESSIONS

Building Capabilities through Learning Routines: The Role of Experiential and Vicarious Learning on Network Performance
MB Sarkar, University of Central Florida
Raj Eschambadi, University of Central Florida
Cameron Ford, University of Central Florida

Organizational learning studies based on the passive productivity growth paradigm ironically ignore learning routines; and consider accumulated experience equivalent to capability. This may be questionable in situations where the activity is complex, heterogeneous, and causally ambiguous, and where facile transfer across episodes may not suffice and even result in negative transfer effects. We empirically test the effect of experiential and vicarious learning processes on alliance outcomes among 182 firms. We find that while both processes positively affect alliance performance, they share a substitutable relationship among themselves. We further find that vicarious learning becomes a more potent force in dynamic environments than in stable environments. The results indicate the importance of considering processes in future organizational studies of organizational learning.

Learning through Variance in High-velocity Environments: Cross-product Comparisons and Future Product Performance
Ithai Stern, University of Texas-Austin
Andrew D Henderson, University of Texas-Austin
James D Westphal, University of Texas-Austin

Variance-based learning is a specific form of experiential knowledge building in which a firm’s managers discern evolving customer preferences and market trends by determining the causes of performance differences across the multiple products in their firm’s portfolio. The comparison of multiple data points gathered at the same time represents a fast form of learning that is especially important in high velocity settings. Empirical evidence from the personal computer industry reveals that: 1) variance in performance across a firm’s products today increases the performance of new products introduced tomorrow; 2) the size of a firm’s product portfolio interacts with and increases the future benefits derived from performance variance across today’s products; and 3) a firm’s ability to learn from performance variance, while still positive, is degraded in exceptionally turbulent environments that render market feedback noisy and confusing.
Pandemic Strategy Disconnects and How to Bridge Them
Alan K Graham, PA Consulting Group

Strategy processes may appear well-integrated. But in the flows of strategic information, major disconnects separate known facts from assumptions from strategic conclusions. Neither traditional strategy tools nor models (spreadsheet and otherwise) usually bridge these disconnects. Executives must make a "leap of faith." Or not; Analysis paralysis and the perennial top-down / bottom-up tension can result. System Dynamics modeling, however, has evolved practices that create auditable, rigorous strategic logic suitable even for legal proceedings. Most of these practices, such as cause-and-effect modeling and validation checks at multiple points, can be effective even in a spreadsheet environment. The result can be better-explored strategy options (explicitly mixing top-down and bottom-up), applicability to multiple issues, more rigorous conclusions, likely more consensus, less work overall and superior strategic outcomes.

The Moderating Effect of Organizational Near-Failure Experience on Survival-enhancing Learning
June-Young Kim, University of Wisconsin-Madison
Anne S Miner, University of Wisconsin-Madison
Jay Kim, University of Southern California

We present a theory of near-failure experience (defined as transitions from a period of distress to normal performance levels) and its influence on survival-enhancing learning. We hypothesize that near-failure experiences will have positive long-run learning effects, but that it will also moderate the firm's ability to learn from failure in the population more broadly. Further we expect near-failure levels to moderate the value of ongoing organizational "distress," defined as continuing performance below an industry accepted norm of adequacy. We use data from the U.S. commercial banking industry from 1984 to 1998 to test our hypotheses. Our research advances theories of experiential learning by examining the effects of different ways internal near-failure may impact survival-enhancing learning, either directly or through influencing other learning processes.

A Strategic Purchasing Approach: New Value Chain for System Integrators
Nicola Marziliano, Nokia Italy

Previous works shown that type of relationships can play an important role in the strategies of large System Integrators. Large Systems Integrating companies have existed in the already more mature industries, such as the automobile industry. Historically, the main modes of governance in these industries have included internalization and arms-length relationships governed through competitive bidding (Starbuck 1965; Mintzberg 1979). The deconstruction of the value chain, increasing specialization, and emphasis on one's own core competencies has gradually transformed also a large variety of the other forms of sufficient size into System Integrators. A new value chain and relationship model that sustains such a change became urgent. In the present paper the Telecommunication market is proposed and analyzed in order to evaluate these hypothesis and verify a working model.

