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Welcome to Orlando!

Dear Fellow Participant,

Welcome to the Strategic Management Society's 25th Annual International Conference! We are pleased to have your attendance here in Orlando, especially on this Silver Anniversary of our professional society.

Irene M Duhaime of Georgia State University and Carl W Stern of The Boston Consulting Group are our Conference Program Co-Chairs for this conference. On this 25th Anniversary, the theme of "Achievements and Opportunities" has led to a very exciting program filled with topics of current interest to all of us. Our meeting will report many achievements and it 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 Irene and Carl 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 anniversary 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. Please give these leaders your support as they help the SMS expand its reach and support to all of us.

To the Program Review Committee, our presenters, and to all those who helped put this program together go our thanks for making the Orlando 2005 program a success! Of course, special and personal thanks must go to Irene and Carl for their many contributions and the time they have given to all of us. This year we inaugurated the post of Conference Program Associate Chair, the person who will be a conference program co-chair in 2006. Javier Gimeno of INSEAD has filled the post this year and we are very pleased to work with him.

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 Orlando!

Dan Schendel
Executive Director
Dear Colleague,

We are pleased that you have joined us here in Orlando for the 25th Annual International Conference of the Strategic Management Society (SMS). The warm sun and nearby attractions provide a wonderful setting for our gathering and we hope you will appreciate the relaxed environment and hospitality of the Hilton in the Walt Disney World® Resort in Orlando. 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. Topical panels are also offered in almost every timeslot, running alongside the traditional presentations of papers on cutting edge strategy research topics. 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.

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. The finalists are highlighted in this program booklet, and we especially encourage you to attend their sessions.

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 fun, enjoy, and learn!

Irene M Duhaime
Conference Co-Chair
Georgia State University

Carl W Stern
Conference Co-Chair
The Boston Consulting Group

Javier Gimeno
Conference Associate Chair
INSEAD
About the Strategic Management Society

2005 SMS Executive Committee and Board of Directors

Richard A Bettis, University of North Carolina-Chapel Hill, President
Michael A Hitt, Texas A&M University, President-Elect
Carlos Cavallé, IESE Business School-University of Navarra, Past-President
Dan E Schendel, Purdue University, Founding President & Executive Director
Jay B Barney, Ohio State University
Robert E Hoskisson, Arizona State University
Anne S Huff, London Business School/Technical University of Munich
Rita Gunther McGrath, Columbia University
Will G Mitchell, Duke University
Joan E Ricart, IESE Business School-University of Navarra

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, Baltimore, and San Juan. 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 the SMS Book Series. 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 F)
Corporate Strategy and Governance (Track G)
Global Strategy (Track H)
Strategy Process (Track I)
Knowledge and Innovation (Track J)
The Practice of Strategy (Track K)
Entrepreneurship and Strategy (Track L)

Visit the SMS Web site (www.smsweb.org) for further information.
Founding Members

Richard A Bettis, University of North Carolina-Chapel Hill
Philip H Birnbaum-More, University of Southern California
L J Bourgeois, University of Virginia
John M Bryson, University of Minnesota
John E Butler, University of Hawaii-Manoa
Ronald Capelle, Capelle Associates Inc
Christer C Carlsson, Åbo Akademi University
Asensio Carrión-Serna, University of Monterrey
Bala Chakravarthy, IMD
Arnold C Cooper, Purdue University
G David Craig, David Craig Consulting Ltd
William Crittenden, Northeastern University
George S Day, University of Pennsylvania
Lester A Digman, University of Nebraska-Lincoln
D Jan Eppink, Boer & Croon Management Consultants
Elias Halamandaris, National Bank of Greece SA
Donald C Hambrick, Penn State University
Kathryn R Harrigan, Columbia University
Hitotora Higashikuni, Science University of Tokyo
Richard C Hoffman, Salisbury University
Dezső J Horváth, York University
Robert E Hoskisson, Arizona State University

Past Board Members

* Presidents

Alfredo Ambrosetti
H Igor Ansoff
Christopher A Barlett
Jay B Barney
Richard A Bettis *
Sue Birley
Carlos Cavallé *
Bala Chakravarthy
Derek F Channon *
Napier Collyns
Arnold C Cooper
Jeremy G Davis *
Jacob de Smit
Guy de Wouters
Yves Doz
Michel Ghertman
William Guth
Donald C Hambrick
Gary Hamel
Bruce Henderson
John H Hickman III
Michael A Hitt
Robert E Hoskisson

Anne S Huff
John G Keane
James N Kelly
Christopher Lorenz
John McGee *
Rita Gunther McGrath
Henry Mintzberg *
Will G Mitchell
Ikujiro Nonaka
David Norburn
Jan P Oosterveld
Michael E Porter
C K Prahalad
Joan E Ricart
Richard P Rumelt *
Dan E Schendel *
Peter Segaar
Harriett H Stairs
George A Steiner
John M Stopford
Howard Thomas *
Edward J Zajac
<table>
<thead>
<tr>
<th>Year</th>
<th>City</th>
<th>Theme</th>
<th>Program Chairs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>London</td>
<td>&quot;Global Strategic Management in the 1980's&quot;</td>
<td>Derek Channon &amp; Hugh Parker</td>
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<tr>
<td>1983</td>
<td>Paris</td>
<td>&quot;Making Strategy Work&quot;</td>
<td>Dominique Heau</td>
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<tr>
<td>1984</td>
<td>Philadelphia</td>
<td>&quot;Targeting Strategies&quot;</td>
<td>Peter Lorange</td>
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<tr>
<td>1985</td>
<td>Barcelona</td>
<td>&quot;The Essence of Strategic Management&quot;</td>
<td>Eduard Ballarin</td>
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<tr>
<td>1986</td>
<td>Singapore</td>
<td>&quot;Cultures and Competitive Strategies&quot;</td>
<td>Peter FitzRoy &amp; Gordon Redding</td>
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<tr>
<td>1987</td>
<td>Boston</td>
<td>&quot;Strategy: Prospect and Retrospect&quot;</td>
<td>Joseph Bower &amp; Andrall Pearson</td>
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<tr>
<td>1988</td>
<td>Amsterdam</td>
<td>&quot;Winning Strategies for the 1990's&quot;</td>
<td>Jan Eppink</td>
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<tr>
<td>1989</td>
<td>San Francisco</td>
<td>&quot;Strategies for Innovation&quot;</td>
<td>Robert Harris</td>
</tr>
<tr>
<td>1990</td>
<td>Stockholm</td>
<td>&quot;Strategic Bridging: To Meet the Challenges of the Nineties&quot;</td>
<td>Leif Melin &amp; Hans-Olof Hagén</td>
</tr>
<tr>
<td>1991</td>
<td>Toronto</td>
<td>&quot;The Greening of Strategy – Sustaining Performance&quot;</td>
<td>David Hurst &amp; Rod White</td>
</tr>
<tr>
<td>1992</td>
<td>London</td>
<td>&quot;Strategic Renaissance: The Transformation of Economic Enterprise&quot;</td>
<td>James Kelly</td>
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<tr>
<td>1993</td>
<td>Chicago</td>
<td>&quot;Integrating Strategy&quot;</td>
<td>Edward Zajac</td>
</tr>
<tr>
<td>1995</td>
<td>Mexico City</td>
<td>&quot;Strategic Discovery: Opening New Worlds&quot;</td>
<td>Raul Alvarado</td>
</tr>
<tr>
<td>1996</td>
<td>Phoenix</td>
<td>&quot;Competing in the New Economy: Managing Out of Bounds&quot;</td>
<td>Gary Hamel &amp; C K Prahalad</td>
</tr>
<tr>
<td>1997</td>
<td>Barcelona</td>
<td>&quot;Managing in an Interconnected World&quot;</td>
<td>Joan E Ricart</td>
</tr>
<tr>
<td>1998</td>
<td>Orlando</td>
<td>&quot;Tailoring Strategy – One Size Does Not Fit All&quot;</td>
<td>Kevin Coyne</td>
</tr>
<tr>
<td>1999</td>
<td>Berlin</td>
<td>&quot;Winning Strategies in a Deconstructing World&quot;</td>
<td>Dieter Heuskel &amp; Rudi K F Bresser</td>
</tr>
<tr>
<td>2001</td>
<td>San Francisco</td>
<td>&quot;Reinventing Strategic Management – Old Truths and New Insights&quot;</td>
<td>Rich Bettis &amp; Derek Dean</td>
</tr>
<tr>
<td>2002</td>
<td>Paris</td>
<td>&quot;Old Barriers Crumbling, New Barriers Rising&quot;</td>
<td>René Abate &amp; Karel Cool</td>
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<tr>
<td>2003</td>
<td>Baltimore</td>
<td>&quot;Intersections: Strategy Across Conventional Bounderies&quot;</td>
<td>Gunther McGrath &amp; Bertrand G Shelton</td>
</tr>
<tr>
<td>2004</td>
<td>Puerto Rico</td>
<td>&quot;Strategic Balance: Driving Innovation And Maintaining Performance&quot;</td>
<td>Patricia Gorman Clifford &amp; Steven W Floyd</td>
</tr>
</tbody>
</table>
Recommended Dress
Business casual attire is recommended for all conference sessions.

Tuesday Night 25th Anniversary Dinner and Celebration
The program for this gala event will include dinner, entertainment, recognition of those who have contributed to the SMS, and the announcement of several new society initiatives.

The dress for this event is business attire.

Name Badges
To help ensure a secure environment for all attendees, name badges must be worn at all times.

Meal tickets are not being used this year; your name badge will be your ticket to all meal functions and evening events. Therefore, it is imperative that your name badge be worn at all times.

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.

No Smoking Policy
Due to the Florida Clean Indoor Air Act, the hotel is smoke-free except in Designated Smoking Guest Rooms.

SMS Cyber Café
Located in Salon IV & V on the Lobby Level, the Cyber Café will provide email and Internet access to all SMS Conference attendees. The Café will be open from 16:00 – 18:30 on Sunday; 08:00 – 19:00 on Monday and Tuesday; and 08:00 – 11:00 on Wednesday.

Speaker Ready Room
Located in Edelweiss on the Mezzanine Level, the Speaker Ready Room will be provided for speakers to prepare for their presentations. The Room will be open from 16:00 – 18:30 on Sunday; 07:00 – 19:00 on Monday and Tuesday; and 07:00 – 11:00 on Wednesday.

The Executive Express Business Center
The full-service Executive Express Business Center is located on the Lobby Level across from John T's Lounge. The Center will be open from 08:00 – 15:00 on Saturday; 09:00 – 13:00 on Sunday; and 07:00 – 19:00 Monday thru Wednesday.

Hilton Cyber Café
Located on the Lobby Level, the 24 hour Hilton Cyber Café provides email and Internet access.

Emergency Contact Number
If you encounter any emergency (i.e., medical, etc.) during your stay at the Hilton in the Walt Disney World® Resort, contact the Security Department by dialing extension "3075" from any hotel house phone.
The Review Committee listed below worked with Irene M Duhaime and Carl W Stern, 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 25th Annual International Conference.

Rajshree Agarwal, University of Illinois-Urbana Champaign
Gus Antorcha, The Boston Consulting Group
Africa M Ariño, IESE Business School-University of Navarra
Kazuhiro Asakawa, Keio University
Pratima Bansal, University of Western Ontario
Harry Barkema, Tilburg University
Pamela S Barr, Georgia State University
William C Bogner, Georgia State University
Philip Bromiley, University of California-Irvine
Garry D Bruton, Texas Christian University
Laurence Capron, INSEAD
Laura B Cardinal, Tulane University
S Trevis Certo, Texas A&M University
Bob de Wit, Strategy Works/Strategy Academy
David L Deeds, University of Texas-Dallas
Gregory G Dess, University of Texas-Dallas
Irene M Duhaime, Georgia State University
Thomas Durand, École Centrale Paris
Philip Evans, The Boston Consulting Group
Walter J Ferrier, University of Kentucky
Avi Fiegenbaum, Technion-Israel Institute of Technology
Igor Filatotchev, King's College London
Steven W Floyd, University of Connecticut
Timothy B Folta, Purdue University
Javier Gimeno, INSEAD
John H Grant, Colorado State University
Siegfried P Gudergan, University of Technology-Sydney
Jeffrey S Harrison, University of Richmond
Anne S Huff, London Business School/Technical University of Munich
Kazuo Ichijo, IMD
R Duane Ireland, Texas A&M University
Constance R James, Pepperdine University
Richard A Johnson, University of Oklahoma
Suresh Kotha, University of Washington
Mark P Kriger, BI Norwegian School of Management
Mika T Kusar, Georgia State University
Michael J Leiblein, Ohio State University
Marvin B Lieberman, University of California-Los Angeles
Bente R Løwendahl, BI Norwegian School of Management
Marjorie A Lyles, Indiana University
Tammy L Madsen, Santa Clara University
Joseph T Mahoney, University of Illinois-Urbana Champaign
Johanna Mair, IESE Business School-University of Navarra
Richard J Makadok, Emory University
Catherine A Maritan, Syracuse University
Livia Markoczy, University of California-Riverside
Xavier Martin, Tilburg University
Susan K McEvily, University of Pittsburgh
Luiz Mesquita, Arizona State University
Douglas Miller, Tulane University
Will G Mitchell, Duke University
Kathrin M Mösllein, London Business School
Vadake K Narayanan, Drexel University
Atul Nerkar, Columbia University
Hugh M O'Neill, University of North Carolina-Chapel Hill
Heike Proff, Zeppelin University
Jeffrey J Reuer, University of North Carolina-Chapel Hill
Philip M Rosenzweig, IMD
Raja Roy, Tulane University
MB Sarkar, University of Central Florida
Karen A Schnatterly, University of Minnesota
William S Schulze, University of Utah
Sonali Shah, University of Illinois-Urbana Champaign
Kulwant Singh, National University of Singapore
J L Stimpert, Colorado College
Scott F Turner, University of North Carolina-Chapel Hill
Raymond A van Wijk, Erasmus University-Rotterdam
Richard C Whittington, University of Oxford
Margarethe F Wiersema, University of California-Irvine
Mike Wright, University of Nottingham
Peter B Zemsky, INSEAD
Christoph Zott, INSEAD
Awards

Strategic Management Journal Best Paper Prize

The Thirteenth Annual Strategic Management Journal Best Paper Prize will be presented at the 2005 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 1985-98 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 a 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.


SMS Best Conference Paper Prize

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 a $1500 USD cash award and a commemorative plaque.

In addition, four other papers will receive Honorable Mention prizes consisting of a $750 USD cash award and a commemorative plaque.

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

The Winner and Honorable Mention prizes will be announced during the Wednesday Awards Luncheon.

Booz Allen Hamilton/SMS PhD Fellowship

In recognition of PhD students' commitment to delivering outstanding paper(s) at the SMS Annual International Conference, 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 2005-2006 academic year and who are primary author of their paper.

There will be ten finalists for the Fellowship. 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.

Fellows and Runners-up will be announced during the Wednesday Awards Luncheon.
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
Salon I
10:00 - 11:15
When Dancing With The Giants, Watch Out Your Steps
Dingkun Ge, San Francisco State University
Ming Piao, Northwestern University

MONDAY
Salon VI
10:00 - 11:15
Examining The Relationship Between Knowledge Management Strategies And Firm Performance
Hari B Bapuji, University of Manitoba
Mary M Crossan, University of Western Ontario

MONDAY
Poinsettia/Quince
14:00 - 15:15
A Dynamic Model Of Inter-Firm Interaction: An Agent-Based Model Of Market-Oriented And Customer-Led Strategies
Duncan A Robertson, University of Warwick

MONDAY
Camelia/Dogwood
17:00 - 18:15
The Competence/ Collusion Puzzle And The Four Theories Of Profit: Why Good Resources Go To Bad Industries
Richard J Makadok, Emory University

TUESDAY
Camelia/Dogwood
11:00 - 12:15
The Impact Of National Cultural Differences On The Outcome Of Post-Acquisition Integration
Rikka Sarala, Swedish School of Economics & Business Administration
Eero Vaara, Swedish School of Economics & Business Administration

TUESDAY
Kahili/Lily
11:00 - 12:15
The Role Of Authority, Justification, And Coalition-Building In Strategic Renewal
Christoph Lechner, University of St Gallen
Steven W Floyd, University of Connecticut

TUESDAY
Salon II
11:00 - 12:15
Integrating Multiple Acquisitions: Organizational Form And Absorptive Capacity
Thomas Keil, York University
Tomi Laamanen, Helsinki University of Technology

TUESDAY
Salon VII
11:00 - 12:15
Strategic Actions And Value Creation: The Case Of Firms Facing Crisis
J L Morrow Jr, Birmingham-Southern College
Michael A Hitt, Texas A&M University
David G Sirmon, Clemson University
Tim R Holcomb, Texas A&M University

TUESDAY
Salon VII
11:00 - 12:15
Diversification, Dividends, And Firm Value
Tyson Mackey, Ohio State University
Jay B Barney, Ohio State University

TUESDAY
Salon VII
13:45 - 15:00
The Distribution Of Benefits In Multi-Partner Alliances: The Case Of The Wi-Fi Alliance
Dovev Lavie, University of Texas-Austin
Christoph Lechner, University of St Gallen
Harbir Singh, University of Pennsylvania
Booz Allen Hamilton/SMS PhD Fellowship

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.