Outsourcing from the Resource-based View and Competitive Strategy: Empirical Evidence in the Hotel Sector
Tomás F Espino-Rodríguez, University of Las Palmas-Gran Canaria
Victor Padrón-Robaina, University of Las Palmas-Gran Canaria

This paper examines the determining factors in hotel service outsourcing from the resource-based view of the firm and establish its relationship with competitive strategy. In the first place, the relationship between outsourcing and resource attributes is analyzed (e.g., heterogeneity and its persistence), and then the relationship of outsourcing to competitive strategy (i.e., cost leadership in versus differentiation) based on the strategic value of the outsourced activities is studied. The results obtained indicate that persistence of heterogeneity influences outsourcing of activities more than heterogeneity itself. It is also shown that hotels that follow a strategy of differentiation outsource non-core activities more than those that follow a cost leadership strategy.

Firm Performance in Latin America: How Different is It?
Luiz Artur L Brito, Foundation Getúlio Vargas
Flávio Vasconcellos, Foundation Getúlio Vargas

This research analyzes the performance of 442 companies operating in Latin American countries from 1994 to 2002 with a total of 2322 observations. Performance variance composition was found to be different from previous studies on American firms in many ways. Firm effects are smaller giving room for industry, country and year effects. Country-year interaction was also relevant. The findings indicate that the dynamics that determine performance can be substantially different. In this case, time and place may be more important than individual firm factors. Supporting evidence from limited previous research on emerging countries, this calls for avoiding the pure transposition of theories developed in the U.S. business environment to emerging economies. Strategy theory and practice may need to be adjusted for context.
Theorizing on Competitive Disadvantage: A Strategy-at-practice Perspective
Flávio Vasconcelos, Foundation Getúlio Vargas
Luiz Artur L Brito, Foundation Getúlio Vargas

Most of the business strategy literature is built around the concept of competitive advantage. Researchers aligned with the industrial economics tradition usually focus on industry structure and other environmental analysis techniques to devise business strategies that give firms a structural advantage over competitors. Researchers following the Resource-Based View (RBV) look at how valuable, rare and hard to imitate resources contribute to give firms a competitive edge over its rivals. However, there has been considerably less attention devoted to the idea of competitive disadvantage and its implications for strategy theory. In this article we argue that competitive disadvantage is critically important for strategy practice although it has been consistently overlooked by strategy theorists.

Financial Implications of Strategic Moves
Session Chair: Bent Dreyer, Norwegian Institute of Fisheries & Aquaculture

Entry Order and Financial Implications
Bjørn Inge Bendiksen, Norwegian Institute of Fisheries & Aquaculture Ltd
Kjell Grønhaug, Norwegian School of Economics & Business Administration
Bent Dreyer, Norwegian Institute of Fisheries & Aquaculture Ltd

The impact of entry order on firm performance has primarily been related to entering and exploiting a new market opportunity. The idea of first mover advantage can be extended to include the exploitation of any opportunity that may influence firm performance. Here we examine performance implications of entry order in exploiting a new source of critical input, i.e. supplies from former Soviet Union vessels. Our findings indicate that timing for entering this supply market is unimportant in terms of explaining competitive position among Norwegian fish processing firms. The findings reported support views that firm specific resources are important moderators for outcomes of order of entry. In addition the results imply that firms achieve their goals in different ways as reflected in the theory of equifinality.

Financial Strategy Implications of Pursuing Business Models
Mei-Ling Hsieh, National Taiwan University

In this paper, we want to find out the linkage between competitive strategy and financial policy; Furthermore, we investigate that considerations of competitive strategy can help illuminate the decision-making between debt and equity financing, and of maintaining financial slack. We identify four scenarios of business models by original equipment manufacture (OEM) density and innovation intensity. Each scenario represents a firm’s competitive strategy. By examining the determinants and implications of financial policy of IT firms listed on TSE and OTC with pursing distinctive competitive strategies in the period from 1980 to 2002, we find out supportive evidences.