MONDAY
Salon I
10:00 - 11:15
RUNNER-UP
Try Before They Buy: Corporate Venture Capital And The Acquisition Of Technology Start-Ups
David F Benson, University of Michigan
Rosemarie H Ziedonis, University of Michigan

MONDAY
Salon I
17:00 - 18:15
FELLOW
Trait-Based Imitation Among Entrepreneurial Market Entrants
Richard J Gentry, University of Florida
Mark Jamison, University of Florida

MONDAY
Salon VII
17:00 - 18:15
RUNNER-UP
Buyer-Supplier Relationships And The Horizontal Scope Of The Firm
Olivier Chatain, INSEAD
Peter B Zemsky, INSEAD

TUESDAY
Salon VI
08:00 - 09:15
RUNNER-UP
The Effects Of Direct And Indirect Foreign Venture Capital Ties On Exit Market Selection And Exit Modes
Mikko Jääskeläinen, Helsinki University of Technology
Markku Maula, Helsinki University of Technology

TUESDAY
Camelia/Dogwood
11:00 - 12:15
RUNNER-UP
The Impact Of National Cultural Differences On The Outcome Of Post-Acquisition Integration
Riikka Sarala, Swedish School of Economics & Business Administration
Eero Vaara, Swedish School of Economics & Business Administration

TUESDAY
Salon I
11:00 - 12:15
RUNNER-UP
Leveraging Existing Technology: The Role Of Alliances In Cross-Application Across Technology Domains In Entrepreneurial Firms
Preeta Roy, University of Pennsylvania

TUESDAY
Salon III
11:00 - 12:15
FELLOW
Strategic Lucidity Or Mixed Signals? An Empirical Study Of Competitive Maneuvering And Stock Return Risk
Margaret Vardell Hughes, University of Kentucky
Walter J Ferrier, University of Kentucky

TUESDAY
Salon VII
11:00 - 12:15
FELLOW
Diversification, Dividends, And Firm Value
Tyson Mackey, Ohio State University
Jay B Barney, Ohio State University

WEDNESDAY
Azalea/Begonia
08:00 - 09:15
FELLOW
Explaining Firm Performance: The Symbolic Management Of Quarterly Earnings Announcements
Jo-Ellen Pozner, Northwestern University
Edward J Zajac, Northwestern University

WEDNESDAY
Jasmine
09:45 - 11:00
FELLOW
Organizational Memory: Conceptual Framework And Empirical Operation At Individual And Group-Level
Kim-Chi W Trinh, Duke University
Speakers

MONDAY
08:00 - 08:30
Co-Chair Welcome
Irene M Duhaime
Associate Dean for Administration
Professor, Department of Managerial Sciences
Georgia State University

Carl W Stern
Co-Chairman
The Boston Consulting Group

Javier Gimeno
Associate Professor of Strategy
INSEAD

MONDAY
08:30 - 09:30
Strategy And Business Creation At IBM
J Bruce Harrelad
Senior Vice President
IBM

MONDAY
11:30 - 12:30
Competitive Advantage In The Airline Industry
James Whitehurst
Chief Operating Officer
Delta Air Lines

MONDAY
15:45 - 16:45
Collaboration Rules
Philip Evans
Senior Vice President
The Boston Consulting Group

TUESDAY
09:30 - 10:30
Strategy At The Northern Trust Company
Sheila Penrose
Executive Vice President - Retired
Northern Trust Company

TUESDAY
15:15 - 16:45
25th Anniversary Plenary Panel: The State of The Field
Jay B Barney
Bank One Chair for Excellence in Corporate Strategy
Professor or Management and Human Resources
Ohio State University

Joseph L Bower
Donald K David Professor of Business Administration
Harvard University

Henry Mintzberg
Cleghorn Professor of Management Studies
McGill University

Dan E Schendel
Blake Family Endowed Chair Emeritus in Strategic Management
Strategic Management Society Founding President and Executive Director
Purdue University

Howard Thomas
Dean, Warwick Business School
Professor of Strategic Management
University of Warwick

WEDNESDAY
11:15 - 12:45
The CarMax Story
Austin Ligon
President and CEO
CarMax, Inc
25th Annual International Conference
October 23-26, 2005
Hilton in the Walt Disney World® Resort
Orlando, Florida, USA

Conference at a Glance

Sunday, October 23, 2005

08:00 – 13:00  Interest Group Registration – Lobby Level
10:00 – 11:30  Interest Group Session I – Lobby & Mezzanine Level
11:30 – 13:00  Lunch – Palm Ballroom
13:00 – 14:30  Interest Group Session II – Lobby & Mezzanine Level
14:30 – 15:00  Coffee Break – Grand Foyer
15:00 – 16:30  Interest Group Session III – Lobby & Mezzanine Level
16:00 – 18:30  Exhibits and Cyber Café Open – Salon IV & V
16:00 – 21:00  Conference Registration – Lobby Level
17:30 – 18:30  Interest Group Meetings – Lobby & Mezzanine Level
18:30 – 21:00  Opening Reception – Palm Ballroom

Cocktails Sponsored by John Wiley & Sons Ltd

Monday, October 24, 2005

07:00 – 17:00  Registration Open – Lobby Level
07:00 – 08:00  Continental Breakfast – Palm Ballroom
08:00 – 08:30  Co-Chair Welcome – International Ballroom
08:30 – 09:30  Plenary – International Ballroom
09:30 – 10:00  Coffee Break – Salon IV & V
10:00 – 11:15  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
11:30 – 12:30  Plenary – International Ballroom
12:45 – 14:00  Luncheon – Palm Ballroom
14:00 – 15:15  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
14:00 – 15:45  Interactive (Poster) Session – International Foyer
15:15 – 15:45  Coffee Break – Salon IV & V
15:45 – 16:45  Plenary – International Ballroom
17:00 – 18:15  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
18:15 – 19:15  Interest Group Meetings – Lobby & Mezzanine Level
19:15 – 20:15  Cocktail Hour – Palm Ballroom

Sponsored by Strategic Management Society with additional support from the Society for the Advancement of Management Studies (Journal of Management Studies)

20:15  Evening on Your Own
Conference at a Glance

Tuesday, October 25, 2005

07:00 – 18:00  Registration Open – Lobby Level
07:00 – 08:00  Continental Breakfast – Palm Ballroom
08:00 – 19:00  Exhibits and Cyber Café Open – Salon IV & V
08:00 – 09:15  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
09:30 – 10:30  Plenary – International Ballroom
10:30 – 11:00  Coffee Break – Salon IV & V
10:30 – 12:15  Interactive (Poster) Session – International Foyer
11:00 – 12:15  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
12:15 – 13:30  Luncheon – Palm Ballroom
13:45 – 15:00  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
15:15 – 16:45  25th Anniversary Plenary Panel – International Ballroom
16:45 – 17:15  Coffee Break – Salon IV & V
17:15 – 18:30  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
18:30 – 19:15  SMS Business Meeting – Narcissus/Orange Blossom
19:30  25th Anniversary Dinner and Celebration (Business Attire) – Palm Ballroom

Wednesday, October 26, 2005

07:00 – 11:00  Registration Open – Lobby Level
07:00 – 08:00  Continental Breakfast – Palm Ballroom
08:00 – 11:00  Exhibits and Cyber Café Open – Salon IV & V
08:00 – 09:15  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
09:15 – 11:00  Interactive (Poster) Session – International Foyer
09:15 – 09:45  Coffee Break – Salon IV & V
09:45 – 11:00  Parallel Paper/Panel Sessions – Lobby & Mezzanine Level
11:15 – 12:15  Plenary – International Ballroom
12:30 – 14:30  Awards Luncheon – Palm Ballroom
# Session Overview

## Sunday, October 23, 2005

<table>
<thead>
<tr>
<th>Time</th>
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<tr>
<td>08:00 – 13:00</td>
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<tr>
<td>10:00 – 11:30</td>
<td>Narcissus/Orange Blossom, Poinsettia/Quince</td>
<td>Salad I, Salad II, Salad III, Track F, J, L, Track K, Track L, Track G, Track J, Track H</td>
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<tr>
<td>11:30 – 13:00</td>
<td>Track K, Track L, Track J, Track G</td>
<td>Lunch – Palm Ballroom</td>
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<td>12:45 – 14:00</td>
<td>Azalea/Begonia, Camelia/Dogwood</td>
<td>Coffee Break – Grand Foyer</td>
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<tr>
<td>15:00 – 16:30</td>
<td>Narcissus/Orange Blossom, Poinsettia/Quince</td>
<td>Salad I, Salad II, Salad III, Track F, J, L, Track K, Track L, Track G, Track J, Track H</td>
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<tr>
<td>18:15 – 19:15</td>
<td>Exhibits and Cyber Café Open – Salon IV &amp; V</td>
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<tr>
<td>19:15 – 20:15</td>
<td>Cocktail Hour – Palm Ballroom</td>
<td>InterGroup Meetings – Lobby &amp; Mezzanine Level</td>
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<td>20:15</td>
<td>Evening on Your Own</td>
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## Monday, October 24, 2005

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<td>08:00 – 11:15</td>
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<td>Azalea/Begonia, Camelia/Dogwood</td>
<td>Coffee Break – Salon IV &amp; V</td>
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<tr>
<td>10:00 – 11:15</td>
<td>Track K, Track L, Track J, Track G</td>
<td>Strategy And Business Creation At IBM – J Bruce Harreld – International Ballroom</td>
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<td>11:30 – 12:30</td>
<td>Azalea/Begonia</td>
<td>Luncheon – Palm Ballroom</td>
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<td>12:45 – 14:00</td>
<td>Camelia/Dogwood</td>
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<td>14:45 – 16:45</td>
<td>Track K, Track L, Track J, Track G</td>
<td>Collaboration Rule – Philip Evans – International Ballroom</td>
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<td>Track K, Track L, Track J, Track G, Track E-CANCELED</td>
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### Session Overview

**Tuesday, October 25, 2005**

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<td>10:30 – 11:00</td>
<td>Strategy At The Northern Trust Company – Sheila Penrose – International Ballroom</td>
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### Wednesday, October 26, 2005

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<td>11:15 – 12:15</td>
<td>The CarMax Story – Austin Ligon – International Ballroom</td>
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<td>12:30 – 14:30</td>
<td>Awards Luncheon – Palm Ballroom</td>
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in strategic management, drawing on their experience in analyzing elaborate on how the data may be used to develop research agendas U.K., Sweden, and France, among other countries. The panelists will provide an overview of the data available for the U.S., practicing academics are encouraged to bring their own case experience to this interactive session. The focus will be on sharing the experience and knowledge of business people, consultants, and academics to improve strategy practice.

The Practice of Strategy

Panel: Donald S Siegel, Ben Campbell
Chair: Richard C Whittington
Panelists: Philip Bromiley, University of California-Irvine; Gregory G Dess, University of Texas-Dallas; Quy N Huy, INSEAD; Mark P Kriger, BI Norwegian School of Management

What are the most exciting directions for future research? This session will focus on defining the cutting edge in strategy process. As a starting point, the facilitators offer three questions: 1) In the face of growing uncertainties, how do strategists contemplate the future? 2) How do feelings and emotions affect strategy processes? 3) Should time be incorporated as an explicit variable into theories of strategy process, and if so, how? Participants and panelists will engage in plenary and small groups to discuss these and other issues on the cutting edge.

Global Strategy: Achievements and Opportunities

Panel: Africa M Arinio, IESE Business School-University of Navarra
Panelists: Jaideep Anand, Ohio State University; Africa M Arinio, IESE Business School-University of Navarra; Stephen B Tallman, University of Richmond

Global strategy research has taken the perspective of companies from the developed world venturing into other geographical areas. The business landscape is changing in a number of ways: new global players come out of emergent countries; awareness of the need to serve people at the bottom of the pyramid challenges established business models; radical changes in the institutional environment demands firm transformation; etc. Panelists will present their views on the applicability of established theories of international business in the current landscape as well as on the research opportunities that this new landscape opens up.

The Role of the Future, Emotion, and Time in Strategy Process

Panel: Donald S Siegel, University of Connecticut; Vadake K Narayanan, Drexel University
Panelists: Philip Bromiley, University of California-Irvine; Gregory G Dess, University of Texas-Dallas; Quy N Huy, INSEAD; Mark P Kriger, BI Norwegian School of Management

In this session, working groups will be formed around the cutting edge issues identified in session 1. Drawing on the expertise of the leaders, each group will focus on three outcomes: 1) sketching the relevant theoretical arguments both within and outside the strategy process domain; 2) definition of five or more high priority hypotheses and/or research questions; and 3) identification of the logical approaches to inductive and deductive research.

Linked Macro and Micro Firm Data: New Opportunities for Research in Strategic Management

Chair: Rajsheer Agarwal, University of Illinois-Urbana Champaign
Panelists: Benjamin Campbell, University of Pennsylvania; Donald S Siegel, Rensselaer Polytechnic Institute

This workshop provides an overview of the data available for the U.S., U.K., Sweden, and France, among other countries. The panelists will elaborate on how the data may be used to develop research agendas in strategic management, drawing on their experience in analyzing these data to address a wide range of research questions in corporate and competitive strategy, technology and knowledge management, international business and entrepreneurship. The panelists will also discuss methodological issues associated with the analysis of such data, and the challenges that may be encountered. We expect the workshop to be particularly valuable to both established researchers interested in testing the generalizability of their research and to doctoral students.
PreConference Sessions  13:00 - 14:30

THE PRACTICE OF STRATEGY

Panel  Track K  Poinsettia/Quince

Practical Strategy Problem Workshop:  Flipchart Problem Outlines For Discussion And Development
Chair:
Bob de Wit, Strategy Works/Strategy Academy
This session will be based on real strategic issues, problems or dilemmas brought by practitioners for open discussion with other practitioners and academics. Practitioners will be invited to summarize their issue on a single flipchart, introduce it briefly and then discuss with the group relevant approaches or experience in a participative fashion. Each individual issue will be discussed for no more than 30 minutes and the style will be informal and interactive. Company identities and other details may be disguised. The aim is to help develop solutions to real problems and to share experience between practitioners and academics about how to do so.

ENTREPRENEURSHIP & STRATEGY

Workshop  Track L  Salon I

Junior Faculty Research Workshop 1
(Workshop sponsored by the Kauffman Foundation)
Panelists:
Rajshree Agarwal, University of Illinois-Urbana Champaign
David Audretsch, Indiana University
Jay B Barney, Ohio State University
Michael A Hitt, Texas A&M University
R Duane Ireland, Texas A&M University
Rita Gunther McGrath, Columbia University
William S Schulze, University of Utah

The goal of this workshop will be to exchange constructive criticism and feedback, extract critical themes from among the various working papers, identify conceptual foundations, and evaluate alternative research strategies. In addition to the immediate benefit, we hope that the various panel discussions will be a springboard for critical thought and, ideally, for collaborative relationships.

KNOWLEDGE & INNOVATION

Panel  Track J  Camelia/Dogwood

Linking Knowledge Across Boundaries And Silos: Developing Different Types Of Research Partnerships
Co-Chairs:
Seigfried P Gudergan, University of Technology-Sydney
Margaret A White, Oklahoma State University
Panelists:
Suzanne M Behr, WilTel Corporation
Jill R Hough, University of Tulsa
Marjorie A Lyles, Indiana University
Gavin J Nicholson, University of Queensland/Competitive Dynamics
J-C Spender, Cranfield University/University of Leeds/Emerald Publishing Group

This session will address the whys, hows and whats of doing research across academic silos as well as the boundaries between practitioners and academics. Strategic management involves all functions of the organization and we regularly see calls for integrative research and papers. SMS is a cross-boundary organization and yet we still see research implemented in relatively narrow and accepted channels--academics with academics, consultants with consultants, management with management personnel, finance with finance personnel, etc. This session has an international panel of academics and practitioners who have used and are using non-traditional research approaches. We will share, compare and explore experiences of crossing silos and boundaries in the quest to build understanding and knowledge.

CORPORATE STRATEGY AND GOVERNANCE

Panel  Track G  Azalea/Begonia

The Evolution Of Governance Over The Firm’s Life Cycle
Chair:
Tina Dacin, Queen’s University
Panelists:
S Trevis Certo, Texas A&M University
Robert E Hoskisson, Arizona State University
Richard A Johnson, University of Oklahoma

Corporate governance is both about ensuring accountability of management in order to minimize downside risks to shareholders and about enabling management to exercise strategic control to create upside shareholder wealth. The last decade has witnessed an explosion in both policy and research attention devoted to corporate governance. High profile corporate failures, such as Enron, and regulatory initiatives starting with the Cadbury Report in the U.K. have placed corporate governance systems under closer scrutiny than ever. Corporate governance issues have typically been focused on monitoring large firms with diffuse ownership, but they are also important implications for younger founder managed firms which are still realizing their growth potential. Recognizing this distinction suggests that firms at different life cycle stages may need to be different corporate governance arrangements. The notion of a corporate governance life cycle raises a number of major research questions. For example, what conceptual perspectives are appropriate at different points in the life cycle? How are transitions managed across the life cycle and what are the barriers to such transitions? The presentations in this workshop examine the relationships between strategy and corporate governance during a firm’s life cycle phases and aim to stimulate debate.

COMPETITIVE STRATEGY AND GLOBAL STRATEGY

Panel  Track F, H  Salon VI & VII

Advances In Competitive Advantage: Building-Blocks And Future Of Resource-Based View
Co-Chairs:
Asil Musaoglu Arikan, Georgia State University
Ilgaz T Arikan, Georgia State University
Panelists:
Jay B Barney, Ohio State University
Margaret A Peteraf, Dartmouth College

The purpose of this session is to explore and facilitate a dialogue on new theoretical and empirical directions in Resource-Based View. Recent advances in theoretical and empirical works and discussions on firm competitiveness, sustainability of competitive advantages have gained great popularity among practitioners, theoreticians and empiricists. Based on the seminal works of Richard Rumelt (Lippman and Rumelt, 1982; Rumelt, 1984), David Teece (Teece, 1982, 1988), Birger Wernerfelt (Wernerfelt, 1984; Montgomery and Wernerfelt, 1988), Jay Barney (Barney, 1986; 1991), Karel Cool (Dierickx and Cool, 1989), Joe Mahoney (Mahoney and Pandian, 1992), Raphael Amit (Amit and Schoemaker, 1993), Margie Peteraf (Peteraf, 1993); the field was established and currently is going though a fast-paced evolution. Our goal is to address these changes and talk about new directions.
14:30 – 15:00 COFFEE BREAK
GRAND FOYER

15:00 – 16:30 INTEREST GROUP SESSION III
LOBBY & MEZZANINE LEVEL

STRATEGY PROCESS
Panel Track I Narcissus/Orange Blossom
Where To From Here?
Co-Chairs:
Steven W Floyd, University of Connecticut
Vadake K Narayanan, Drexel University
Panelists:
Philip Bromiley, University of California-Irvine
Gregory G Dess, University of Texas-Dallas
Quy N Huy, INSEAD
Mark P Kriger, BI Norwegian School of Management
Returning to plenary, working groups share their results with the larger group. Discussion will center on reactions and assessments of the group proposals, and opportunities for cross-pollination between topics will be highlighted. The day will close with dialogue on community-building and research opportunities in strategy process. To build awareness of current research, participants are encouraged to bring their latest project into this conversation. The goal will be to uncover opportunities for exchanging papers, getting feedback and even collaborating.

ENTREPRENEURSHIP & STRATEGY
Workshop Track L Salon I
Junior Faculty Research Workshop 2
(Workshop sponsored by the Kauffman Foundation)
Co-Chairs:
Rajshree Agarwal, University of Illinois-Urbana Champaign
David Audretsch, Indiana University
Jay B Barney, Ohio State University
Michael A Hitt, Texas A&M University
R Duane Ireland, Texas A&M University
Rita Gunther McGrath, Columbia University
William S Schulze, University of Utah
Panelists:
Suzanne M Behr, WilTel Corporation
Jill R Hough, University of Tulsa
Marjorie A Lyles, Indiana University
Gavin J Nicholson, University of Queensland/Competitive Dynamics
J-C Spender, Cranfield University/University of Leeds/Emerald Publishing Group
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CORPORATE STRATEGY & GOVERNANCE
Panel Track G Azalea/Begonia
Strategic Alliances And Organizational Governance
Chair:
Africa M Arifo, IESE Business School-University of Navarra
Panelists:
Africa M Arifo, IESE Business School-University of Navarra
John Hagedoorn, University of Maastricht
Kyle J Mayer, University of Southern California
Tony W Tong, State University of New York-Buffalo
This session will present recent research on three topics surrounding organizational governance and interfirm relationships: 1) alliances and internal organization; 2) hybrid organizational forms and typologies of alliances; and 3) contractual foundations of collaboration and the interplay between formal and informal governance mechanisms. Panelists will present recent findings on these issues based on applications of a number of theories ranging from transaction cost theory and information economics to competence based perspectives and real options analysis.
**COMPETITIVE STRATEGY AND THE PRACTICE OF STRATEGY**

**PreConference Sessions 15:00 - 16:30**

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| 16:00 – 18:30 | EXHIBITS AND CYBER CAFÉ OPEN  
SALON IV & V        |
| 16:00 – 21:00 | CONFERENCE REGISTRATION  
LOBBY LEVEL        |
| 17:30 – 18:30 | INTEREST GROUP MEETINGS  
LOBBY & MEZZANINE LEVEL |
| 18:30 – 21:00 | OPENING RECEPTION  
PALM BALLROOM  
Cocktails Sponsored by John Wiley & Sons Ltd |

**Hardball: Strategies For Winners**

Chair:
Will G Mitchell, *Duke University*

Panelists:
- Michael S Deimler, *The Boston Consulting Group*
- Philip Evans, *The Boston Consulting Group*
- George Stalk Jr, *The Boston Consulting Group*
- Carl W Stern, *The Boston Consulting Group*

Companies are obligated to compete. Management’s goal is to create unassailable competitive advantage. The relevance of all other corporate initiatives must be assessed against this goal. Some strategies have stood the test of time – they always seem to work. They deliver results by defeating and displacing competitors. But significant competitive dislocations of our day are placing intense pressures on companies to use strategic resources more intensely and more effectively, demanding new leadership skills. The panel will lead a discussion of new strategic leadership skills. George Stalk will frame the challenge in a presentation on Hardball strategy, about how to use every legitimate resource and strategy to gain advantage over competitors. Michael Deimler, Philip Evans, and Carl Stern will share their perspectives on today’s competitive dislocations and their impact on the science and practice of strategy.

**GLOBAL STRATEGY**

**Honouring Sumantra Ghoshal: A Retrospective On His Lifetime Contribution To Global Strategy**

Chair:
Susan L Segal-Horn, *Open University*

Panelists:
- Yves Doz, *INSEAD*
- Donald R Lessard, *Massachusetts Institute of Technology*
- George S Yip, *London Business School*

Reflecting the SMS Conference 25th Anniversary theme of reflection on research and practice, this session represents a retrospective salute to Sumantra Ghoshal following his sudden death in 2004. As a major strategy researcher and one of the most influential international strategy scholars of his generation, Ghoshal’s work became as well-known amongst practitioners as amongst strategy scholars. This session will explore the development of global strategy (past, present & future). Speakers will in turn focus on: major themes in global strategy research in the 1980 & 1990’s; evaluation of where Ghoshal’s work had taken global strategy as a field; developments in ethics, governance and networks that are part of the new global strategy research agenda; and links between global strategy and international business.
Based on a longitudinal study of five corporate venture capital (CVC) programs in large information and communication technology firms, we examine how organizations identify voids in their capability base and develop new capabilities in the absence of building blocks for these capabilities. We find that CVC managers adopt two strategies. First, they use a network strategy to generate credible endorsements of knowledge domains and capability sets by accessing their non-traditional networks. By so doing, the firm identifies emergent capabilities in an arena that is not currently a direct competitive threat. Second, the firm adopts a consciousness creation strategy, which enhances the awareness of voids in capability sets gleaned from its non-traditional network. To create internal consciousness, the firm adopts several processes including knowledge articulation, convincing and demonstration routines.

### Fostering Product Innovation: Implications For Value Creation And Capture
**Paul L Drnevich, Purdue University**

This paper provides an exploration of the motivations, issues, and research questions in regards to how firms foster product innovation and create sustainable value from such innovation. We introduce an "innovation value creation capture chain" that consists of innovative knowledge acquisition and creation, production innovation capability, product commercialization capability, value creation capability, and value captures capability. Further, through first adopting an inductive process approach we develop a framework to explore how and why firm management may foster both product innovation and the mechanisms to commercialize and capture value from product innovation.

### Innovation Dynamics, Diversity Management, And Spread Of The Value Network To Take New Advantage: Evidence From The E-Learning Market
**Guillermo Hugo Le Fosse, University of Buenos Aires**

This paper examines the question of how companies can develop a new type of advantage designing a business strategy that combines a level of business innovation dynamics, spread of its value network, a certain grade of diversity management and synchronization within its value chain. This work is the conclusion of an exhaustive analysis of the e-learning market from 1997 to 2005 and more than 30 companies in the U.S., Spain, and Latin America, identifying an inventory of knowledge and practice in an industry characterized by its turbulent rapid growth and crisis survival conditions, where the author has worked for in the last seven years.

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Technologies oftentimes are not leveraged to all their potential applications, and consequently not all value is extracted from them. A great case in point is the technology called INERT that was developed by CHEMAN. Field work done with CHEMAN shows that, despite great promise, INERT’s potential outside of its core market stayed largely untapped. As the technology was de-linked from CHEMAN’s core market, it became detached from the impetus provided by current customers. CHEMAN failed to allocate sufficient generic resources to be transformed into specific resources needed to re-link INERT to new markets. This study develops a conceptual framework or understanding the dynamic interplay among resource allocation, resource transformation, and commercial output as shaped by lower-order customer and higher-order marketing competences.

### Telescopes And Tarot Cards: Non-Local Search And Entrepreneurial Capabilities In Corporate Venturing

**Gerard George, University of Wisconsin-Madison**

**Erkko T Autio, University of Lausanne**

Based on a longitudinal study of five corporate venture capital (CVC) programs in large information and communication technology firms, we examine how organizations identify voids in their capability base and develop new capabilities in the absence of building blocks for these capabilities. We find that CVC managers adopt two strategies. First, they use a network strategy to generate credible endorsements of knowledge domains and capability sets by accessing their non-traditional networks. By so doing, the firm identifies emergent capabilities in an arena that is not currently a direct competitive threat. Second, the firm adopts a consciousness creation strategy, which enhances the awareness of voids in capability sets gleaned from its non-traditional network. To create internal consciousness, the firm adopts several processes including knowledge articulation, convincing and demonstration routines.

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Learning From Success And Failure Experiences: Capability Development In A Major University Technology Transfer Organization

Gerard George, University of Wisconsin-Madison
Anne S Miner, University of Wisconsin-Madison
Yanfeng Zheng, University of Wisconsin-Madison

Building on the organizational learning literature, this study investigates how success and failure experiences of individual managers and their managerial cohort contribute to the development and deployment of organizational capabilities. While studies tend to emphasize prior success-based explanations of capability development, we focus on learning from both success and failure experiences across different levels of the organization (manager, cohort, and organization). We use event history analysis to examine the effects of multi-level experience on licensing outcomes of 778 patents granted to a major university technology transfer organization between 1971 and 1999. We found that both success and failure experiences contribute to performance in unique ways. The implications of these findings for theories of learning and capability development as well as managerial practice are discussed.

Path Breaking Growth: Opening The Capabilities "Black Box"

Ted London, University of Michigan

This study explores the unique challenges that firms face when they attempt to implement a growth strategy that requires building new internal capabilities. To enter new markets that require the creation of new capabilities, firms must generate path-breaking growth, an approach not addressed in the existing capabilities literature. Although they cannot rely on existing routines, structure, or complementary assets, an increasing number of firms are attempting to grow in a path-breaking manner, suggesting that the capabilities literature may need to be extended. In examining corporate ventures targeting base of the economic pyramid markets, this empirical study opens the "black box" of the capability development process associated with path breaking growth.

Dynamic Political Capabilities In Regulatory Processes: Evidence From Telecom Operators In Europe

Jean-Philippe Bonardi, University of Western Ontario
Matthias Finger, Swiss Federal Institute of Technology

This article studies how firms develop dynamic political capabilities, i.e., the ability to react to attempts by rivals to create regulatory changes or to discover/develop actions leading to favorable regulatory decisions. We first develop a conceptual model of dynamic political capabilities building, and derive some working hypotheses from that model. We then investigate their relevance by looking at all the regulatory issues facing two former European monopolies (France Telecom and Deutsche Telekom) after the deregulation of their market, i.e. from 1998 to 2004.

Managerial Cognition And Perceptions Of Value

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Session Chair: Véronique Ambrosini, Cranfield University

Eyes Of The Beholder: Strategy Perspectives And Public Values In The Western-European Infrastructure Industry

Casper van der Veen, Strategy Academy
Alexandra Rotleau, Strategy Academy
Peer Ederer, Strategy Academy

As a result of privatizing many former state-owned companies, the provision of infrastructure services to an economy is today dominated by private companies. Yet, the interaction between private and public values need not be a zero-sum game. This paper aligns these values by studying perspectives on strategy and public values within private companies as well as achieved and necessary values in the eyes of the public. Four sectors of the Western-European infrastructure industry are researched: electricity, telecommunication, transport and water utilities. Research is conducted through corporate communication analyses, interviews and assessment of top executives, as well as through EU report analyses, interviews and assessment of institutional experts.

Linking Strategic Resources With Customers' Perception Of Value

Sarah Burton-Taylor, Web Usability Partnership
Véronique Ambrosini, Cranfield University
Cliff Bowman, Cranfield University

This study examined the link between inter-team coordination activities and customers’ perceived value. We found that when studying the activities contributing to service delivery in two differentially performing organizations there was a higher incidence of inter-team coordination activities in the better performer suggesting that they were a strategic resource. However, we wanted to ascertain whether it made a difference to customers. We wanted to understand in detail the dimensions of perceived value from the customers’ perspective, and then to investigate the links with the inter-team coordination activities. The results support the proposition that inter-team coordination is critical in delivering superior value to customers by enabling the delivery of the key dimensions of customers’ perceived value of ‘certainty’, ‘honesty’ and ‘problem solving’.

Advancing Knowledge Of Strategic Thinking Practice With Insight From The Top End Of Town

Tim O’Shannassy, RMIT University

This paper makes a contribution to learning in three ways. Firstly, the paper develops a definition of strategic thinking, which is supported by the development of a new, fresh theoretical model of this activity grounded in strategy theory and practice. Secondly, qualitative interview data from a leading company directors, executives, and management consultants participating in a major multi-method empirical project is explored and analyzed in relation to elements of the strategic thinking model. Finally, the paper compares the theoretical model with the strength of support for the model in the qualitative insights made. The paper puts some much-needed “flesh on the bone” of our understanding of strategic thinking practice.

Exploring The Edges Of Theory-Practice Gap: Developers And Users Of Strategy Tools

Johanna Moisander, Helsinki School of Economics & Business
Sari Stenfors, Stanford University
Stephanie Freeman, University of Helsinki

Our objective is to contribute to closer reconciliation of strategic management theory with managerial reality and the use of strategy tools (management tools that support strategy-work, e.g. Balanced Scorecard, SWOT, and Executive Information Systems). Strategy tools are seen as technologies to produce organizational knowledge, and mediators of theories into practice. These tools can be inscribed with visions typical for the worldview of the ‘modernist’ strategic management. However, these patterns, purposes and contexts of use are not necessarily relevant or applicable in the contemporary post-bureaucratic learning organizations. In a case study, we investigate the differences in the knowledge cultures of the developers and users of strategy tools. The theory-practice gap revolves around understanding of organizational learning, social aspects of knowledge, and strategy level complexity.

Change And Emotion Theory And Cases

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Session Chair: Quy N Huy, INSEAD

Emotional Filtering In Strategic Change

Quy N Huy, INSEAD

Based on the findings from a three-year field study of a large firm undergoing strategic change, I develop a model showing how recipient employees emotionally responded to executives' actions. Emotional filtering is defined as change recipients' emotionally charged interpretations of agents’ actions that materially influence recipients' cognitive and behavioral responses to the proposed change. I show how
emotional filtering differentially affects the outcomes of strategic change projects.

Exploring The Links Between Innovation And Strategic Renewal

Stéphane Girod, University of Oxford
Rafael Ramírez, University of Oxford
Keith Ruddle, University of Oxford

This paper reflects part of the preliminary findings of a large researcher-practitioner-conducted research project in Europe. It explores the relationships between innovation and strategic renewal, an aspect frequently overlooked in the strategy literature. But these links have both important theoretical and managerial implications. We first propose a literature-based framework highlighting five propositions of links. We test these propositions within eight large European organizations across eight industries. We find broad support for our five propositions of links, which is a new contribution to an otherwise fragmented literature. We highlight that the types of renewal are much broader than the traditional dichotomy between punctuated/radical and continuous/incremental innovation and renewal implies. We discuss the theoretical implications for further research and the management capabilities needed to harness innovation and renewal.

A Framework For A Strategic Repositioning Strategy: Lessons From Bulmer’s Original Cider

Mike Moroney, National University of Ireland-Galway
James Cunningham, National University of Ireland-Galway
Paul Ryan, National University of Ireland-Galway
Will Geoghegan, National University of Ireland-Galway

Within the strategy literature no papers have set out to deliberately outline a strategic repositioning strategy despite much evidence in the business media. Strategic repositioning applies the precepts of positioning within the context of strategic change. In essence, to reposition is to change the way in which a firm’s product or service is conceived in the market place. To substantiate this, the case of “Bulmers” in the Irish drinks industry is examined using a research design of a longitudinal, multi-stage, nested case study within a single corporate setting. The research indicated that six elements were of particular importance; core, deliberate strategic values; strategic flexibility and strong learning capabilities; high customer awareness; a critical external orientation; top management commitment; and belief in the product and brand.

Managing Top Managers

Paper Track H Magnolia

Session Chair: Torsten Wulf, National School of Bridges and Roads-Paris

Executive Succession And Strategic Change: An Empirical Investigation Of Large German Companies

Harald Hungenberg, University of Erlangen-Nürnberg
Torsten Wulf, National School of Bridges and Roads-Paris

This paper analyzes the strategic consequences of executive succession in large German companies. An empirical investigation of a sample of 58 succession events in 44 of Germany’s 200 largest companies shows a significant relationship between executive succession and strategic change. The results also indicate that in the case of involuntary CEO turnover a significantly higher degree of strategic change can be observed compared to inevitable CEO departure. Of the moderating variables, company size and age as well as executive tenure of the parting CEO exerted a significant influence, i.e. large size and high age led to less strategic change in the context of executive departure whereas long executive tenure of the parting CEO resulted in more strategic change. These results are discussed and interpreted.

Top Executive Audits And Review In Strategic Management

Barry Witcher, University of East Anglia
Paul Harding, Nissan South Africa

Strategic management is primarily the responsibility of top management. Two qualities stand out as important: top management commitment and understanding of the organization. This paper illustrates how these can be achieved using Top Executive Audits (Top Shindan Audits) and Hoshin Kanri (Policy Deployment). The Top Executive Audit is positioned in the ‘Review’ phase of Hoshin Kanri. The paper considers what happened when a new CEO introduced these into Nissan South Africa. There follows a discussion of how Top Executive Audits relate to a managed system of multi-level review. The conclusion is if strategic management is to be effective, then senior management must inform itself about daily management, and Top Executive Audits are a way of doing this.

Heir Apparent Tenure As President/COO, Survival At The Top, And Firm Performance Following Relay Succession

Wei Shen, University of Oxford
Charlice G Hurst, University of Florida

CEO successions at most U.S. corporations are the outcome of a so-called “relay succession” process, which is typically viewed from two perspectives. In one view, relay succession reflects a well-managed leadership transition process, overseen by the board that maximizes the likelihood of high or improved firm performance. In contrast, the managerial entrenchment view suggests that relay succession is a process through which the organization’s dominant coalition-top management-reinforces its influence. Which of these two paths prevails in an organization is reflected in the tenure of the heir apparent as President and/or COO. This study will draw from a sample of 244 successions at 400 large U.S. corporations to examine how the tenure of the heir apparent influences post succession firm performance and survival as CEO.

GLOBALIZATION, GEOGRAPHICAL DIVERSIFICATION, AND PERFORMANCE

International Diversification And The Impact Of Globalization And Foreign Competition

Margarethe F Wiersema, University of California-Irvine
Harry Bowen, Vlerick-Leuven-Gent Management School

Significant reductions in barriers to international commerce since the mid-1970s have resulted in markets becoming increasingly integrated across nations and industries becoming increasingly global. This paper examines how these global economic changes in the competitive conditions facing firms have impacted the firm’s international diversification strategy. We develop a theoretical framework for understanding how these forces may influence the firm’s choice of international diversification strategy. Our empirical analysis is conducted in a panel (pooled time series, cross-section) data set of U.S. firms from 1987 to 1993. Our study provides the first empirical examination and evidence that industry globalization and foreign-based competition is indeed a statistically significant factor explaining the increased international diversification of U.S. firms.

International Diversification And Firm Performance Of Korean Firms: Institutional Economics And The Resource-Based View

Heechun Kim, Arizona State University
Robert E Hoskisson, Arizona State University
Seung-Hyun Lee, University of Texas-Dallas

Drawing on institutional economics and the resource-based view (RBV) of the firm, we primarily examine the relationship between international diversification and firm performance. Using a sample of 135 Korean firms, this study attempts to show that country environments and resources and capabilities are interdependent, rather than independent, factors in explaining the relationship between international diversification and firm performance.
Role Of Business Group Affiliation On International Diversification: Firm Performance Relationship
Ajai Singh Gaur, National University of Singapore
Vikas Kumar, Bocconi University

We reinvestigate the international diversification - firm performance relationship in an emerging market context. We explore the impact of business group affiliation on firm performance and its moderating role on the international diversification - firm performance relationship. We argue that the nature of this relationship in developed market contexts does not hold true in the context of emerging market. Using a sample of Indian firms, we find that firm performance is positively related to the degree of internationalization. Business group affiliation has no impact on firm performance. However, business group affiliation reduces the performance of firms with high degree of internationalization.

Geographical Diversification: Strategic Choice Or Survival Imperative, An International Comparison Using Agency Theory Perspective
Frédéric Niemvo, Troyes Graduate Business School

The increasing globalisation of the world economy raises the legitimacy of questioning whether geographical diversification or internationalization is still a strategic choice. The relationship between geographical diversification and corporate performance has been addressed abundantly in the literature, with mitigated results. One of the various theories put forward to explain these contradictory results emphasizes the complexity of the relation under consideration, this complexity including the role of ownership on the internationalization decision. Using mainly agency theory, a sample of 755 public companies from six countries fitting the Hofstede's clusters (Belgium, Japan, Korea, Singapore, Sweden, U.S.) help the paper suggest that globalization constrained companies to consider internationalization more as a rule of good management rather than a strategic choice.

Context Matters For Alliances: Corporate Strategy And Governance

Paper
Track G
Poinsettia/Quince

Session Chair: Sanjay Goel, University of Minnesota-Duluth

Strategic Flexibility And The Evolution Of Business Configurations: Conceptual Integration And Empirical Exploration
Yi-Chia Chiu, National Chung Hsing University
Ji-Ren Lee, National Taiwan University

The literature of dynamic capabilities suggests that firm heterogeneity is rooted in a firm's ability to reconfigure its asset structure, and to accomplish the necessary internal and external transformations ahead of competition. Achieving sustainable growth, therefore, requires managerial capabilities to realize strategic flexibility, by maneuvering along different configuration dimensions. Prior research is rather scant, however, in exploring the strategic logic underlying the evolutionary dynamics of business configurations, within a hyper competitive context. To bridge this knowledge gap, this research presents an empirical exploration based on a multiple-case study and clearly shows that a firm's horizontal configuration choices will shape its resource commitment along the vertical chain, and that achieving strategic flexibility through business configurations can delineate firm heterogeneity's.
reduce information asymmetries or lessen their effects by offering targets signaling opportunities. Using data on the types of consideration used in M&A transactions to reflect the allocation of overpayment risk across acquirers and targets, we find that targets’ prior alliances with acquirers as well as targets’ IPOs reduce the risk of adverse selection and substitute for one another.

BEST CONFERENCE PAPER PRIZE FINALIST
When Dancing With The Giants, Watch Out Your Steps
Dingkun Ge, San Francisco State University
Ming Piao, Northwestern University

Power imbalance arising from difference in resource endowment between entrepreneurial firms and large firms in strategic alliances has been attributed as the main cause of their unfair exploitation by large partners. Taking this received wisdom as given, we ask an entrepreneurially ensuing question: how can entrepreneurial firms remedy their power disadvantage due to resource constraint? Building on power dependency theory, we develop a power-based framework to study how entrepreneurial firms leverage other sources of power to appropriate value from alliances with giant partners. We propose that entrepreneurial firms can leverage social capital and relational skills to appropriate value from alliance with large firms to compensate their lack of resources. Empirical results from an event study of alliance announcements in the drug industry largely support our hypotheses.

PHD FELLOWSHIP FINALIST RUNNER-UP
Try Before They Buy: Corporate Venture Capital And The Acquisition Of Technology Start-Ups
David F Benson, University of Michigan
Rosemarie H Ziedonis, University of Michigan

Established firms have long invested in start-ups, in part to gain access to new technologies and to identify potential acquisition targets. Despite the importance of these strategic motives for corporate venture capital (CVC), little is known about the effectiveness of this approach. Using a sample of 62 top CVC investors during 1987-2003, we compare the stock market reaction of start-ups these firms fund and subsequently acquire (“CVC acquisitions”) to start-ups they acquire “out-right”. We find a statistically significant but negative stock market reaction to announcements of CVC acquisitions. Moreover, we find that the returns associated with these firms’ CVC acquisitions are significantly lower than those associated with non-CVC acquisitions, even after controlling for a number of relevant characteristics. These results call into question the trade-offs established firms face when investing in start-ups and the price they pay for “trying before they buy” entrepreneurial firms.

The Impact Of Firm, Alliance, And Partner Characteristics On The Wealth Creating Effects Of Entering A Strategic Alliance
Donna M De Carolis, Drexel University
Branko Bucar, University of Ljubljana/Pace University
David L Deeds, University of Texas-Dallas

Strategic alliances provide access to knowledge, assets and legitimacy and are used extensively by entrepreneurial firms in high technology industries. Assuming an efficient capital market, stock price movements will be favorable if these alliances lead to future positive cash flows. What are the specific characteristics of these arrangements and their partners that impact wealth creation? We develop hypotheses to address this question and use an event study methodology in the biopharmaceutical industry using a larger sample size, 971 events, and narrower event window than prior studies. In support of signaling theory, we find that partner characteristics and equity relationships have a significant positive relationship with shareholder value.