Do Financial Markets Price Firm R&D Strategies
Hart E Posen, University of Pennsylvania
Sendil K Ethiraj, University of Michigan

Prior empirical evidence has suggested that financial markets have difficulty valuing firms’ R & D investments, significantly discounting expectations of future cash flows. An important consequence of any such friction would be the attenuation of economic incentives to engage in the production of highly novel innovations. We studied this potential problem in the context of the pharmaceutical industry where firms invest heavily in innovation across a wide spectrum of new drug novelty. We observed both financial market valuations and firm R & D strategy choices. Our results indicate that financial markets effectively discriminate between R & D strategies that are heterogeneous in their innovativeness, consistently valuing the development of novel new molecules more highly than incremental modifications to existing molecules.

Unbundling the Concept of Resources within Firms
Session Chair: Frances Bowen, University of Calgary

The Role of Slack, Resources, and Dynamic Capabilities in Innovation
Frances Bowen, University of Calgary
Sanjay Sharma, Wilfrid Laurier University

The resource-based view sees innovation as a consequence of the rational pursuit of sustained competitive advantage through mobilising unique bundles of resources and capabilities. In contrast, within the behavioural theory of the firm, innovation is a response to below aspiration level performance or as a result of search conducted using slack resources. Our paper examines the relative influence of generic slack resources on the one hand, and unique bundles of resources and capabilities on the other, on innovation. By focusing on the potentially competitively valuable characteristics of slack resources, we develop a theoretical framework which identifies which combinations of resources are best suited for incremental, architectural and radical innovation.
The Impact of Causal Ambiguity on Firm Performance: A Contribution to the Debate

Nuria Gonzalez, University of León
Mariano Nieto Antolín, University of León

The resource-based view (RBV) predicts that firms will achieve and sustain a position of competitive advantage over time only if their competencies are difficult to imitate. Traditionally, it has been recognised that causal ambiguity, by making it difficult for competitors to identify the strategic capabilities of a firm, represents an effective protection mechanism helping the firm to obtain superior performance. Recently, researchers have unearthed evidence that the effects of causal ambiguity also could be extended to the interior of the firm itself, hampering the diffusion of its own capabilities among its managers. In this case, the existence of causal ambiguity will have a negative impact on firm performance. In this paper we study both effects using a sample of 258 Spanish manufacturing firms.

Managing Innovation In Cultural Contexts: The Paradox Of Idiosyncratic Style

Anna A Ponti, Bocconi University
Tina Dacin, Queen’s University

By embracing a ‘dynamic’ resource-based perspective in understanding firm behavior, this paper explores the role of style in the innovation processes in the fashion industry. We argue that, in cultural industries, the negative effect of core rigidities is moderated by dynamics of symbolism, rooted in the legitimacy and the reputation that firms have built in the past. We raise a number of issues towards understanding the impact of this paradox by proposing an evolutionary framework that is generalizable to other creative industries. We make the case that context provides an important moderating effect on the potential downside of rigidities. We suggest when the competition takes place in a symbolic arena, the rigidity of core capabilities can, in fact be an important source of competitive advantage.

From Discrete Resources to Firm Performance: The Moderating Role of Coordination

Michael J Fern, University of North Carolina-Chapel Hill

Drawing on the strategy and organizational theory literatures, this research explores the role of coordination in translating discrete resources into firm performance. Specifically, a model is developed which theorizes that coordination is a critical moderator of the relationship between discrete resources and firm performance. The efficacy of different coordination mechanisms hinge on the routineness of the process structure employed to convert raw materials into finished goods and services. From this theoretical model, a series of hypotheses are presented in the context of manufacturing. The presented model provides scholars and practitioners with new insight regarding the role of coordination within organizations.