STRATEGY RESEARCH: RETROSPECTIVE AND FORWARD VIEWS
Panel | Track C | Salon II
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Brian K Boyd, Arizona State University
Steve Gove, University of Dayton
Robert M Grant, Georgetown University

Strategy is generally acknowledged to be a discipline in the early stages of development. Despite its youth, however, strategy has a profound effect on business practice. This panel will discuss how far strategy research had advanced since the creation of SMJ and SMS. The panel will start by assessing the field’s state of paradigm development, including implications for research. Next, we will provide micro and macro views on the challenge of creating influential research. The macro portion will be based on a review of influential strategy articles, while the micro portion will come from the author of one of the most influential SMJ articles published in the 1990s. We conclude with implications of these topics, regarding both research and careers.

ALLIANCE PERFORMANCE: TAKING STOCK AND SETTING BOUNDARIES
Paper | Track G | Salon III
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Session Chair: Dovev Lavie, University of Texas-Austin

Strategic Alliances Versus Corporate Venture Capital: Substitutes Or Complements?
Gary Dushnitsky, University of Pennsylvania
Dovev Lavie, University of Texas-Austin

The strategic alliance literature and research on corporate venture capital (CVC) have evolved independently, highlighting the unique contribution of each type of inter-firm tie to firm growth and performance. In practice, firms consider the two in concert, yet almost no theory exists to predict the tendency of firms to choose one tie over the other. To fill this void, we offer competing hypotheses on the nature of interdependence between alliance formation and CVC investments. We seek to test our hypotheses with a rich dataset of software firms during the 1990’s, exploring whether alliances complement or rather substitute for CVC. Our study contributes to strategic management and network research by offering theory and evidence on the interdependence of different types of network embeddedness.

When Are Acquisitions And Alliances Effective Mechanisms For Acquiring New Resources?
Laurence Capron, INSEAD
Will G Mitchell, Duke University

This paper assesses when acquisitions and alliances are effective mechanisms for acquiring new resources. In a survey of 162 telecommunications firms, we find that firms increase their ability to acquire new resources through acquisitions and alliances when they choose acquisitions over alliances when facing high appropriation hazards or high needs for coordination. Unexpectedly, we find that firms choosing acquisitions over alliances when cooperation concerns are high did not exhibit higher acquisition and alliance performance. Lastly, we find that prior experience in one focal mode increases the effectiveness of that mode, but that acquisition experience decreases alliance effectiveness.

Success Factors Of Alliances: Evidence-Based Best Practices In The Last Forty Years
Kathrin Büsecke, International University-Bremen
Andreas Bausch, International University-Bremen

This paper presents an empirical investigation surrounding the controversies of the relationship between alliance activities and the performance of business firms by employing meta-analytic techniques. Using 59 correlations from 31 primary investigations with a total sample size of N = 9,385, we were able to find a significant positive alliance-performance relationship and discovered that joint ventures as well as simple contractual agreements lead to similar positive performance.
effects. Whereas horizontal alliances seem to provide more synergy potential for value creation than non-horizontal alliances, we did not find any significant performance differences of international and national business corporations. Positive performance effects were higher for the smaller partner in an alliance than for the larger partner.

The Antecedents Of Relational Norms In Buyer-Supplier Relationships: The Moderating Role Of Relationship Duration
Laura H Poppo, Virginia Polytechnic Institute & State University
C Jay Lambe, Virginia Polytechnic Institute & State University

Though relational norms are an important social governance mechanism, empirical works have not examined systematically the set of factors that may accelerate the development of relational norms in younger exchanges or maintain and enhance it in older exchanges. In this paper we explore empirically this topic. We argue that in younger exchanges, buyers rely on factors that reduce asymmetric information about supplier behavioral intentions: monitoring, benevolent trust, and a market reputation for fairness. In older relationships factors that signal information about supplier behavioral intentions lose their salience because buyers had had more time to develop settled beliefs about suppliers. Thus, we advance, consistent with social network theory that the buyer social bond of emotional commitment to the supplier becomes the key influence on relational norms.

KNOWLEDGE MANAGEMENT FOR COMPETITIVE ADVANTAGE

Paper | Track J | Salon VI

Session Chair: Mary M Crossan, University of Western Ontario

Knowledge Management And Corporate Governance: Why Shareholders Should Welcome Employees As Directors
Margit Osterloh, University of Zurich
Bruno S Frey, University of Zurich

The key task of modern corporations is to generate firm-specific knowledge and innovation, an aspect until now disregarded by Corporate Governance. Agency Theory proposes alignment of executives and directors’ interests to that of shareholders who cannot be protected by ex ante contracts. Firm-specific knowledge investments are neither ex ante contractible, leaving knowledge investors open to exploitation. Therefore, knowledge workers must be given an incentive to undertake such firm-specific investments. Three proposals are advanced for that purpose: 1) The board should rely more on insiders; 2) They should be elected by those employees making firm-specific knowledge investments; and 3) The board should be chaired by a neutral person. These proposals help to overcome the crisis of corporate governance, and foster knowledge production and innovation.

Managing Corporate Knowledge: A Dynamic Capability Perspective
Sven Voelpel, International University-Bremen
Zheng Han, University of St Gallen

This paper explores the link between strategic management and knowledge management in order to facilitate our understanding of dynamic capacities, based on an intensive study of a Fortune 500 company. We found limitations to use theoretical framework of resource-based view (RBV) to explain the phenomenon under investigation and knowledge sharing routines can persevere as dynamic capability - that is dynamic utilization and deployment of corporate knowledge. We suggest a view of the firm as a dynamic knowledge and competence community, where each corporate member's competence and tacit knowledge are shared and competence and knowledge gaps can be closed by the frequent recombination of knowledge and human resources.

Untangling Dynamic Capabilities Through Knowledge Management
Anders Paarup Nielsen, Copenhagen Business School

This paper will add to the understanding of dynamic capabilities by demonstrating that dynamic capabilities are composed of concrete knowledge management activities. The paper identifies a number of different states that knowledge exists in and the paper demonstrates that different knowledge manipulating activities leads to changes in the states of knowledge. The knowledge manipulating activities are: knowledge creation, capture, assembly, sharing, integration, and exploitation. The paper then demonstrates that there is a link between knowledge management activities and dynamic capabilities and that the dynamic capabilities can be perceived as bundles of well-known knowledge management activities. Both knowledge manipulating activities and dynamic capabilities creates flows to and from the firm's stock of knowledge.

BEST CONFERENCE PAPER PRIZE FINALIST
Examining The Relationship Between Knowledge Management Strategies And Firm Performance
Hari B Bapuji, University of Manitoba
Mary M Crossan, University of Western Ontario

Several scholars in the recent past have suggested that firms must strategically approach knowledge management to derive benefits from it. In this paper, we develop three different strategies to approach knowledge management and examine their effect on the short-term and long-term performance of firms. We argue that a capture-based knowledge management strategy yields short-term performance whereas a learning-based knowledge management strategy yields long-term performance benefits. Further, we argue that an IT-centered knowledge management strategy does not directly yield performance benefits but strengthens the relationship between the capture-based and learning-based knowledge management strategies and performance. We test our hypotheses using survey and interview data from 84 companies and find general support for our hypotheses.

THE PROCESS OF BUILDING ORGANIZATIONAL CAPABILITIES: A PRACTITIONER-ACADEMIC DIALOGUE

Panel | Track J | Salon VII

Vadake K Narayanan, Drexel University

Firms in the pharmaceutical industry undertake significant strategic initiatives to build specific capabilities, both organizational and scientific. These capabilities require significant commitment of resources and people, and are developed with the objective of transforming the competitive landscape, and the firm’s position in it. Nonetheless, the capability building presents significant management challenges. The panel will examine two major experiments—one involving fast cycle teams the other focusing on building chemical biology platform that were undertaken in a major pharmaceutical firm. The practitioner -academic dialogue is intended to contrast the field experiences with the academic perspective.

NETWORKS, ALLIANCES, AND KNOWLEDGE TRANSFER

Paper | Track J | Salon VIII

Session Chair: Koen H Heimeriks, Copenhagen Business School

The Role Of Alliances In Accessing Knowledge From Regional Clusters
Anupama Phene, University of Utah
Stephen B Tallman, University of Richmond

This paper explores the use of alliances by firms to access knowledge within a regional cluster. We propose that physical co-location may not always be sufficient to confer the benefits of access and to offer sufficient control over knowledge exchanges. We determine when firms are likely to utilize alliances to supplement the informal mechanisms that support
knowledge sharing within the cluster. We hypothesize that the density of knowledge exchange within the cluster, technological positions of firms involved and the type of knowledge exchanged will influence firm utilization of alliances. We test our hypotheses in the U.S. biotechnology industry.

Ethnic Communities And Knowledge Transfer: An Analysis Of Indian Inventor Networks In The United States
Anupama Phene, University of Utah
Paul C Almeida, Georgetown University
Saili Li, University of Utah

Our study attempts to explain the economic phenomenon of knowledge flows by using a sociological perspective relating to the ethnic social networks of inventors. We propose that the presence of an ethnic community serves to create a common platform of understanding and trust and enables individual inventors to overcome the limitations of local search traversing greater technological, geographic and temporal space. We study knowledge exchanges between Indian inventors in the U.S. and posit that culture and joint heritage continue to endure after migration and significantly influence economic exchanges.

The Relationship Between Organizational Controls And Partner Learning In German Telecommunications Alliances
Mona V Makhija, Ohio State University
Thomas Mellewigt, University of Paderborn
Glenn P Hoetker, University of Illinois-Urbana Champaign

This paper empirically investigates the role of organizational controls in transferring knowledge and facilitating inter-partner learning in 83 German strategic alliances in the German telecommunications. We examined resources associated with more and less tacit knowledge and the types of control mechanisms used in the alliance. We found that the transfer of tacit knowledge was associated with more informal controls, and greater learning by the partner. In contrast to prior studies, resource heterogeneity did not lead to greater learning.

Developing Alliance Capabilities: An Empirical Study
Koen H Heimeriks, Copenhagen Business School
Geert G Duysters, Eindhoven University of Technology
Wim Vanhaverbeke, Hasselt University/Eindhoven University of Technology

Relying on the concept of capability lifecycles, prior research has suggested that different capability levels could be identified in which specific intra-firm learning mechanisms are used to enhance a firm’s alliance capability. However, empirical testing in this field is scarce and little is known the effect of micro-level learning mechanisms on advances in a firm’s alliance capability. This paper analyzes to what extent intra-firm learning mechanisms help firms evolve their alliance capability. Differential learning may explain in why some firms consistently yield superior returns from alliances. The main lesson from this paper is that firms can steer the creation and speed of their alliance capability building as different mechanisms have differential performance effects and are more appropriate at different levels of alliance capability.

Competitive Advantage in the Airline Industry
James Whitehurst, Delta Air Lines

James Whitehurst will discuss both the competitive situation in the airline industry and the strategy options open to the traditional competitor in general and Delta in particular.
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. First, we conducted frontier analysis (DEA) to identify those British firms that had consistent superior performance on multiple measures over 20 years, when compared with their international peers in the same industry sectors. Second, we identified which of these superior performers also significantly changed their strategies. Third, we are conducting in-depth historical and clinical analysis of the management processes by which these companies were able to achieve such strategic transformations. This session will encourage debate on several issues: the nature of performance and its measurement, the nature of strategic transformation, and the processes that enable transformation.

**Commoditized Industries As Fashion Systems**

Micki Eisenman, *City University of New York*

This article explores the strategic benefits of product innovations and differentiation based on aesthetic qualities-qualities that instill products with meaning and affect. Industry evolution progresses towards an often overlooked stage that occurs as industry competition transitions to an emphasis of aesthetic-based differentiations. This transition occurs in response to increased standardization and commoditization of technologically stable industries. The article explores how firms supplement the instrumental characteristics of their products with aesthetic qualities. Drawing on fashion theory, the article theorizes the set of capabilities firms rely on to create products that fit the emergent aesthetic tastes of consumers. These capabilities are the basis for generating novel and fashionable products, which firms can sell at a premium. The causal ambiguity underlying these capabilities renders them sustainable.

**Coordination In Network Organizations: The Case Of Open Source Software Communities**

Robert M Grant, *Georgetown University*

Open-source software challenges both transaction cost and knowledge-based theories of the firm. Unlike inter-firm networks, open-source communities (OSSCs) are pure network forms*communities of individuals, not firms. How can such loose-knit organizations achieve the complex coordination required to challenge software giants such as Microsoft? Investigating organization and operation among 15 OSS communities reveals these networked communities are less revolutionary an organizational innovation than recent literature claims. In terms of coordination, the hierarchy, rules, routines, authority, and culture (shared values and behavioral norms) that typify coordination within firms also represented the principal mechanisms for coordination OSSCs. Moreover, the conditions that facilitate this coordination appear particular to computer software. The potential for networked communities to be a more generally successful organizational form seems limited.

**Partner Selection Criteria In Inter-Firms Cooperation Of Innovation**

Maryem Cherni, *University of Social Sciences-Toulouse*

Because innovation activity is costly and inherently uncertain, firms cannot innovate alone. Searching for a partner become, therefore, crucial to innovation. This requires understanding the criteria used by managers of innovating organizations in selecting collaborators.

However, if in previous research there are sufficient studies about partner selection criteria and their influence on the alliance performance and on the selection uncertainty, there is less about innovation context and how to evaluate the prospective partner. This research examines the context of innovations’ partnerships. It explores, especially, mechanisms used by managers to assess their future partners. It is based on a fieldwork at ten organizations in France. The results of the fieldwork show that four mechanisms can reduce uncertainty and help managers select appropriate partners: 1) relational; 2) contextual; 3) internal; and 4) contractual mechanism.
The Private Information Factor Market Paradox: An Empirical Examination
Theodora Welch, University of Massachusetts-Boston

Does more private information in the hands of managers benefit shareholders? Yes. Our proposal offers the first explicit empirical test of Makadok's (2003) competence and governance synergy model. Specifically, we investigate the relationship between accuracy in managerial expectations, severity of agency problems, and effects on value creation. Our research design allows us to test this model using in an 'ideal' empirical setting: auction sales, negotiated sales, and public offerings for wireline telecommunications operators undergoing privatization. Initial results show support for the competence/governance model and offers some understanding of the private information factor market paradox in this technology-intensive industry.

Creating Value with Planning and Control Systems

Session Chair: Markus Kajanto, Nokia Corporation

Determining The Influence Of Strategic Planning’s Elements In Its Success
Efstatios Tapinos, University of Warwick
Robert Dyson, University of Warwick
Maureen Meadows, University of Warwick

This paper presents the results of a multinational large-scale survey, investigating the current trends in strategic planning. The survey was conducted online using the Warwick Business School alumni database. Considering the development and implementation of strategy within a multi-process framework, the ‘Strategic Development Process’ model by Dyson and O’Brien (1998), using factor analysis, four distinct factors of strategic planning have been produced and with regression analysis, their impact on the success of strategic planning from a process point of view has been assessed. The results indicate that significant variation in practices involved is created by complexity either of the organizational size or environmental turbulence.

Determinants Of Strategic Issue Management System

Performance: An Empirical Analysis
Markus Kajanto, Nokia Corporation
Matti E Keijola, Helsinki University of Technology
Peter Kunnas, Nokia Corporation
Tommi Laamanen, Helsinki University of Technology
Markku Maula, Helsinki University of Technology

Companies have different ways of identifying and dealing with their emerging strategic issues. This process is typically an emergent one, not always optimally structured to enable the effective identification of the most critical questions and the optimal allocation of senior management attention. Companies have only recently started to take on a more systematic approach in developing their strategic issue management systems. This paper contributes to the emerging research area by developing hypotheses on the basis of research on organizational attention allocation and networked information processing and by testing them using a comprehensive sample of strategic issues of a global information and communications technology company. Our study provides one of the first quantitative analyses of the determinants of strategic issue management system performance.

Creating And Capturing Value From Technology: An Explanatory Model Of Performance Differences In Biotechnology Firms
Charlene L Nicholls-Nixon, University of Western Ontario
Daniel E Day, University of Western Ontario

Managers of small and medium sized biotechnology firms are faced with myriad decisions about drug discovery and development: selecting disease targets, balancing internal and external technology sourcing, allocating resources, determining when to extract value and/or terminate projects. While it is clear that some biotechnology firms are more successful than others at creating and capturing value from these efforts, little is known about the link between technology strategy and firm performance. Our paper addresses this gap in the literature by adopting a grounded theory building approach to develop a series of research propositions about the relationship between firm performance and specific dimensions of technology strategy content and process.

Organizational Controls And The Capacity To Learn: A Quasi-Experiment In The Auto Industry
Karyyne L Turner, Georgia State University

The purpose of this research is to gain insight into how firms manage knowledge to enhance employees’ capacity for learning. We argue that organizational controls are major conduits of knowledge within the organization, with inherent information processing properties. We focus on two particular types of controls, bureaucratic and clan. We show how each control differentially affects the development of particular knowledge structures. Due to this, the use of specific types of controls in turn influences employees’ capacity for learning. Hypotheses relating to these arguments are tested using a quasi-experimental design, based on a unique database of 222 production workers. We utilize cognitive mapping techniques to assess workers’ knowledge structures. Our findings support the importance of controls in developing knowledge structures that foster learning.

Developing New Businesses When The Core Matures

Panel

Andrew Campbell, Ashridge Strategic Management Center
Richard P Leifer, Rensselaer Polytechnic Institute
Ian C MacMillan, University of Pennsylvania
Hein Schreuder, Royal DSM

Most companies fail to develop significant new businesses when their core matures. There is some debate about whether the failure rate is 80% or 90% or even 99%, but all agree that it is high. Many theories have been developed about how companies can solve this problem. But, despite some consistency of advice both across authors and over time, the success rate does not seem to have increased. The purpose of this panel is to explore: 1) what we know about the causes of failure; 2) what theories exist about how companies can succeed; and 3) what research is needed to resolve differences of opinion, improve the advice we give managers or improve the actions taken by managers.

Follow The Market Or Follow The Customer?

Session Chair: Ragnhild Kvålhaugen, SINTEF

Should Customers Always Come First? How Resources And Strategy Moderate The Customer Orientation-Performance Relationship
Ruud Frambach, Vrije University-Amsterdam
Paul Ingenbleek, Wageningen University
Erno Kuiper, Wageningen University

This paper shows that the effect of investing in a customer orientation depends upon the extent of previous investments in alternative strategic orientations as well as upon the strategy pursued. Analyzers benefit most from enhanced levels of customer orientation in terms of market performance, whereas prospectors do so in terms of financial performance. The firm’s resource stocks in terms of its level of competitor and technology orientation are found to play an important role in specific cases as well.
Competitive Advantage Through Project And Client Selection In Professional Business Service Firms
Tale Skjolsvik, BI Norwegian School of Management
Bente R Lewendahl, BI Norwegian School of Management
Ragnhild Kvålhauge, SINTEF
Siv M Fosstenløkken, BI Norwegian School of Management

This paper concerns the competitive advantage of professional business service firms (PBSFs). While many strategic decisions in these types of firms are determined by the availability of projects, this paper argues that decisions about what types of projects and clients to undertake is an important determinant of success for PBSFs. In particular, two important dimensions that should be taken into account in project and client selection are addressed. These dimensions are: 1) the degree to which clients are ready to be efficient co producers of value; and 2) the learning opportunities available in a given project and relative to a particular client. Through the use of qualitative and quantitative methods the paper identifies and tests project and client characteristics that are important for learning in PBSFs.

BEST CONFERENCE PAPER PRIZE FINALIST
HONORABLE MENTION
A Dynamic Model Of Inter-Firm Interaction: An Agent-Based Model Of Market-Oriented And Customer-Led Strategies
Duncan A Robertson, University of Warwick

We present a model of inter-firm competition that includes the acquisition and retention of customers as a source of competitive advantage. We undertake this analysis by means of developing an agent-based model of dynamic firm-customer-firm interaction. We investigate the competitive advantage of firms with modeled market led and customer oriented strategies. We show that the interaction between firms and customers is non-linear but is in fact a complex interaction. We find that market oriented strategies can, as suggested by Slater and Narver, be a source of competitive advantage, but not in all cases as they suggest. We also show that a customer led strategy can be a satisfactory defense against competitors’ market orientation. More generally, we identify the importance of strategies that make use of dynamic capabilities in order to explore the competitive landscape.