In Innovation and Learning Strategies

Session Chair: Anjali Bakhru, Open University

In Defense of Integral Architectures: Competing through Tightly-Coupled Innovation for Sustainable Competitive Advantage

Willow A Sheremata, York University

Recent research on technological innovation has focused on the benefits of modular systems (Garud et al., 2003), while neglecting advantages that accrue from tightly-coupling diverse technologies into integral systems. This paper develops a comparative model that proposes integral architectures can be more profitable than modular architectures and a source of sustainable competitive advantage. Firms that use integral architectures to create significant value from new combinations of diverse technologies can attain extraordinary returns for long periods of time with little fear of imitation. The technological and social systems required to successfully develop and market this type of innovation are sources of sustainable competitive advantage precisely because they create large amounts of value, but are rare and difficult to imitate (Barney, 1991).

Codification and its Uses in the Creation of Organizational Capabilities

Anjali Bakhru, Open University

Given that organizational routines and capabilities can be considered to embody the organization's knowledge at any one point in time, an important and related issue concerns how firms are able to develop and transfer this organizational knowledge. The aim of this research is to examine the role of codification in the capability development process, where primary data is collected in respect of two new on-line sectors. The findings both support and extend existing theory in relation to the role of codification as a means of knowledge transfer and as a process for improving routines, as well as identifying codification as a central step in the evolutionary development of organizational routines.

Beyond Double-loop Learning: Linking OL and Strategy by Innovation the Case of Ericsson versus Nokia

Kristina Eneroth, Lund University
Allan T Malm, Lund University

Organizational learning has since the publication of Argyris & Schon's seminal work been tied to the single versus
double-loop learning concepts. In fact, the discussion seems at times to have come to a halt at double-loop learning. In this paper it is argued that the ideas of organizational learning need to: 1) get a more substantial link with current strategy theory; and 2) in doing so we need to move beyond double-loop learning. This is presented as multilevel learning. This multi-levelness enables an empirical study on learning related to the strategic renewal of firms (often neglected). In the paper a comparison of the two mobile telephone companies Nokia and Ericsson development and how the two companies swapped places in terms of market-share will be offered.

Mind Your Innovation: Enacting a Technology Into an Industry
Johanna K Jaskari, Helsinki University of Technology

In this theoretical article I explore how an industry, based on a specific technology, is created and enacted by the use of language. I combine literature on how different structures of knowledge are embedded in innovations, how a technology is influenced over its life time by innovations, how an industry evolves from social networks, and how coalitions of interests enact markets and technologies by some very few concepts. As a result, I show that industries, based on specific technologies, are created and sustained by a few specific concepts, which enable stakeholders to understand the meaning of the technology; a process which allocates attention and resources and thus affects an organization’s profitability.

YOU REALLY GOT A HOLD ON ME: STRATEGY, PERFORMANCE AND THE EXTERNAL ENVIRONMENT

Session Chair: Howard Viney, Open University

Determinants of Competitive Strategy in a Regulated Utility Environment
Howard Viney, Open University
Olga Mourouti, Middlesex University

The paper explores the determinants of strategy in the type of quasi-market environment commonly witnessed following market liberalization. Using the U.K. energy industry as its domain, trends in competitive strategy are examined for evidence of the influence of institutional factors or managerial determinism. The paper finds strong evidence for the continued importance of institutional factors, despite the introduction of competition to the industry, with the influence of strategic choice relegated to outlier decisions. However, it notes that the nature of isomorphic influence has altered, with coercive forces less obvious, and increasingly replaced by mimetic and normative influences. The paper concludes by suggesting that the design of the original liberalization, emphasizing the notion of value protection, was of critical importance, producing relatively homogeneous strategic responses.