Beyond Make Or Buy: Boundaries Setting And The Scalability Of Entrepreneurial Firms
Filipe Santos, INSEAD

How do entrepreneurs in nascent markets define the scope of activities of their ventures? Based on an inductive multiple case study of five new firms in different nascent markets, I find that executives use a scalability rationale for managing boundaries, instead of governance efficiency or capabilities considerations. They focus on addressing the bottlenecks that impede the sustainable growth of the organization. The overall strategic goal is to establish a defensible leadership position by reaching critical mass in a distinct market niche. This logic for boundary decisions provides outcomes that contrast with transactions costs and capabilities predictions. I reconcile these findings with extant theory by suggesting a process model of how the institutional structure of production emerges endogenously from the action of players in the field.

AN ECLECTIC VIEW ON INNOVATION AND VALUE

How Do Established Firms Perceive And Respond To Emerging Disruptive Technologies? Perspectives From The Australian Music Industry
Andrew Essa, Queensland University of Technology
Boaz Bernstein, Queensland University of Technology

The emergence of a major innovation often poses a threat of substitution to firms with a base in an established industry. Explanations of how and why established firms respond to new technological paradigms are wide-ranging. Limited research exists to understand the effects of a disruptive technology, in its early stages of technological evolution, on established firms within a single industry. This study explores how the record labels and music retailers in the Australian music industry perceive, and strategically respond, to the emerging disruptive technology of digital distribution. This study is timely as the existence of the traditional music industry value-chain is currently threatened, as digital music distribution gradually transforms the way music is accessed and consumed.

Innovation As Recombination: A Look At Innovation Value And The Variation Of Innovation Value
Pingping Song, Georgia State University
William C Bogner, Georgia State University

The literature has long recognized the importance of technological innovation. Yet most research has focused on the adoption and diffusion of innovations while relatively little has been researched on the generation of innovations. Innovations vary widely in value. However, the causes of variability in value have also been lightly studied. In this paper we address both of these understudied areas. Building on previous studies, we propose that temporal and technological
dimensions of the knowledge components that are combined in creating technological innovations impact on both the average and variation of innovation value. By adding this variability dimension to analysis a risk-adjusted perspective to innovation generation choices can emerge. Empirical tests of the hypotheses are conducted using negative binomial regressions on patent data in chemicals industry.

Valuation Of R&D Investments: Does The Market Recognize Explorative Investments?
John F Burr, Purdue University
Dinesh Venkiteshwaran, Purdue University

We investigate the economic impact to a firm when they engage in exploration activity. Past research has primarily studied investments in Research and Development and not specifically on what types of investments. Also, prior research provides mixed results regarding cumulative abnormal returns to those who are first to innovate. Preliminary results indicate cumulative abnormal returns may actually be tilted towards those who are first to refine the innovation or exploitation. While it is hypothesized herein that exploration leads to growth options and economic gain, it may be that it is not "discovery" that is rewarded, but "application".

Governance: Crises Scandals

Session Chair: Steve Gove, University of Dayton

Corporate Governance During Crises
Yi Jiang, Ohio State University
Mike W Peng, University of Texas-Dallas

There is extensive ownership concentration in large corporations around the world. Yet, there is little agreement on the role of block holder and managerial ownership. Drawing on 892 publicly listed large corporations in seven Asian countries and regions; we examine the effect of concentrated ownership and control on firm value during financial crises. We find ownership concentration and owner CEO is positively related to firm value. We also find the opposite effect of separation of ownership and control rights on firm value in civil law countries and in common law countries: the relation is negative in civil law countries, but positive in common law countries. Firm ownership concentration, separation of ownership and control rights, and owner CEO are endogenous and determined by firm characteristics.

The Influence Of Corporate Governance In Navigating Difficult Economic Times: Evidence From Internet Firms
Glen Dowell, University of Notre Dame
Margaret Shacklewell-Dowell, University of Notre Dame
Nathan V Stuart, University of South Florida

While there is general agreement that corporate governance (CG) characteristics are important means by which the interests of managers and shareholders are aligned, evidence of the relation between the strength of CG and firm performance is mixed at best. We answer prior authors’ calls to examine the CG-performance relation among relatively homogeneous firms that are undergoing great uncertainty. Using a sample of 268 Internet firms that conducted IPOs from 1996-1999, we find that several CG mechanisms are significantly related to the probability that firms survived the Internet shakeout. In addition, we demonstrate that CG mechanisms have non-linear and contingent effects, as the impact of board size is both non-monotonic and contingent on the strength of the firm's CEO.

Corporate Governance And The Environment: Bad Discretion, Good Discretion, And Environmental Firm Performance
Carl Joachim Kock, Institute of Empresa-Madrid
Juan Santalo, Institute of Empresa-Madrid
Luis Diestre, Institute of Empresa-Madrid

We study the interactions between two important areas of strategy by analysing effects of corporate governance provisions that change managerial discretion on measures of firm environmental performance.
**Monday Sessions 14:00 - 15:15**

**Competing Or Reinforcing: A Reexamination Of The Relationship Between Exploitation And Exploration**

Ming Piao, Northwestern University

One of the central arguments in organizational learning literature is that there is a tension between exploitation and exploration. Excessive exploitation hinders exploration, and excessive exploration drives out exploitation. In response, the study proposes a counter argument: exploitation and exploration are two interdependent, complementary and mutually reinforcing, rather than competing, learning processes. Taking a knowledge-based view, I argue that exploitation enhances firms' engagement in exploration, and vice versa. Empirical findings from a 22-year longitudinal study of new product innovation in the hard disk drive industry are consistent with the central thesis of the study. This paper is among the first studies that develop a theoretical rational and provide empirical evidence to establish a complementary rather than competitive relationship between exploitation and exploration.

**Exploring The Determinants Of Potential Absorptive Capacity And Its Impact On Innovation Performance**

Josep Antoni Tíribó, University of Carlos III-Madrid
Andrea Fosfuri, University of Carlos III-Madrid

This paper builds upon the theoretical framework developed by Zahra and George (2002) to empirically explore the determinants of potential absorptive capacity. Based on a sample of more than 2200 Spanish firms, we find evidence that cooperation; external knowledge acquisition and experience are important antecedents of a firm's potential absorptive capacity. Also, during periods of "internal crisis", when there are significant changes in strategy, organization and marketing, the firm accumulates more potential absorptive capacity. Finally, we find that potential absorptive capacity is a source of competitive advantage, especially when intellectual property rights protection is strong.

**Dynamic Capabilities And Resource-Based Change**

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Dynamic capabilities refer to the ability of organizations, and their managers/entrepreneurs, to build, integrate, and reconfigure firm resources and capabilities. For both scholars and practitioners of strategy, the need to understand and improve the ability of firms to adapt to changes in markets and technologies has become a priority. This panel brings together prominent management scholars of dynamic capabilities and the resource-based view to push forward work on resource-based change. The presentations by the panelists grow out of a collaborative research project that provides additional foundations for a dynamic approach to organizational resources and capabilities.

**Strategies For Acquiring And Combining Resources In Entrepreneurial Ventures**

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This panel seeks to address key issues related to the acquisition and combination of resources in entrepreneurial firms, such as: Which action strategies do entrepreneurs and entrepreneurial managers employ for acquiring resources? How are resources combined in entrepreneurial firms? How can value be created through resource acquisition and combination in entrepreneurial firms? What challenges do conventional strategy and organization theories on resource acquisition and combination face when they are applied in an entrepreneurship context? What lessons can entrepreneurs draw from these theories, and what can theorists learn from entrepreneurs? The panel draws on the research perspectives of leading academics in the fields of entrepreneurship and strategy, and on the experience and insight of real-life entrepreneurs.

**14:00 – 15:45 POSTER SESSION INTERNATIONAL FOYER**

**Interpretive Strategy: What Business Strategists Can Learn From Contemporary Fine Art (Track B)**

Thomas W Bauer, Witten/Herdecke University

This study analyzes strategies of contemporary fine artists and applies them to a business strategy context. We focus on artists' cultural innovation strategies, i.e., changing attitudes/behaviors of a target audience according to a particular intention. The means artists employ are symbolization (create new meanings/new options for action), intervention (reach audience) and interaction (create interfaces with/ among audience). These means are also the main levers of business strategists to manage the stakeholders' attitudes/behaviors with respect to the firm - the major concern of strategy in an 'interpretive' strategy model (Daft and Weick, 1984; Chaffee, 1985; Lester and Piore, 2004). So far this research has remained largely descriptive. We suggest elaborating a prescriptive interpretive theory of strategy along the means symbolization, intervention, and interaction.

**The Role Of Brands And Patents On Value Creation Of Brazilian Companies (Track J)**

Eduardo K Kayo, Mackenzie University
Chang Teh, Mackenzie University
Herbert Kimura, Mackenzie University

This paper examines the relationship between intangible assets (specifically patents and brands) and the market value of Brazilian public companies. In general, the importance of innovation in the value creation of the companies seems to be evident. However, researches on the influence of patents and brands in the market value of the companies, especially in Brazil, are still not conclusive. Our research shows that, on one hand, the variables representing patents are not significant to the value creation of Brazilian companies. It can be caused by the low level of investments in research and development in Brazil. On the other hand, results show that quantity of brands is significant and positively related to both proxies’ variables for value creation (market-to-book ratio and Tobin’s Q).

**The Board Of Directors And The CEO Selection Decision: Sociopolitical Dynamics, Social And Human Capital (Track G)**

Dawn A Harris, Loyola University-Chicago

This paper introduces a framework for analyzing CEO selection that brings together the CEO human capital approach with a conceptualization of the Board of Directors as a network of individuals with varying degrees of internal social capital. Our analysis enhances previous research on CEO selection by focusing on the behavioral dynamics of power in a sociopolitical decision-making process that depends on the network structure of the board and the social capital of individual board members. Consequently, the ability of the firm to adapt to its environment through CEO selection depends on the social capital of individual board members.

**Managing Competition In Cooperation: A Case Study Of A Healthcare Alliance In Taiwan (Track B)**

Chin-Ming Liu, Cheng-Ching Hospital
Tzu-Ju Peng, Cranfield University
Chwo-Ming Yu, National Chench University

Existing studies regard cooperation as "competition and cooperation", less attention has been paid on "competition in cooperation". The debate of whether internal competition in an alliance positively or negatively impacts
on performance has not been reached a convergent conclusion. Internal competition, however, could be beneficial if it has been well-managed. The association between internal competition and performance may vary with the management mechanisms in the alliances. The purpose of this article is to address the issue of managing internal competition in cooperative alliances. Examining by a case study of a healthcare alliance in Taiwan, this study found that: 1) internal competition did have positive effect and negative effect on performance; and 2) management mechanisms employed by alliances did play a moderating role on the relationship between internal competition and performance. This article discussed the results and proposed the implications for future research and managerial practices.

Patterns Of Strategic Change And Performance: A Longitudinal Study Of Small Technology-Based Private Firms In Japan (Track J)

Susumu Kurokawa, Drexel University
Kozou Yamada, Sophia University
Yoshihiro Eshima, University of Shimane

Based on our literature review, we hypothesize: 1) internal/external monitoring activities mediate relationships between configurational factors (i.e., external environment, strategy, internal resource, governance structure, and organizational structure) in time 1 and innovations in time 2; 2) the higher monitoring activities in time 1, the more innovations a firm creates in time 2; 3) the more innovations in time 1, the higher financial performance a firm achieves in time 2; 4) monitoring activities mediate relationships between financial performance in time 1 and configurational factors in time 2; and 5) a firm with specific configurational factors in time 1 has similar configurational factors in time 2. We test these hypotheses by using longitudinal data collected in 2001 and 2002 from 301 small technology-based private firms in Japan.

The Myth Of Entrepreneurship (Track L)

Jiyun Wu, Virginia Tech

Nobody embodies the spirit of capitalism better than an entrepreneur in a capitalist society. Not everyone, however, seems able to be an entrepreneur. Can ordinary folks become entrepreneurs? What social factors contribute to the making of an entrepreneur? And, what ideals, goals, and motivations guide an entrepreneur? Adopting grounded theory for her research strategy, the author intends to explore the nature of entrepreneurship with the hope of unveiling some of the mysteries surrounding it. The study has significant implications for people who wish to have a chance to better their lives and yet who have mentally blocked themselves from potential opportunities. It is especially relevant to poor people in developing countries looking for opportunities to improve their lives.
The Uncertainty-Governance Choice Puzzle Revisited: Predictions From Real Options Theory, Transaction Cost Economics, And Resource-Based View
Franziska König, University of Paderborn
Anna Krzeminska, University of Paderborn
Thomas Mellewigt, University of Paderborn
What is the appropriate governance mode for investments under uncertainty? Surprisingly, the relationship between uncertainty and governance design remains nebulous. Above all, it reflects the theoretical and empirical lag in providing a systematic classification of different spheres of uncertainty and its consequences on governance decisions. We compare the theoretical concepts of uncertainty in transaction costs economics, real options theory, and resource-based view to enhance our understanding of the different uncertainty dimensions. Second, we aim at reconciling the different managerial perspectives in order to present an integrative framework on the uncertainty-governance choice. We propose that in coping with the contradicting forces of uncertainty, firms need to trade off the value of flexibility resting upon reversible governance structures against its opportunity costs (transaction costs).

Core Tenets Of The RBV: An Assessment Of Empirical Research For 1984-2004
Katja Nothnagel, University of Paderborn
The importance of firm resources for gaining a sustainable competitive advantage, i.e., the Resource-based View (RBV), seems no longer questionable in theory, yet, whether the core tenets of the RBV withstand - overall - empirical testing is still a question unanswer, as is the query whether these empirical results might even revise resource-based theory. I want to conduct a review of empirical research on the RBV regarding results while testing its core tenets as well as consolidate these results regarding the improvement of RBV theory. Therefore, I have analyzed 186 empirical RBV studies, published between 1984 and 2004. The analysis shows that 73% of the statistical tests of core RBV relationships were supported, yet, there is very little afforded to systematically explore the theory's core tenets.

Leadership In Transition
Paper Track Author

Session Chair: Thomas Röhm, The Boston Consulting Group
The Recursiveness And Theoretical Complexity Of Strategic Management
Mark P Kriger, BI Norwegian School of Management
Several paradigms have been offered over the last few decades for developing the theoretical foundation of strategic management. This paper addresses this ongoing task by presenting a framework that integrates a number of theoretical lenses for conceptualizing strategic management which includes: 1) multiple logics and levels of analysis; 2) complex interactions between cognition, behavior and affect in firm processes; 3) dialectical tensions; and 4) recursive processes of strategizing. The paper will incorporate multiple theoretical lenses in order to portray and to illustrate the underlying inherent recursive nature of strategy and strategic management.

Integrating Intellectual Property Considerations Into Strategy Formulation Process Through The Use Of IP-Landscapes
Thomas Röhm, The Boston Consulting Group GmbH
Albrecht Enders, University of Erlangen-Nürnberg
Harald Hungenberg, University of Erlangen-Nürnberg
As a result of the increasing importance of intellectual property (IP) for business success, IP issues have also become more relevant for the strategy formulation process on top-management level. The development of a value-creating IP strategy starts with a clear assessment of the company’s IP position versus its competitors. As available information on technology and patents is usually complex and very detailed, it is difficult for top-management to fully understand the issues that are involved. Based on an example from the automotive industry we demonstrate how IP-landscaping, which analyzes and graphically presents information pulled from patent databases, can help management to analyze their competitive IP-positioning and formulate the appropriate strategic questions.

The Value Of Intellectual Capital In Hungarian SMEs
Ilona Papp, Széchenyi István University
Transformation in Central and Eastern Europe is indeed one of the scientifically and operationally most challenging question in the world during the last decades. So-called emerging markets are very attractive for focusing attention. The experience gained so far has clearly shown that one of the crucial components of transformation, and a necessary condition for its success, is the development of strong and dynamic small and medium-size enterprise sectors (SMEs). This paper analyses the Hungarian experience with SMEs development by highlighting the role of intellectual capital based on a large primer research-project (sample consist of 454 firms from SMEs sector).

Corporate Entrepreneurship: To Value Or Not To Value?
Paper Track Author

Session Chair: William J Lekse, Babson College
Is Entrepreneurial Performance Valued By Boards Of Directors? An Empirical Study
William J Lekse, Babson College
Mengxin Zhao, Bentley College
This study examines the influence that CEO’s stock of skills and knowledge have on the board of director’s negotiation process to determine management control. In particular the study examines the power difference between that of CEOs who are either internal operation or entrepreneurial focused from the two merged firms. Based on a sample of 298 firms involved in mergers of equals, the study examines the board of director’s choice of CEO from their performance and strategic metrics to gain merger control power. The study’s results indicate statistical significance in all internally operating performance measurements in the negotiation process; the board of director chose the management with better prior to merger internal operating performance. Entrepreneurial posture had a statistically significant influence in selective measures.

Managing Organizational Attention To Support Organizational Entrepreneurship. Empirical Investigation Of Attention, Environment And Entrepreneurial Orientation
Mariusz Bratnicki, Karol Adamiecki University of Economics-Katowice
Przemyslaw Zbierowski, Karol Adamiecki University of Economics-Katowice
The paper attempts to answer the question about driving force of entrepreneurship: is it external, environmental force, or internal force coming from organization members’ mindsets? The study therefore examines complex relationships among dimensions of environment (complexity, dynamism, munificence), institutional environment (country institutional profile with three dimensions: regulatory, cognitive, and normative), entrepreneurial attention (EA), and entrepreneurial orientation (EO). Entrepreneurial attention is here defined as noticing, encoding, interpreting and focusing time, energy and effort by organization members on reconciling opportunities and actions in general, and entrepreneurial objects and ideas in particular. The paper presents the conceptualization of entrepreneurial attention and results of empirical research. They prove that the impact of entrepreneurial attention on entrepreneurial orientation is much higher than influence of environmental forces.
Selection Capacity In Corporate Venturing
Christian Vintergaard, Copenhagen Business School
Kenneth Husted, University of Auckland
This paper argues that the ability to select more profitable ventures while at the same time avoid selecting away promising ventures is dependent on not only the choice of selection strategies but increasingly on the corporate venture firms’ selection capacity. This capacity is largely a function of the committed participation of the corporate venture company through (a) the relevant knowledge creating networks and (b) the public debate concerning the validity and societal benefit of new knowledge and the potential commercial value of the knowledge production.

The Influence Of Boards And Top Management Teams On Corporate Entrepreneurship
Thomas Dalziell, University of Cincinnati
This paper combines resource dependence and upper echelons views. It proposes a model in which board and TMT human/relational capital predict firm-level strategic behavior. It provides a validated archival measure of corporate entrepreneurship which proxies for existing surveys and reports tests of the individual, interactive and relative influences of boards and TMTs on corporate entrepreneurship. Data for this study are drawn from a sample of 344 public U.S. biotech and pharmaceuticals firms.

Is Organizational Restructuring An Adaptive Process Of The Past?
Stéphane Girod, University of Oxford
To answer the question formulated in the title, the paper draws from two theoretical streams-structural contingency and coevolutionary theories. In both streams, some researchers argue that because restructuring is an important adaptive process, the number of firms, which restructure should increase with rising environmental turbulence, often associated with hypercompetition. But several coevolutionary scholars have argued the opposite. They have urged managers to adopt faster and fitter forms of organizational adaptation than cumbersome restructuring in more turbulent environment. Restructuring should be history. To contribute to theory and practice, by finally gathering empirical evidence on a large scale longitudinal basis (1982-2002), this research seeks to advance the debate on whether restructuring defined as a process of resource and capability reconfiguration, and ultimately formal structure, fits today’s competitive environment. Since structure has traditionally been a keystone for the implementation of strategy as content, the question is not trivial.

Scientific Method And The Emergence Of Improvement Capabilities
Robert Chapman Wood, San Jose State University
This paper seeks to illuminate how a dynamic capability can emerge in an organization where inertia of existing routines must be overcome. It reports a study of nine relatively successful and four less successful improvement programs in a wide variety of organizations. Existing theory on the creation of dynamic capabilities is largely deterministic, indicating managers deliberately decide what the organization should be able to do and guide the organization to create the chosen capability. The data reported here suggests the process resembles the process Kuhn described for the emergence of paradigms in scientific fields, with confusing, poorly directed experimentation at the early stages.

Strategy, Subsidiaries, And Knowledge
Michael D Hill, Spansion LLC
Mary Yoko Brannen, San Jose State University
In today’s hyper-competitive context of the multinational firm, technology transfer needs to encompass maximum learning and knowledge arbitrage. Sources of learning and knowledge are becoming not only more dispersed, geographically and organizationally, but also the competitive advantages they convey are less secure and sustainable. Improved processes, substitute products, and alternative technical platforms appear quickly, often much sooner than expected. Such growing complexities of managing multiple businesses at multiple sites with multiple partners forces multinational firms to focus concomitantly on cost controls as well as innovations. This paper addresses these issues by examining and building theory on how engineers and managers directly involved in leading edge technology transfer at Spansion LLC, a multinational joint venture between AMD and Fujitsu, engage in adaptation, innovation and knowledge sharing.

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Business Architecture: Top-Level Business Design To Improve The Adaptability Of The Organization To Strategic Change
Gerrit Versteeg, FourPoints Intelligence
Harry Bouwman, Delft University of Technology
In this paper we discuss consulting experiences and a subsequent research project on the effects of the design and use of Business Architecture to improve the adaptability of a corporation to its strategy. We elaborate on the concept of Business Architecture and how we consider it to attribute the responsibilities for important business and/or economic activities to business domains on the level of supply chain, enterprise and/or business unit. The Business Architecture is directly derived from the companies’ business strategy and business models. We discuss a case that shows how the Business Architecture concept clarifies the complexity within an organization. The concept is useful for the coherent design of an organization as well as a good starting point for subsequent process and ICT-oriented architecture designs.

Integration Processes And Organizational Combinations In Horizontal Mergers And Acquisitions
Frédéric Leroy, Audencia
A merger entails a multidimensional interaction between companies. This interaction can be translated by a strong organizational integration. This paper analyzes the combination modes between companies and studies the organizational profiles of entities resulting from horizontal mergers. We try to answer the following questions: What is the organizational profile of the new entity? What does it inherit from the companies that engendered it? What is the selection criteria used to build up the new entity? We conducted an empirical study of the integration processes that involves a few very large transactions, such as the merger between BNP and Paribas, Carrefour and Promodes, Lafarge and Blue Circle, TotalFina and Elf, Accor and Motel 6 and Red Roofs. It is also founded in the integration approaches followed in the acquisition of “small” companies by Lafarge and Accor.

Innovation Amidst Hypercompetition: Knowledge Sharing Opportunities During Technology Transfer In High Tech Multinational Firms
Michael D Hill, Spansion LLC
Mary Yoko Brannen, San Jose State University
In today’s hyper-competitive context of the multinational firm, technology transfer needs to encompass maximum learning and knowledge arbitrage. Sources of learning and knowledge are becoming not only more dispersed, geographically and organizationally, but also the competitive advantages they convey are less secure and sustainable. Improved processes, substitute products, and alternative technical platforms appear quickly, often much sooner than expected. Such growing complexities of managing multiple businesses at multiple sites with multiple partners forces multinational firms to focus concomitantly on cost controls as well as innovations. This paper addresses these issues by examining and building theory on how engineers and managers directly involved in leading edge technology transfer at Spansion LLC, a multinational joint venture between AMD and Fujitsu, engage in adaptation, innovation and knowledge sharing.

Strategic Planning In Oil Companies: A Subsidiary Roles Perspective
Frances Bowen, University of Calgary
James Beckie, Husky Energy
Alain Verbeke, University of Calgary/University of Oxford
We report the results of an exploratory study of strategic planning processes at eight Canadian subsidiaries of large foreign-owned oil companies. Overall, our exploratory analysis supports our contention that a subsidiary roles perspective provides a richer and more complete description of strategic planning in large multinational enterprises (MNEs). Implementers and contributors received more intervention from their corporate parents through the planning cycle than did strategic leaders on a number of dimensions: they have less influence in the...
The Need For Internal Alignment: A Headquarter-Subsidiary Perspective

Birgitte Gregaard, BI Norwegian School of Management

With the increasing internationalization of markets, positioning the firm competitively across national borders becomes imperative for firms to succeed. To succeed, the MNC not only needs a sound international strategy but also an organization that enables strategy implementation. This paper explores the need for internal organizational alignment to secure international strategy implementation and consequently goal fulfillment and value realization. More specifically, the paper focuses on the interdependencies, or alignment, between the MNCs international strategy and its subsidiaries’ roles. The study identifies a high degree of internal misalignment. The majority of sample firms simultaneously engage in improvement or change processes to enhance their performance, suggesting the internal alignment has a negative influence on performance.

An Institutional Model Of Local Embeddedness

Shaohua Mu, Baylor University

This research aims to investigate the institutional antecedents of local embeddedness of foreign subsidiaries. Local embeddedness has been suggested as a critical factor in subsidiary performance. The antecedents of local embeddedness remain uninvestigated. We adopt institutional theory and suggest mimetic, normative, and coercive forces that contribute to high local embeddedness of foreign subsidiaries. Competitive intensity serves as the mimetic force for foreign subsidiaries to develop local embeddedness, cultural distance as the normative force, and learning strategy as the coercive force. We further test the predictive validity of local embeddedness by checking the relationship between local embeddedness and subsidiary innovation, and knowledge outflow. The preliminary results are promising. This study furthers our understanding on the localization-globalization paradox of MNCs.

INTERNATIONALIZING R&D AND KNOWLEDGE FLOWS

Session Chair: Lois S Peters, Rensselaer Polytechnic Institute

Multinationals’ Location Strategies in R&D: An Empirical Investigation

Björn Ambos, University of Edinburgh
Tina Claudia Chini, London Business School

This paper aims to readdress one of the core decisions in the internationalization of R&D: The location choice. In line with prior research, we argue that overseas R&D laboratories can be divided in two groups: those built to exploit an existing competitive advantage and those built to explore, or create new ones. Drawing on a data of 92 international R&D investments of 49 German MNCs located in more than 20 countries, we show that two widely ignored factors, i.e. cultural distance and R&D intensity, have a strong bearing on the decision where to locate an R&D laboratory. In contrast to previous research our results did not support the importance of other factors, such as R&D spending of host governments, on the location decision.

Knowledge Protection In Non-Conventional International R&D Alliances

Dan Li, Indiana University
Lorraine Eden, Texas A&M University

This study examines how firms utilize different mechanisms to protect their technological assets in these three types of international R&D alliances (i.e., cross-national domestic, traditional international, and tri-national R&D alliances). Three protective mechanisms are analyzed: governance structure, alliance scope, and partner selection. Considering both national and organizational cultural differences, this study proposes that tri-national R&D alliances are the most complex and most likely to be governed by equity-based structure, narrow alliance scope and familiar partner firms. Hypotheses will be tested using a sample of R&D alliances involving high-technology companies.

Choosing The Dependent Variable In Empirical Studies On Knowledge Flows Within The MNC

Tina Claudia Chini, London Business School
Björn Ambos, University of Edinburgh

A growing body of empirical literature investigates knowledge flows in multinational corporations. However, most of this work examines antecedents or impediments of flows, thus widely ignoring the ‘real’ performance outcomes. In this paper we address the challenge of identifying a suitable dependent variable in order to measure the value created through knowledge flows. In order to shed some light on commonly used dependent variables, we explore the relations between inflows, perceived benefits and satisfaction using a structural equation model. We draw on a sample of 162 knowledge flows within MNC and survey cross-border knowledge flows between organizational units. Showing some interrelations between these variables, we also suggest avenues for future research in this field.

R&D Internationalization And MNC Technological Innovation And Performance In The Pharmaceutical Industry

Lois S Peters, Rensselaer Polytechnic Institute
Pablo de la Garza, Rensselaer Polytechnic Institute

To improve technological innovation performance, many companies have decided to look for technological innovation outside their home countries. A feature of this effort is the establishment of a foreign R&D laboratory. Our paper tries to establish if pharmaceutical companies that have international research laboratories have had better technological innovation performance than the ones that do not.

LEGITIMATION PROCESSES AND PERFORMANCE IMPLICATIONS

Session Chair: David L Deeds, University of Texas-Dallas

PHD FELLOWSHIP FINALIST  FELLOW

Trait-Based Imitation Among Entrepreneurial Market Entrants

Richard J Gentry, University of Florida
Mark Jamison, University of Florida

Studies of imitative behavior between new market entrants have often focused on characteristics such as geographic location and size to predict the likelihood of imitation between firms. While these studies do a good job at predicting imitation between firms, they leave the organizational learning picture incomplete. This study proposes to use the origin of the firm, in this case entrepreneurial firms, to study the way that organizations characterize competing firms into comparison groups, which then form the basis for imitation.

Attracting Attention: Examining The Creation Of Legitimacy In New Venture Success

Lindy Archambeau, University of Utah
Tiffany Galvin, University of Utah

Few empirical investigations have sought to understand the factors that influence the legitimation process of firms. In particular, what are the antecedents driving the creation of legitimacy for new ventures in relatively unknown industries, or those using an unproven technology? Prior work has been limited in testing the indirect and direct effects of a firm's attributes and actions on the legitimation process. This study investigates antecedents driving the legitimation and reputation-building process, measuring internal and external factors that impact a start-up’s ability to create legitimacy and the impact this has on its survival. We test our arguments on the population of Internet firms. The questions
addressed in this paper will shed light on the “legitimacy” pitfalls facing new ventures and how they can be overcome.

An Analysis Of New Venture Performance: Linking Product Innovation And Legitimation
Reiko Kishida, Case Western Reserve University
David L Deeds, University of Texas-Dallas
William S Schulze, University of Utah
This research examined how competitive and institutional factors jointly affect young firms’ performance. More specifically, the study investigated the relationships among new ventures’ different types of abilities to introduce new products, abilities to manage internal and external contexts, the characteristics of institutional environment, and firm performance. Although young firms’ abilities to carry out innovation and to secure organizational legitimacy have been recognized as important variables to explain entrepreneurial outcomes, their joint impacts have not been fully explored. By synthesizing strategic and institutional perspectives, a model was developed to explore these joint impacts and tested with a sample of 300 young companies in various manufacturing industries across the U.S.

STRATEGICALLY SOURCING AND MOBILIZING KNOWLEDGE IN ORGANIZATIONS

Paper Track J Salon II
Session Chair: James M Pappas, Oklahoma State University
Corporate Ventures On The Managerial Radar Screen: Benefit Or Liability?
Thomas Keil, York University
Rita Gunther McGrath, Columbia University
Taina Tukiainen, Nokia Corporation
Based on qualitative and quantitative data of 37 corporate ventures in a large European electronics manufacturer during 1998-2002, we examine management attention as an important additional variable in the venture process affecting the relationship between strategic relatedness and venture outcomes. We find that more closely related ventures were able to attract significantly more attention by senior managers and as a direct result of this were frequently redirected rather than discontinued. Less related ventures lacked such management attention and were more frequently discontinued. A surprising finding of our study was that greater management attention functions as a mechanism that gradually pulls ventures closer to the existing corporate core businesses. Our results contribute to cognitive and attention based perspectives of corporate venturing.

Assessing Organizational Outcomes Of Human Capital Investment Strategies
Jason C Senjem, St Norbert College
How firms invest in their employees in the first years after an initial public offering (IPO) may be crucial to the performance of the firm. We know that a firm’s human capital, or knowledge and skills, can positively affect firm performance (Hitt, Bierman, Shimizu, & Kochhar, 2001; Snell & Dean, 1992). However, the mode or strategy of investment in this human capital may have more critical implications for how a firm can obtain the most benefits from its human capital. I compare two theories to predict competing hypotheses of internalization versus externalization and firm performance. Implications for science and practice are discussed.

The Knowledgeable Middle Manager: An Exploratory Study On Social And Intellectual Capital
K Blaine Lawlor, Oklahoma State University
James M Pappas, Oklahoma State University
Bill Wooldridge, University of Massachusetts-Amherst
The research reported here utilizes the notion of social structure in explaining middle management influence in conjunction with the knowledge-based view of the firm. We conducted a cluster analysis of 98 mid-level managers in a medium size urban hospital and created management ‘profiles’ based on different types of knowledge. These “knowledge profiles,” in combination with the managers’ social network, were used to predict manager’s strategic influence in firms to more fully explain how social and intellectual capital is integrated in the middle management level of the firm. The study demonstrates the potential of social network analysis in strategy process research while at the same time provides empirical support for the knowledge-based view.

CEO SUCCESION: CONTEXTUAL DETERMINANTS AND IMPLICATIONS OF CEO DEPARTURES

Paper Track G Salon III
Session Chair: Yan Anthea Zhang, Rice University
Performance Implications Of CEO Dismissals: Evidence From A Stakeholder Environment
Rudi KF Bresser, Free University-Berlin
Reynaldo Valle Thiele, Free University-Berlin
Annette Biedermann, Free University-Berlin
Holger Ludeke, Free University-Berlin
Based on a sample of large, publicly traded German companies, we study performance implications of CEO dismissals. We find that measures of accounting performance are good predictors of CEO dismissal events: Low pre-succession accounting performance increases the probability of dismissal. However, replacement CEOs do not manage to turn things around because they do not experience significant increases in either operating or market performance during a two-year post-succession period.

Why Are New CEOs Dismissed? The Effect Of Succession Contexts
Yan Anthea Zhang, Rice University
Many new CEOs are dismissed with a brief tenure. In this study, we examine how succession contexts may influence the likelihood that a new CEO is dismissed within three years after succession-namely, “new CEO dismissal.” Based upon agency theory and human capital theory, we argue that new CEO dismissal may represent a correction to an inappropriate CEO selection and, accordingly, succession contexts that tend to lead to an inappropriate CEO selection may increase the likelihood of new CEO dismissal. Using a sample of 204 CEO dismissals during the time period 1993-1998, we find that the origin of the new CEO and the characteristics of the board of directors at the time of succession have significant impact on the likelihood of new CEO dismissal.

When What-You-Do Drives Who-You-Are: The Fragility Of Embeddedness In Elites For Departing CEOs
Andrew J Ward, University of Georgia
Daniel Feldman, University of Georgia
This research provides a contribution to the debate between the two dominant paradigms on the source and usefulness of corporate embeddedness. We take a different angle from previous research by examining ties that are broken not at the receiving firm, but ties broken by the executive losing his or her position in the sending firm. This allows us to examine the nature of the tie as a specific inter-corporate linkage, or whether the tie becomes more personal and tied to the human capital of the individual. This also allows us to examine the fragility or stability of the corporate elite network for individual executives even in the face of losing their price of admission, their executive position.

Family Business "Concept" As Antecedent In CEO Succession: The Moderating Role Of Institutional Context
Rosario Faraci, University of Catania
Giorgia M D’Allura, University of Catania
This paper focuses on the relationships between the family business concept and the CEO succession as a socio-political process. Family business concept is interpreted as an organization configuration determined by the family’s culture and organization and the vision about
the family business continuity as well as the commitment to family firm. In this paper, family business is a broad concept including the family unit, one or more (controlled) family companies, and the family wealth in terms of personal assets and patrimony. The relationships between the family business concept and the CEO succession are mediated by the owners' need of control over the functional areas of the company, the strategic objectives of the firm and the management of the family's wealth. A moderator effect is exerted by the institutional context.

**INNOVATION AND PRODUCT DEVELOPMENT**

**Paper** | **Track J** | **Salon VI**
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**Session Chair:** Richard P Leifer, Rensselaer Polytechnic Institute

**Firm Innovativeness: An Empirical Study Of Economic, Strategic, And Operational Factors Driving New Product Development Decisions**

Giulia Calabretta, ESADE
Boris Durisin, Bocconi University

Firm innovativeness is a major field of research. Our paper represents a tentative attempt of appraising the related empirical studies, organizing them into a framework covering different aspects of new product development, and testing the validity of this framework by an empirical survey. Our framework suggests that including new product development decisions which capture the effects of product characteristics, organizational structure, strategic approach and environmental turbulence, is essential for an overall assessment of firm innovativeness. For testing our hypothesis, we developed a questionnaire consisting in Likert-tape measurement scales for each construct, and we submitted it to a sample of Italian small-medium size firms. The results of the statistical analysis and the validation of the framework enable us to discuss avenues for future research.

**Customer Integration Into The Front-End Of New Product Development: Strategic Learning's From Extreme Programming**

Oliver Gassmann, University of St Gallen
Patricia Steffenleier, University of St Gallen
Christoph H Wecht, University of St Gallen

Strategic customer integration into the front-end of new product development (NPD) improves the effectiveness of the whole innovation process. In order to profit from analogies where the interface between R&D and customers in the innovation front-end is successfully managed, this article analyses the Extreme Programming (XP) approach from software engineering, which follows the organizational probe, and learn theory. The article investigates, whether traditional NPD of industry goods can profit from the strategic contributions of XP. Based on nineteen empirical case studies with European companies from different modular industries, the application of successful XP practices to traditional NPD is investigated. Our analysis provides strategic assumptions for how the effectiveness of early customer integration activities into traditional NPD can be improved.

**Internal And External Capabilities Transfer: Time-To-Market In New Product Development**

Frank T Rothaermel, Georgia Institute of Technology
Ha Thi Hoang, INSEAD

Time-to-market in new product development is critical to competitive advantage in a variety of industries; however, it is especially salient in high-technology industries. Herein, we suggest that time-to-market is a function of the governance structure of the project and the focal firm's internal and external new product development capabilities. Moreover, we introduce a contingency element as we hypothesize that the focal firm's internal and external capabilities positively moderate the relationship between the project's governance structure and time-to-market. We test this theoretical model on a longitudinal sample approaching the population of all biotechnology projects undertaken by established pharmaceutical companies, both solo and collaborative, within the new biotechnology.

**INVESTING IN CAPABILITIES TO CREATE AND CAPTURE VALUE**

**Paper** | **Track F** | **Salon VII**
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**Session Chair:** Douglas Miller, Tulane University

**PHD FELLOWSHIP FINALIST RUNNER-UP**

**Buyer-Supplier Relationships And The Horizontal Scope Of The Firm**

Olivier Chatain, INSEAD
Peter B Zemsky, INSEAD

We study the role of the benefits of close buyer-supplier relationships in suppliers' horizontal scope decisions under competition. Suppliers face a dilemma between choosing a broad scope to facilitate the establishment of relationships over multiple transactions and choosing a narrow scope to minimize organizational trade-offs. We develop a formal model that incorporates this tension and show how the use of three generic scope strategies - specialist, generalist and hybrid - depends on the benefits of close buyer-supplier relationships, the extent of organizational trade-offs, setup costs and the power of suppliers relative to buyers. We then use the model to study a variety of issues including the gains to coordinating suppliers, the incentives to invest in the development of relationships and the optimal level of buyer power.

**Resource Complementarity And The Determinants Of The Distribution Of Value Created By Technological Innovation**

Tunji A Adegbesan, IESE Business School-University of Navarra
Joan E Ricart, IESE Business School-University of Navarra

Technological innovation does not always improve performance. Individual innovations might be commercial failures, or value might be asymmetrically appropriated by parties that contribute to its creation. This study uses cooperative game theory combined with the resource-based view, to isolate three determinants of value appropriated from technological innovation based on externally sourced technology: relative scarcity, relative complementarity, and bargaining ability. It then identifies a number of drivers of these three factors and offers propositions on how they affect value appropriation. Thus it highlights the underestimated role of superior complementarity, in appropriating value created with resources obtained from competitive factor markets.

**Investing In Capabilities: Bidding In Strategic Factor Markets With Costly Information**

Catherine A Maritan, Syracuse University
Robert E Florence, St Bonaventure University

In this paper we explore how firms invest in capabilities by acquiring assets in strategic factor markets. We formalize the problem using an all-pay auction model in which heterogeneous firms bid for a scarce asset and we investigate the relationships among the expected returns to the investment, the information used to estimate the expected returns and
the information used to estimate the expected bids from competitors. The results of the model demonstrate the importance of recognizing different components of the expected returns and understanding the allocation of research spending to acquiring different types of information.

How Industry, Firm, And Exchange Factors Lead To Changes In Vertical Scope?
Michael J Leiblein, Ohio State University
Douglas Miller, Tulane University

Drawing on industrial organization, transaction cost, and resource-based perspectives this paper examine the factors, which underlie the shifting use of governance mechanisms over time. Specifically, the paper addresses: 1) whether and how changing industry-, firm-, and exchange-characteristics affect the choice or organizational governance form; 2) whether and how the influence of industry-, firm-, and exchange-characteristics on organizational governance form varies over time; and 3) whether these changes in industry-, firm-, and exchange-characteristics and there influence are systematic. Preliminary empirical evidence is presented from 4015 make-or-buy decisions in the global semiconductor industry between 1994 and 1999. The empirical results confirm a gradual de-integration of the industry and indicate that the influence of variables associated with transaction-, firm-, and industry-level theories are stable over time.