Capital Market Pressure and Firm Competitiveness: Evidence from the United States Airline Industry
Yu Zhang, INSEAD
Javier Gimeno, INSEAD

Capital market pressures may have beneficial and detrimental effect on firm performance. We explore a causal mechanism by focusing on the effects of capital market pressures on competitive behaviors and intensity of rivalry. We propose that public ownership makes firms less competitive aggressive, and that pressures for profit further reduce the aggressiveness of competitive actions. Pressures for profit growth make firms more likely to undertake aggressive competitive actions. The preliminary results based on the data from U.S. airline industry support our hypotheses. This suggests the need to develop more nuanced models of the effect capital market pressure on performance. In particular, beyond the much-discussed mechanisms of agency-cost reduction and efficiency gains, theory must recognize how capital market pressure influence competitive commitment and intensity of rivalry.

Reconstructing Corporate Social Performance
Jill R Hough, University of Tulsa

Despite the theoretical and practical importance attributed to corporate social performance (CSP), research has produced conflicting results on its relationship with financial performance. Many assert that contradictory results stem from the “swirling waters of CSP measurement.” While research has converged on the use of Kinder, Lydenberg, and Domini (KLD) data for measuring CSP, little attention has been directed toward how dimensions of the construct (i.e., community, environment, employee relations, diversity, product, non-U.S. operations, governance, and exclusionary screens) should be modeled. This research discusses recent changes to the KLD database and compares and contrasts different approaches for modeling the CSP construct. The relationship between CSP and financial performance is used to explore practical differences between the different measurement approaches.

Ownership Structure and Performance: Owner Type and Concentration Matter
Karen A Schnatterly, University of Minnesota
Scott Johnson, University of Minnesota

Previous research on how ownership structure affects firm performance has primarily used cross sectional samples from multiple industries. In this study we focus on a single high-tech industry (semiconductors) for our analysis. We expand previous approaches by examining ownership by concentration and by type. In addition to outsider and insider ownership, we create a category called ‘linked’. This category represents owners that have
business with the firm, but are not insiders. These owners may be helpful for the firm in that they have firm-related information, yet they may also have conflicts of interest with respect to the shareholders. We find that outside ownership positively affects performance in some specifications, but insider and linked ownership do not. Board variables also have an impact.

**Resource-based Theory: What We Know, Don't Know, and Need to Know**

**Session Chair:** Tammy L Madsen, Santa Clara University

**Research Streams of the Resource-based View: Explored and Unexplored**

Robert J Duesing, Oklahoma State University
Margaret A White, Oklahoma State University
Prashant Srivastava, Oklahoma State University

The resource-based view has its roots in industrial organizational economics and evolutionary economics and for the past two decades has had a major impact on business strategy. It has changed our perspective of analysis from the product view to the resource view and has found useful application in many business fields in the pursuit of sustained competitive advantage. However, the full utility of the resource-based view has not been realized. After a retracement of the origins of RBV, a brighter light may be shed on the many arenas that RBV has yet to explore. Further research will not only stretch the theory but also bring untold advantage to the savvy practitioner.

**How do Firms Differ: What do We Know about Capabilities?**

David G Hoopes, Southern Methodist University
Tammy L Madsen, Santa Clara University

The question of why firms differ is paramount to scholars of strategy. Capability and resource theories dominate discussions of heterogeneity in performance. Yet, extracting strong and consistent conclusions from the empirical literature is difficult. To help build a better bridge between the empirical and theoretical work on capabilities, we synthesize the empirical research. In this way, this paper derives conclusions and questions regarding capabilities and competitive advantage, and competitive heterogeneity. We then examine other areas of research that complement or compete with capability-based explanations of persistent differences in firm performance. In so doing, we emphasize the relationship between the empirical and theoretical capability work and the importance of other perspectives to understanding competitive heterogeneity. We conclude by suggesting approaches to and areas of future work.

**Patent-based Rivalry: Balancing Strategic Resource Barriers and Alliances**

Gideon Markman, University of Georgia
Peter T Gianiodis, University of Georgia
Ann K Buchholtz, University of Georgia

Competitive actions in response to firm-level rivalry have important consequences for subsequent firm performance. This is especially salient in the case of multimarket competition. In this study we develop and test a model of multimarket rivalrous behaviour by: 1) measuring multimarket contact among 147 publicly traded firms that compete in a single industry-biotechnology (SIC: 2833-2836, and 8731-8733); 2) examining how key elements relevant to the rivalry process itself (e.g., firm size, strategic partnerships, transactional agreements, and patent portfolios) correlate with patent-based rivalry; and 3) moving beyond the assumption that competition is limited only to the two largest incumbents and instead measured rivalry among all 147 biotech firms. The implications of our findings for research and practice are discussed.