MODELLING COMPETITIVE INTERACTION

Paper Track F Salon VIII

Session Chair: Sergio Giovanetti Lazzarini, IBMEC

Influence Of HR Director On Strategy: HRM System Linkage And Firm Performance
Stephen Teo, University of Technology-Sydney
Irene KH Chew, Nanyang Technological University

This study examines the role of the HR director in achieving the alignment between strategic dimensions and HRM systems. We tested the hypotheses in 190 firms in Singapore during the Asian economic crisis. Using Partial Least Squares analysis, we found support for a strategic approach to HRM in Singapore during the Asian economic crisis in the late 1990s. Path analysis also showed that the presence of HR director in the board of directors resulted in a stronger relationship in the paths between Strategy-HRM systems linkage and firm performance. Research and practical implications are discussed in relation to the challenges faced by the HRM function in Singapore.

Does It Pay To Anticipate Competitor Reactions?
Sergio Giovanetti Lazzarini, IBMEC
Marcelo Moura, IBMEC
Rinaldo Artes, IBMEC

Analyzing and anticipating competitor moves has been central to modern competitive strategy, as the value of a particular strategy may depend in large part on how competitors will react to it. However, to a large extent, the literature has not attempted to develop a systematic research program to assess whether firms can actually benefit from strategies that anticipate competitors’ moves. Using data from the auto insurance industry in Brazil, we assess whether a “strategic” pricing program aimed at maximizing that firm’s profit conditional on predictions of competitor reactions is expected to outperform a simpler, “myopic” program ignoring such predictions. Our study is part of a larger research project, which will perform a field experiment to contrast those programs in a particular firm.

Cross-Product Competition For Consumer Budgets: The Often Neglected Dimension Of Competition
Markus Voeth, University of Hohenheim
Verena Echelmeyer, The Boston Consulting Group GmbH/
University of Hohenheim

Especially in innovative and strongly growing industries the increase of company revenues not only involves the battle for market share within

A Resource-Based Case Study Of The Fast-Moving Consumer Goods Industry
Martin H Kunc, London Business School

There are some industries whose strategic innovations are easier and faster to replicate because the products are mostly commodities, one of such industries is the fast-moving consumer goods industry (FMCG). In the fast-moving consumer goods industry, companies face a very difficult, if not almost impossible, task developing a competitive advantage based on differentiation or low cost strategies. The main reason is that competitors can match or even overtake innovations and costs reductions in a very short period. The effect of managing resources in the face of competition is showed using a detailed case study in the FMCG. The case study focus is on the strategic launch of a new product aimed to establish a competitive gap between a company and its competitors.
### Tuesday Sessions 07:00 - 08:00

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### Creativity, Innovation, And Learning

#### Session Chair: Johan Wallin, Synocus Oy

**Innovation Is Seeing What Everybody Else Has Seen, But Thinking What Nobody Else Has Thought**

Mark de Rond, University of Cambridge  
Raymond-Alain A Thiétart, University of Paris-Dauphine

Serendipity is often mistakenly used to signify luck or chance. It is thus not surprising that it remains comparatively unresearched; after all, how is one to unlock this "black box"? We propose that rather than luck or chance, serendipity results from recognizing correct pairs of a-causal events (including chance events) and contexts, by way of sagacity. With human agency, rather than chance, as the proper focus of attention, it becomes feasible to 'unpack' serendipity for research purposes. Drawing on its 16th century etymological origins, and on Jung’s use of synchronicity, we redefine serendipity as the consequence of the ability to recognize ‘matching pairs’ of observations that are not causally, but meaningfully, related. In developing this argument, we construct a novel typology of serendipity. We conclude by exploring implications for research and practice.

#### Investigating The Determinants Of Innovation Mode: Learning Capability And Technological Parity

Clyde Hull, Rochester Institute of Technology  
Jeffrey G Covin, Indiana University

This research examines how learning capability affects each of three generic innovation modes (i.e., internal innovation, cooperative innovation, and external innovation) and how the level of technological parity within an industry moderates the learning capacity-innovation mode relationship. Results based on data collected from 119 single-industry firms indicate that learning capability has a significant impact on internal innovation, but not on cooperative or external innovation. The level of technological parity in the industry environment positively moderates the effect of learning capability on both internal and external innovation, but negatively moderates the relationship between learning capability and cooperative innovation.

#### Creativity And Transitional Objects

Johan Wallin, Synocus Group

Learning and accumulation of capabilities are today organizational imperatives. As stickiness reduces the possibilities to transfer knowledge across organizations and even within them, the challenge is more and more to nurture creativity and learning among individuals within the organization. This paper identifies four specific organizational learning contexts, information transmission, problem solving, experience provision and insight accumulation. It also introduces the notion of transitional objects as a means to improve the efficiency of learning and creativity. As different creative contexts ask for diverse mindsets and approaches, various transitional objects are hypothesized to prove successful under different conditions. The synthesis is tentatively supported by some preliminary case studies.

### The Strategic Balance: Embracing Constraints And Innovating Traditions In Creative Industries

Jesper Strandgaard Pedersen, Copenhagen Business School

This paper is concerned with investigating the strategic balance between driving innovations and maintaining performance. Organizations in search for performance success through innovations are confronted by a series of tensions often perceived as dilemmas. Organizing for legitimacy (serving tradition and convention) versus organizing for innovation represents such a tension, which has often been perceived as a question of choosing between two evils. In this paper, it is suggested that the legitimacy-innovation tension could be reconciled by combining and addressing them as complimentary processes. Based on an ethnographic case study, the paper depicts how a highly successful creative industries company confronts the legitimacy-innovation tension and bases their activities on a combination of 'out-of-fashion' and contra-intuitive actions in their search for innovative solutions.

### Exploring Knowledge And Capabilities For Transfer

#### Session Chair: Pamela S Barr, Georgia State University

**The House Of Capabilities**

Hyung-Jin Park, University of Tennessee-Martin  
Jong Won Lim, Seoul National University

How can we find the origin of capabilities in order to manage and develop capabilities? Although much research has been conducted about capabilities as a source of competitive advantage, a specific approach for how firms manage and develop capabilities in practice has not been provided. This study proposes a model - the house of capabilities, to help us find the origin of capabilities to manage and develop capabilities.

#### Transfer As Translation: A New Perspective On Intra-Firm Transfer Of Knowledge-Based Capabilities

Mika T Kusar, Georgia State University  
Pamela S Barr, Georgia State University

While intra-organizational transfer of knowledge-based capabilities is a valuable source of competitive advantage, extant research has either failed to account for the underlying meaning of actions as the source of value in capabilities or has offered few practical solutions for capabilities transfer. To address these shortcomings, we adopt an approach to capabilities transfer that accounts for the knowingness and underlying meanings of action that constitute capabilities while proposing a practical alternative to transfer. By illustrating the similarities between discourse and capabilities, we draw attention to the opportunities to employ the translation techniques of lexical, syntactical, and pragmatic analysis to facilitate the deconstruction of a capability’s underlying meanings in a source unit and facilitate reconstruction of meaning in a recipient unit.

#### Design Of Routines For Replication

Anuja Gupta, University of Pennsylvania  
David G Hoopes, University of Kansas  
Anne Marie Knott, Washington University-St Louis

In this paper we study how routines are designed for replication at a large scale i.e. we seek to uncover how a firm adapts routines originally optimized for a single establishment for replication over a large number of establishments. For firms in industries with low minimum efficient scale (MES) the main avenue of growth is through duplication of the production function at new locations, best exemplified in franchises and chains. While we know something from the extant literature about the process of incrementally adding new outlets or using the second outlet to improve the routines of the first outlet, we don't know much about large-number scaling. When the manager knows that she is redesigning routines for a large number how is the routine from the first operation adapted?
Which Resources For A Competitive Advantage? An Empirical Study Of The European Soccer Industry

Christian Lechner, ESC Toulouse

A crucial issue of the resource-based view of the firm is predicting which types of resources are most important for firm performance. In this study, we test hypotheses of the RBV by using simultaneously tangible resources (financial resources), intangible resources (individual and group routines), organizational assets (culture) and meta-capabilities (management of resources). We also differentiate in our model between internally developed and externally acquired resources. Our research questions are: First, are intangible resources more important than tangible resources? Second, how does the inter-play between tangible and intangible resources influence performance? Third, can acquired resources not be valuable resources? The sample consists of the 96 soccer clubs from the major European soccer leagues (England, France, Germany, Italy, Spain). Data was collected for the seasons 1998-2003.

Looking Inside The Dream Team: Reconciling Divergent Perspectives Of Resources

Jamal Shamsie, Michigan State University
Michael J Mannor II, Michigan State University

In this paper, we use the performance of teams in Major League Baseball to reconcile the divergent perspectives that have emerged regarding the role of individual resources. We examine the extent to which the team’s performance is either enhanced by the number of star players or enhanced by the amount of time that all players have had to learn to work with each other. We propose that both of these perspectives are valid and that they in fact do build on each other. Our results do support these propositions. As such, this study helps to clarify the different ways in which individual resources can contribute to the overall performance of a unit or team.

The Strategic Value Of Trust

Curtis B Moore, Texas Christian University
Barry A Macy, Texas Tech University
Jean Francois Rosa, Texas Tech University

By adopting an integrative and comprehensive perspective of the complexities of trust called by the literature, the paper will provide empirical data regarding the “strategic value of trust” from a large global consumer products firm (i.e., the supplier) and its preferred, key thirty retail customers (e.g., the buyer). We will test different types of trust (customer trust with supplier; supplier trust with customer; business unit (e.g. enterprise team) trust with the organization; and peer-to-peer team member trust as they relate to strategic value of partnership and objective organizational performance (sales growth rate of the supplier). Moreover, we will be able to explore: “Does trust matter? Can trust can be a competitive advantage? What types or kinds of trust matter the most to improve firm performance”.

Intangible Liabilities: Identifying Sources Of Sustainable Competitive Disadvantage

Naomi A Gardberg, City University of New York

Soaring market-to-book-ratios and the search for sources of sustainable advantage have fueled a quest by strategy scholars to understand intangible assets. Yet, scholars have been less interested in the flip side of the coin - intangible liabilities. With the notable exceptions of the liability of newness (Stinchcombe, 1965) and the liability of foreignness (Hymer, 1976; Zaheer, 1995) little research has examined the sources of sustainable competitive disadvantage. The research project attempts to build on the resource-based view of the firm (Barney, 1986; Wernerfelt, 1984) by reviewing intangible liabilities in strategy research over time and mapping these liabilities similarly to intangible assets (Contractor, 2000; Hall, 1993; Lev, 2001). I argue that intangible liabilities are distinct from intangible assets, and their analysis will improve strategic management.
down functional silos. However, traditional strategy courses do not prepare MBA graduates well for this challenge. In this paper, we make some key recommendations to remedy the problem. First, we suggest that traditional structural divisions in strategy education be abandoned for a focus on firm performance. Second, we suggest that strategy education be well balanced from both an economic and sociological perspective. Third, we recommend the use of pedagogies whose primary goal is integration. If strategy instructors are going to assist managers in making positive contributions to their firms, they have to focus their pedagogies on integration.

The Effect Of Financial Reporting Changes On Strategic Management Research Using Business Segment Data

Jill R Hough, University of Tulsa
Tracy Manly, University of Tulsa

Researchers in all business disciplines rely on accounting data to investigate questions of interest in their particular areas. Even though the rules governing accounting information are constantly changing, this is rarely considered by academicians outside the realm of accounting. In this study, we examine how a major change in the reporting of segment data influences strategic management research. A 1997 accounting change forced companies to reassess how business units were defined and reported. In particular, firms must now report operating segments rather than line of business data. This study documents the observed changes in the overall number of segments reported, examines the sectors most affected by the change, and investigates the effect that these reporting changes may have on the interpretation of past results.

Organisational Structure: A Response To The Limits Of Diversity As An Indicator Of Diversification?

Smania Belaounia, Groupe ESC ROUEN

Rumelt’s postulate that related diversification outperforms the unrelated variant has been contradicted by host of empirical studies. We prefer a contingent approach that stresses the administrative costs of both of these diversification strategies. Related diversification generates the highest synergies but also the greatest costs. Its impact on performance is therefore undetermined. This raises questions about the use of traditional diversification indicators.

Actionable Strategy Knowledge: Dissociations Between Relevance In Theory And Relevance In Practice

Paula Jarzabkowski, University of Bath
David C Wilson, University of Warwick

Increasingly strategy theory has been criticized as not actionable in practice. This is a serious criticism for an applied discipline. However, we argue that the theory-practice question is too simple. Rather, there is dissociation between theory and practice in which direct use of strategy theory is a misleading question. For example, theorists posit that changing competitive conditions have rendered much strategy knowledge irrelevant, claiming that new theories are needed to guide practice. However, even if this holds true, practitioners do not apply theory directly. Instead, they use a wide range of strategy tools and frameworks, frequently in ways dissociated from their theoretical origins. Developing the concept of dissociations between theory and practice, this paper proposes that theory interacts better with its prescription by receiving practical feedback.

DEVELOPING INNOVATION, TECHNOLOGY, AND COMPETENCE

Paper Track 1 Narcissus/Orange Blossom

Session Chair: Jan Molin, Copenhagen Business School

Indicating Core Competence And Its Associates

Urban Ljungquist, Växjö University

The core competence initial definition is unclearly expressed, and researchers therefore occasionally identify it by ‘funneling’ resources, capability and competence. To get more specific, next step therefore seems to be looking closer at their definitions, and from that be able to suggest empirical indicators. The latter being this paper’s purpose. Conclusions are that: the associated elements must not be interchangeable defined because they have distinct characteristics; core competence does not need to be empirically indicated because it can be analytically deduced from a competence; and, that resources and capability do not have to be empirically separated in this core competence identification context because they both indicate competence improvements.

Resources Exploration In The Behavior Of Firm: Timing Analysis With Empirical Simulation

Hsu-Fen Tsai, Shu-Te University

Building on RBV and the two points of prospect theory, it is worth constructing the timing problem of resource exploration in the behavior of firm. We have insight into the importance of resource exploration derived from the resources-based view. However, in this study, it is asserted that managers are inclined to resources exploiting activities due to the constraint of limited rationality. Furthermore, the reinforcement of the preceded tendency will be highlighted underlying the conservative personality of managers. Data collected from Taiwan’s TEJ database; the hypotheses are tested with collected data from banks in Taiwan between 1995 and 2004. We find the resources exploring activities particularly stimulated by negative prospect associated with the past bad performance and the broad support for moderating effect of firm size.

Strategic Value And Organizational Readiness: The Nexus Of Relations In The E-Business Context

Andrea Ordanini, Bocconi University
Gaia Rubera, Bocconi University

E-business has been one of the main issues in last years’ management agenda. Background literature on e-business adoption tends to recognize the existence of two general prediction frameworks: one led by the perceived strategic value, and the other by organizational readiness. In spite of this, no research has been focused on the relationship between strategic value and organizational readiness, in order to capture the existence of some potential mediating effects. A mutual relationship between these constructs is assumed and tested through an exploratory non-reductive model path analysis on a sample of 396 firms. Outcomes reveal that while organizational readiness influences strategic value, the opposite does not happen. This suggests reconsidering paths and prioritizations to follow in order to implement a successful e-business adoption.

COMPETING WITH TECHNOLOGICAL INNOVATION

Session Chair: Monisha Das, University of Maryland-Eastern Shore

The Impact Of Patent Management Proficiency On Firm Performance

Holger Ernst, WHU-Otto Beisheim Graduate School of Mgmt
Nils Omland, WHU-Otto Beisheim Graduate School of Mgmt
James G Conley, Northwestern University

This paper analyzes the impact of patent management proficiency on firm performance. The empirical analyzes are based on a sample of 163 high-tech firms from the U.S. and Germany. The results show that two important dimensions of patent management, patent protection and patent information management, are positively related to firm performance. This paper further identifies important antecedents of professional patent protection and patent information management in firms. The findings have important implications for improving patent management and firm performance in companies.

How To Profit From De Facto Standard-Based Competition: Learning From Japanese Firms’ Experiences

Hideo Yamada, Waseda University
Susumu Kurokawa, Ritsumeikan University

Based on our analyses of thirteen technological de facto standards in the Japanese audiovisual and IT fields, we propose the following six propositions: 1) user will benefit by utilizing skill/software, and
manufactures will benefit by their market dominance and licensing income; 2) a product requiring high connectivity and accumulated skill/software is likely to form a de facto standard; 3) the earlier a firm establishes a majority market share, the more likely it is to establish a standard; 4) the more killer applications a firm can introduce, the more likely it is to establish/maintain/profit from a standard and; 5) the more efforts a firm makes to promote its technology/product to its competitors, suppliers and distributors, the more likely it is to establish/maintain/profit from a standard.

The Strategic Significance Of Research And Development (R&D) Internationalization In The Japanese Pharmaceutical Industry
Claudia Fabian, University of St Gallen

Although the fallout from the bubble has influenced the Japanese economy sustainable, many Japanese companies remain world leaders in their sectors. In R&D productivity, speed of development, and in number of products put to market, Japanese companies are outpacing their Western counterparts in many industries. As it will be shown below, Japanese pharmaceutical companies R&D departments perform often better than the ones of companies of other origin although they are less internationalized. Since internationalization is assumed as essential for pharmaceutical R&D, a U-shaped relationship between internationalization and R&D performance is astonishing. Japanese pharmaceutical companies are investigated as an example for companies with high performance at low degrees of internationalization. It seems to be possible to explain this phenomenon partly by the importance of external networks.

A Study Of Technological Innovation And Pricing In The Global Petroleum Industry
Monisha Das, University of Maryland-Eastern Shore
Andrew D Schiff, Towson University

This petroleum industry study is based on a factor analysis of seventy-six variables including patenting activity, R&D budgets as well as federal funding over the years 1973 to 2002. The results support a Porterian diamond framework. Major innovations in oil exploration, refining and petrochemical technologies are identified. A regression model supports the hypothesis that in large mature industries, industry structure and firm behavior may more strongly correlate with pricing power than innovation power. Price volatility may be caused endogenously while innovation may be driven by supply rather than demand. Technological innovation and diffusion patterns in the petroleum industry are discussed. This theoretical paper is one of the few empirical studies that test the structure of the Porter Diamond framework.

Venture Capital: Fund Or Foe?

Session Chair: Lindy Archambeau, University of Utah

Corporate Venture Capital And Firm Market Value
Yong Li, University of Illinois-Urbana Champaign
David Zou, University of Illinois-Urbana Champaign

We conceptualize corporate venture capital (CVC) investments as creating growth options for investing firms and propose that the contribution of CVC investments to firm value creation depends on the factors that determine the growth option value of CVC investments. Using a sample of 3833 corporate venture capital investments during 1986-2003, we find evidence that the market value of CVC investing firms increases with venture industry growth opportunities and that such positive effect of growth opportunities is larger when venture industry is more uncertain.

Who, When, And Why? Antecedents And Consequences Of Venture Capital Firm Strategy
Lindy Archambeau, University of Utah

This paper examines the relationship between Venture Capital Firms (VCF), one of the main devices for mobilizing entrepreneurial resources, and the ventures they fund. It seeks to identify characteristics of the VCF that determine the strategy utilized to make investment decisions. This paper posits that VCFs who fund new ventures in their early stages are subject to greater amounts of business and agency risk than those VCFs that invest in later stages. It argues that it is how the VCF attempts to manage its exposure to additional risks that causes differences in VCF investment behavior. Data from SDC’s VentureXpert database will be used to test the arguments presented in this paper.

Draconian Contracts Verses Technological Expertise: How Do Entrepreneurs Gain Legitimacy In Funding Negotiations?
Miguel Angel Campo-Rembado, New York University

An overtly restrictive financial contract between an entrepreneur and a venture capitalists syndicate may have adverse consequences on the performance of the portfolio company. These contracts show a great deal of heterogeneity; venture capitalists put mechanisms in place to adapt the severity of the contract to project risk on a case by case basis. Since the consequences of project failure are likely to be more perverse for the entrepreneur than for the venture capitalist, entrepreneurs should take actions to signal their projects as high quality, and henceforth reduce the severity of the contracts.