**Value Creation and Competitive Advantage: Multilevel Performance Implications**

Paul L Drnevich, Purdue University
Mark T Shanley, Purdue University

Research issues in strategic management are essentially problem focused. These problems often span levels of analysis, may align with different performance metrics, and likely hold different performance implications from various perspectives. However, research has generally approached questions from single perspectives and there have been few efforts to consider the performance implications of employing combined perspectives. Further, what actually constitutes “good” performance, how performance is measured, and how performance measures align with different perspectives remains problematic. We discuss potential extensions for strategic management theory to begin to address this conflict. We explore the multilevel performance implications of two concepts central to strategic management, competitive advantage and value creation, examine related implications arising from multilevel perspectives, and conclude with a discussion of potential implications for research.
Managing Organizational Networks and Knowledge Transfer in a Global Service Company
Alexandre Perrin, RODIGE-CNRS
Nicolas Rolland, CERAM Graduate School of Management
Tracy Stanley, Sophia Professional Women's Network (SPWN)

The knowledge-based theory of the firm has emphasized the role of organizational capabilities and networks. Based on this idea, some managers in Amadeus, a global services company, have put in place mechanisms to create and transfer knowledge efficiently among professional networks. Faced with the tacit dimension of knowledge, their strategy built on information systems and technological solutions has fallen short of expectations. Research has been conducted in the past three years in this organization to show that the strategy was mainly based on codification of information instead of creating a collaborative climate outside organizational networks. Today, a human-centric approach is heralded through the launch of communities of practices to structure collaboration and information sharing among organizational networks.

Uta Wilkens, Chemnitz University of Technology

The paper explores the psychological contract of knowledge workers who frequently change their jobs. The description of the reasons for transactional contracts, employees' job expectations and their perceived obligations is based on interviews with highly skilled individuals who have unsteady employment biographies with entrepreneurial elements. The empirical findings result in parameters for HR-policy in knowledge-intensive networks: ambiguous aims on the individual and the organizational side, limited organizational influence on employees' behavior and the necessity to deal with chances as well as co-operative knowledge development in networks. These parameters will be subsumed under a social-cultural evolutionary approach that serves as a framework for HR-policy in knowledge-intensive networks. The balance of dualities of flexibility and stability is of major concern in the introduced model.

Knowledge-based Strategy Formulation through Benchmarking in Service Firms: A Data Envelopment Analysis Approach
Matthias Fuchs, University of Innsbruck

Knowledge development processes form the basis for the establishment of core competencies and are determined by the organisation's ability to learn and to communicate. The paper introduces the benchmarking approach as a device to enhance learning processes for leveraging the knowledge-base of service firms. The efficiency benchmarking approach of Data Envelopment Analysis will be employed as it postulates the simultaneous consideration of input resources needed to provide service outputs. Comprehensive efficiency measures for a benchmarking group comprising a total of 68 tourism destination units are discussed. These findings form the basis for a new strategy formation approach within the service industry. The paper concludes by discussing strengths and weaknesses of the presented approach to foster organisational learning processes and gives recommendations for future.

The Prevalence and Impact of Innovative Capabilities in Manufacturing and Service Organizations: Are They Different?
Mohan Subramaniam, Boston College
Mark A Youndt, Skidmore College
Bruce C Skaggs, University of Kentucky

We examine how the prevalence and performance impact of different types of innovative capabilities vary across manufacturing and service organizations. Based on a study of 83 organizations, we found no difference in the prevalence of incremental innovative capabilities among service and manufacturing organizations. However manufactures had higher levels of radical innovative capability and service providers exhibited higher levels of architectural innovative capability. With regard to impact on performance, we found support for the contention that radical innovative capabilities have greater performance effects in manufacturing, but not in the services. We also found incremental innovative capability was positively related to sales growth in manufacturing but not in the services, and architectural innovative capability was positively related to sales growth in the services but not in manufacturing.
ALL TOGETHER NOW: INTERFIRM COLLABORATION IN ALLIANCES AND CLUSTERS

Session Chair: Luiz Mesquita, Arizona State University West

Network Strategies
Mihnea Moldoveanu, University of Toronto
Barak Aharonson, University of Toronto

Network position matters to the strategic predicament of a firm, influencing strategic properties such as prestige and brokering opportunities. Given these advantages, it is reasonable to consider network position as a variable that firms strategically try to manipulate through their network strategies. We introduce a model for analyzing network strategies which includes position-dependent costs and benefits, and sees firms maximizing strategic variables such as their degree, betweenness and closeness centrality measures. The model includes network-level strategic variables of interest (such as position-dependent costs and benefits of partnering) but is simple enough to allow us to make predictions about the long-run dynamics of the associated strategically manipulated network. The paper concludes with an analysis of the computational challenges of a Nash-theoretic approach to network strategies.

Starting Over When the Bickering Never Ends: Collaboration Brokers, Trust, and Cluster Development
Luiz Mesquita, Arizona State University West

Trust fortifies collaboration among clustered small-and-medium-enterprises, thus enabling their competitive advantage. The trust literature has accumulated a substantial body of knowledge; yet little has been said about trust-reconstruction. We model and offer testable propositions for the reconstruction of trust in clusters that evolved into a maze of distrust and non-collaboration. Specifically, we investigate the infusion of competence and reputation by collaboration brokers in cluster development initiatives. We predict that given appropriate institutional structures and cognitive processes, collaboration brokerage enables momentary opportunities for new trust to breed and disentangle gridlocked uncooperative relationships. We discuss implications for theory and practice.

Internationalization and Declustering: A Dynamic Theory of Italian Districts
Elisabetta Marafioti, Bocconi University
Fabrizio Perretti, Bocconi University

The internationalization strategy of actors operating in clusters has shown over time its weaknesses, producing a negative effect over the competitiveness of some operators of the cluster itself. This phenomenon is particularly true if we consider the internationalization in the NICs which started from the beginning of the 90's, producing a resources diversion from the market of origin to farther markets. Analyzing the demographic data of companies operating in districts, it is clear and visible the fact that many downward operators are decreasing and are exporting even less than the average of all Italian industrial companies. The theoretical and feedback model presented in the research explores this phenomenon and the consequences produced by export strategies of machinery producers and on the cluster as a whole.

The Geometry of Multi-firm Alliance Governance
Dania Dialdin, Erasmus University Rotterdam

The use of multi-firm alliances in the past decade has increased considerably. Although the characteristics of these alliances are inherently more complex, the perspectives available to study important aspects of these inter-organizational relationships, such as their governance structures, are essentially dyadic. Based on a social network perspective, I develop a framework that accommodates the complexities of the different relationships that make up the multi-firm alliance (a specific form of a multi-firm alliance). It examines the effect of how close the three firms and how relatively far they are from each other in the overall network the likelihood of using hierarchical controls to govern the alliance. Analysis of governance decisions of 207 three-way strategic alliances support one but not both aspects of this perspective.

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"Great Innovations with Strategic Discipline: The 3M Story"
Roger HD Lacey, 3M Company

12:15 – 14:15 AWARDS LUNCHEON WITH SPEAKER – SAN CRISTÓBAL BALLROOM
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Sunday, October 31
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Monday, November 1
18:00 – 19:00

Competitive Strategy
Chair: Margaret A Peteraf
Flamboyán

The Practice of Strategy
Chair: Bob de Wit
Flamingo A-B

Entrepreneurship & Strategy
Chair: Rita Gunther McGrath
Flamingo C-D

Knowledge & Innovation
Chair: Thomas Durand
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