Waves Of Investing: Institutional Dynamics In The Venture Capital Sector
Dara Szylowicz, Texas Tech University
Tammy L Madsen, Santa Clara University

This paper develops theoretical arguments about the nature of co-existing institutional logics in fields of activity. To date, work on logics has focused on the contestation and the eventual emergence of a new, dominant, one. Our analysis of the venture capital industry demonstrates a different pattern where changes in the institutional and resource environment such as the entry of new actors, new regulatory mechanisms, or increases in the supply of and demand for capital, influence the emergence and development of co-existing institutional logics. Using historical evidence we identify two different logic types – “investing to build” and “investing for gain”. Building on these insights, data on Silicon Valley firms is tested and the findings show that firms founded at different time reflect different logics.

Strategic Management Of Technology

Paper Track L Salon I

Session Chair: Gwendolyn K Lee, University of Florida

The Role Of Author Network In Cooperative Technical Organizations: A Multi-Level Structural View Of Technological Evolution
Gwendolyn K Lee, University of Florida

This paper examines how social networks affect the acceptance of standards proposal in a cooperative technical organization (CTO). Participation in CTOs is important to the strategy-making process because it is the front-line managers and technical personnel who negotiate for the adoption of their innovations as standards. However, the literature is surprisingly silent on how the social networks of the front-line managers and technical personnel in CTOs affect the adoption of standards proposals. We develop an “author networks” to analyze the co-authoring behavior in standards proposals among the scientists/engineers/managers from different firms. Using the Internet Engineering Task Force (IETF) as the empirical context, structural variables across different levels of the network (individual, firm, and community) are used to estimate the rates of standards proposal acceptance.
Motives And Outcomes Of Technology Licensing: An Exploratory Study Of The Pharmaceutical And Computer Industries

Jorge Walter, New York University
Melissa A Schilling, New York University

In this exploratory study, we argue that the explanations for technology licensing behavior can be categorized into two distinct sets of motivations: resource-based and network-based. We explore these different sets of motivations by examining firm- and industry-level characteristics, and differential use of outward, inward, and cross licensing in a eleven-year panel of data of licensing activity and financial information for U.S. computer and pharmaceutical firms. We also examine whether patterns of licensing activity influence firm performance, and whether firm-characteristics or industry membership moderate the relationship between types of licensing activity and firm performance outcomes. Our preliminary analysis shows that the two industries do exhibit significant differences in their licensing activity, but these differences do not always affect performance in ways that might be expected.

Effects Of Technology Attributes In Technology Sourcing

C Helen Takacs, Cleveland State University
Alok Chakrabarti, New Jersey Institute of Technology

This research explores the effect of the attributes of value, rarity, nonimitability, and nonsubstitutability in the technology sourcing decision. By investigating the technology sourcing decision, this study examines the resource-based view as it applies to strategy implementation issues. With data gathered on 142 individual technologies from a sample of 500 medical devices firms, we show that value is the only technology attribute to significantly affect the technology sourcing decision. We suggest a complex relationship exists among value, rarity, nonimitability, and nonsubstitutability.

A Knowledge-Based Theory Of Open Source Drug Discovery Alliances

Mimna Allarakhia, University of Waterloo
Anthony KP Wensley, University of Toronto

Pharmaceutical companies participate in a variety of alliances to access complementary assets that enable drug discovery and development. The extent to which critical knowledge assets are protected governs the decision to engage in an alliance and the selection of a particular form of alliance. It is interesting to observe, therefore, that many of these pharmaceutical companies also promote and engage in alliances that are committed to open source drug discovery. In this paper we discuss a nuanced understanding of the nature of knowledge, which allows us to investigate the impact of knowledge structure on both the formation of such alliances and their valuation. We propose a framework for exploring how the strategies of pharmaceutical firms evolve as knowledge structures themselves evolve.

Strategic Turnaround Through Vision And Change

Paper Track E Salon III

Session Chair: Thomas C Lawton, Imperial College London

The Case for Strategic Turnarounds: The Software Industry 1990-1996
Hermann A Ndofor, University of North Carolina-Charlotte
Vincent L Barker, University of Kansas
Jeff Vanevenhoven, University of Wisconsin-Milwaukee

Empirical investigations into the effectiveness of retrenchment and strategic actions to reverse organizational decline have failed to produce consistent findings. This is particularly the case with strategic actions for which a strong theoretical base is unsupported by empirical findings. In this paper, we argue that lack of empirical support for strategic actions in a turnaround process is as a result of the failure of previous studies to incorporate the cause of decline as a contingency. Using a sample of 114 firms from the pre-packaged software industry that faced organizational decline in the early 1990s, we test the effectiveness of strategic and retrenchment actions in effecting turnaround when poor strategic positioning causes decline. The results support the important role of strategic actions in the turnaround process.

Stock Market Reactions To Projections Of CEO Charismatic Visions

Vilmos F Misangyi, University of Delaware
Angelo Fanelli, Groupe HEC-Paris

CEO charismatic visions provide the sense-making desired by stakeholders; their visions define the firms' values, identity, and strategic intent. This is viewed positively by shareholders and potential investors, as this reduces their evaluative uncertainty regarding organizations. In this study we hypothesize that CEO charismatic visions, as projected in firms' letters to shareholders, positively affect the market value of firms. We also hypothesize that this relationship is moderated by the degree of environmental uncertainty, such that the positive effect of CEO charismatic visions on stock market reactions is greater when environmental uncertainty is high. We test these hypotheses by examining the stock market reactions to CEO visions projected in the initial letter to shareholders of new CEOs.

Delivering Strategic Vision: A State Transition Approach To Realizing Stakeholder Needs And Aspirations

Thomas C Lawton, Imperial College London

The word 'vision' elicits varied responses from business leaders but few that convey any sense of enthusiasm or clarity. To add strategic value, top management teams must adopt a practical approach to vision execution and see vision as a tangible and indispensable element of a strategy process. This paper has two objectives. First, to give form to vision and to establish it as an essential element of a dynamic strategy process. Second, to advance a state transition approach to vision development, resulting in a clear and comprehensive vision, responsive to the needs and aspirations of all organizational stakeholders. Case study data is used to illustrate this dynamic vision framework and to show how companies can successfully execute vision.

Life Beyond Death? Success Measures After Exit

Paper Track L Salon VI

Session Chair: Ilgaz T Arikan, Georgia State University

Death Hurts, But It Isn't Fatal: The Postexit Diffusion Of Knowledge Created By Entrepreneurial Companies
Glenn P Hoetker, University of Illinois-Urbana Champaign
Rajshree Agarwal, University of Illinois-Urbana Champaign

The innovative knowledge created by entrepreneurial firms that ultimately exit their industries represents a source of technology that other firms may build on. However, no empirical work has examined if such knowledge dies with the entrepreneurial firm or if significant diffusion of knowledge occurs even after a firm exits an industry. If significant spillovers of knowledge do exist, the traditional measures of performance (e.g. firm survival) underestimate the impact of entrepreneurial firms on society. Our study builds on theoretical predictions about the differing effects of firm exit on private and public knowledge and has implications for inter-firm
knowledge transfer and conditions under which existing firms may learn from others in the industry.

**Selling Entrepreneurial Firms Through IPOs And M&As**

Ilgaz T Ankan, Georgia State University

Entrepreneurial firms are sold in M&A and IPO markets but the factors that determine this discrete choice is not well established. I test five factors: firm's value, bargaining power, search costs, market thickness and risk propensity. Using a large panel dataset of all U.S. manufacturing firms with consummated deals in 1980-2000, I find that, entrepreneurial firms with high bargaining power are more likely to choose M&As, firms that represent high private values are more likely to be sold through IPOs, as the market thickness increases, the likelihood of entrepreneurial firms being sold through M&A decreases. For firms with high debt ratios, the likelihood of M&A increases compared to IPOs, and as venture capital activity in the focal industry increases, the likelihood of M&As increases.

**Is IPO The End Of Entrepreneurship? Imprinting And Transformation Of Organizational Search Routines**

Xuanli Xie, University of North Carolina-Chapel Hill

Initial public offering (IPO) is a transformational event in the evolution of entrepreneurial firms. However, past research has not carefully examined the change IPO brings to the new ventures. This paper studies the changes in entrepreneurial firm search routines before and after IPO. To solve the conflict between the inertia view and the adaptation view of the routine, we propose that whether firm search routine will be transformed by IPO depending on a set of imprinting factors and transformational factors. Based on behavioral theory and agency theory, we hypothesize founder status and past success are imprinting factors that inhibit change, while organizational slack, shares sold to public promote change. The hypotheses are tested longitudinally by a sample of IPO firms.

**PHD FELLOWSHIP FINALIST RUNNER-UP**

The Effects Of Direct And Indirect Foreign Venture Capital Ties On Exit Market Selection And Exit Modes

Mikko Jääskeläinen, Helsinki University of Technology
Markku Maula, Helsinki University of Technology

We develop and test an argument that direct and indirect ties to foreign VC investors influence the exit market and exit mode selection of ventures by reducing the informational problems related to foreign exits. On one hand, indirect foreign VC ties increase the diffusion of information among potential investors, thereby facilitating the identification of potential exit opportunities. On the other hand, foreign VC investors (direct ties) signal the quality of the venture. We test our hypotheses using data from 1805 European VC-backed ventures and their exits. Both direct and indirect foreign VC ties increase foreign exits. However, as predicted, direct and indirect ties have a differential impact on exit modes. Direct foreign VC ties are critical for foreign IPOs while indirect ties facilitate foreign M&A.

**DECOMPOSING PERFORMANCE: FIRM, INDUSTRY, LOCATION**

**Session Chair:** Joan D Penner-Hahn, Wayne State University

**Firm And Industry Influences On The Value Of Growth Options**

Tony W Tong, State University of New York-Buffalo
Jeffrey J Reuer, University of North Carolina-Chapel Hill

Real options theory posits that growth options account for a significant proportion of firms’ value, yet existing research has not examined the sources and the variation of these options. Real options and strategy research highlights the centrality of managerial discretion and firm heterogeneity in generating valuable growth opportunities, suggesting that valuable growth options are firm specific. In contrast, research in industrial organization focuses on external constraints on firm strategies and argues that growth options tend to be shared within an industry rather than proprietary. Our variance components analysis of growth option value of 823 U.S. firms reveal that firm effects always dominate, and depending on the specific subsample considered, firm effects are between 1.5 and 2.5 times as important as stable and transitory industry effects combined.

**Industry Versus Firm Effects In Profitability Differences Among Taiwan’s IT And Textile Firms**

Yi-Min Chen, National University of Kaohsiung
Feng-Jyh Lin, National Chiao Tung University

This study examines industry- and firm-level effects on performance differentials across IT and textile firms in Taiwan by focusing on the sectorial level to gain deeper understanding of the effects at both levels and using the raw accounting measure return on assets and the economic performance measures economic value added and market value added. A variance components model is fitted to a new data set, and findings indicate that firm effects dominate performance while industry effects have little impact. The analysis reconciles results with those of previous studies. Although firm effects dominate profitability differentials across IT and textile firms, firm effects matter much more on performance of textile firms than that of IT firms in Taiwan.

**Sources Of Variation In Performance: What Matters?**

Joan D Penner-Hahn, Wayne State University
Hans van Kranenburg, University of Maastricht
Richard Osborn, Wayne State University

In this paper we outline our explorations into the sources of variation in performance of firms in two different industries. We look at various strategy variables to determine whether or not they have an effect on the ultimate performance of the firm. The focus on firms within individual industries allows us to control for industry effects while examining more closely firm variables, which are more specific to the particular industry. Our initial examination is into the pharmaceutical industry. We find that for the pharmaceutical industry a firm’s degree of research and development has the most influence on a firm’s performance. The firm’s regional location, as well as its degree of diversification also influences its performance. We are completing analysis of the chemical industry as well.

**Explaining Performance Differences Between Manufacturing And Service**

Richard Reed, Washington State University
Susan F Storrud-Barnes, Cleveland State University

Recent attempts to identify the main sources of performance variance have raised some interesting questions. One that is particularly intriguing is that there appears to be systematic differences such that most variance in performance is explained at the business level in manufacturing organizations while it is at the corporate level in service companies. In this work we explore the reasons why and find that the potential for gains from economies of scale and scope are asymmetric according to industry segment and then go on to identify the implications for future research and practice. We deduce that research at both the business and corporate levels are worthwhile, as long as the research questions are targeted to business-level issues for manufacturing and corporate-level issues for service.

**STRATEGIC AGILITY: OXYMORON OR OPPORTUNITY?**

Yves Doz, INSEAD
Mikko Kosonen, Nokia Corporation

We focus on the dynamics of Strategic Agility, based on research in twelve global ICT companies. We examine determinants of the acuity with which these companies anticipate and perceive strategic situations, the fluidity with which they redeploy resources, and their top management collective ability to shift strategic direction and make clear commitments. Tensions can exist between agility (which evokes nimbleness, responsiveness, changing course without losing speed) and strategy (which evokes strength, deliberate moves, staying the course, and consistent resource mobilization). Rather than combining strategy and agility, many managers think strategy allows them to be slower.
than their environment. Nokia, perhaps the greatest and most surprising global corporate success of the ‘90s, faced that paradox over the past few years. We compare Nokia to other ICT companies in fostering, maintaining, losing, or regaining strategic agility, and present findings on critical determinants of Strategic Agility.

Overlapping Strategic Groups And Competitive Asymmetry: Theoretical Foundations, Methodological Underpinnings, And An Empirical Illustration (Track J)
Wayne S DeSarbo, Penn State University
Rajdeep Grewal, Penn State University

The notion of strategic groups has emerged as the most dominant supply based perspective for uncovering competitive market structures. Building on recent research on strategic groups that recognizes that the intensity of competition may vary across firms within a strategic group, we suggest competition within and across strategic groups is asymmetric, such that firms have their own unique set of competitors. We devise a combinatorial optimization based estimation algorithm that allows the use of multiple variable batteries to estimate overlapping strategic groups such that a firm can belong to one or more strategic groups. We illustrate the procedure for archival data collected on public banks in Pennsylvania. The results show that overlapping strategic group solution outperforms a non-overlapping strategic groups solution as well as a traditional K-means cluster analysis solution.

Technological Change And Rewiring Firm Networks: The Case Of The Mobile Internet In Japan (Track J)
Jeffrey L Funk, Hitotsubashi University
Toshihiro Nishiguchi, Hitotsubashi University

This paper looks at the effect of institutional factors and the "inherent characteristics of the technologies that populate an industry" on the rules that govern participation in the network of firms in the six-year history of the Japanese mobile Internet. We consider the "characteristics of the technology" by considering how the emerging "product design and customer choice hierarchies" are the result of a "collision" between the hierarchies of the mobile phone, the Internet, and other industries. Using the case study methodology, we find that the rules have evolved through three stages and that these rules impact on the structure of firms and the hierarchies of the mobile phone, the Internet, and other industries. Using the case study methodology, we find that the rules have evolved through three stages and that these rules impact on the structure of firms and the type (Burt versus Coleman rents) and relative amounts of rents firms in the network receive.

Entrepreneurial Strategy Facing Institutions: The Ryanair Case (Track L)
Rodolphe Durand, Groupe HEC-Paris
Thibaut Kleiner, European Commission

This paper investigates a case of deliberate institutional variation whereby European institutions relaxed rules and expanded freedoms for airline companies. In this context, Ryanair developed an interesting strategy that jeopardized the anticipated scenario favorable to national flag carriers. Notably, Ryanair's fight against regulations, its rough customer management, and aggressive advertising represent an effort to modify the current airline industry's symbolic system. In addition, in terms of managing relations in the field, Ryanair strives to impose new actors (municipalities, regions, secondary airports) and attempts to garner popular and professional support to press on European legislations. We derive consequences for future studies based on institutional theory, evolutionary frameworks, and entrepreneurial strategy.

The Internet: Strategy And Boundaries Of The Firm (Track J)
Zulima Fernández, University of Carlos III-Madrid
Maria J Nieto, University of Carlos III-Madrid

Many advantages have been ascribed to the Internet. Although it lacks the necessary elements to be regarded as a strategic resource, the Internet seems to be a useful tool to provide support for business strategies. In this work we analyse how the Internet can be used to support the development of capabilities and define firm boundaries. We find positive relationships between the use of the Internet and product differentiation, as well as the introduction of organizational changes. In addition, we present evidence that the Internet reduces both internal coordination costs and transaction costs as a result of the positive relationships found between the use of the Internet, the degree of vertical integration and the establishment of technological agreements with suppliers and customers.

Strategy-Making In Chinese Technology Firms: Effects Of Information Diversity And Team Dynamics (Track J)
James A Robins, Singapore Management University
Kwaku Atuahene-Gima, City University of Hong Kong

This study explores strategy-making by top management teams in new technology ventures in China. We address the on-going debate about the effects of information diversity on decision-making in innovative firms. “Diversity optimists” (Reagans & Zuckerman, 2001) argue that increased range and depth of information improves creativity, while pessimists see increased complexity as an impediment to decision-making. The findings of this study suggest that information diversity can pose problems for new technology ventures in China, but the problems are manageable. Decision processes must capitalize on the power of technical members to push decision-making forward, and competence trust within teams can play a vital role. The key insight here is that information diversity should not be avoided but instead managed carefully and used creatively.

How Enterprises In Transition Economy Build Competitive Advantage: Case Of Croatia (Track F)
Lovorka Galetic, University of Zagreb
 Jasna Prester, University of Zagreb

For Croatia, undergoing numerous changes, building competitive advantage of the enterprises is of the major importance. How do the Croatian enterprises formulate and implement the business strategy under those conditions? How do they design their objectives? Do they analyze the external environment? Do they take enough into consideration their competitors? Are they aware of their weaknesses and advantages? What kind of strategy do they use most often? Do they try to form the organizational structure, which maintains implementation of the chosen strategy? To get the response to these and many other questions the empirical research on 63 Croatian enterprises was conducted. Through the elaboration and the analysis of the results of this study we will try to prove the basic hypotheses of the paper, according to which “competitive advantage of Croatian enterprises differ according to the size of the enterprise”.

Theoretical Foundations, Methodological Underpinnings, And An Empirical Illustration (Track J)

Entrepreneurial Strategy Facing Institutions: The Ryanair Case (Track L)

Strategy-Making In Chinese Technology Firms: Effects Of Information Diversity And Team Dynamics (Track J)

How Enterprises In Transition Economy Build Competitive Advantage: Case Of Croatia (Track F)
Institutional Effects And Managerial Choice In Changing Environments

Session Chair: Kunal Banerji, Eastern Michigan University

Creating Dynamic Synergies To Achieve The Growth Of The Firm During Institutional Transition Periods
José Ignacio Galán Zazo, University of Salamanca
José Angel Zuñiga-Vicente, Rey Juan Carlos University

This paper analyzes the creation of dynamic synergies based on intangible assets when a firm decides to undertake a development strategy during an institutional transition period (from an emerging economy to a developed market). A comparative longitudinal study of two particular cases provides new empirical evidence for the purpose of developing theory. Our findings highlight the fundamental role that such dynamic synergies can usually play when the firms seek to grow during institutional transition periods. In the light of these findings, we state the proposition that in the presence of dynamic synergies during institutional transition periods the firms should use the strategy of internal development complemented with a cooperation strategy.

Managerial Choice, Internal Fit, And Adaptation Under Regulatory Constraints And Change
Margaret A Peteraf, Dartmouth College
Randal L Reed, Morgan State University

This paper investigates the effects of regulatory constraints and their relaxation on two types of managerial choices in the U.S. airlines industry. The first is choice of operational variables, which had been severely circumscribed under regulation. The second is choice of business model, where managers had significantly greater latitude of action. Our findings provide evidence that internal alignment among these choices matters, in the sense of having measurable efficiency consequences. They suggest that managers have an adaptive capacity, even under regulatory constraints, that may not be sufficiently appreciated. Both internal fit (Sigglekow, 2001) and managerial choice matter!

Contingent Effects Of Market Signals On VC Funding: Regional Isomorphism In Technology Support
Kunal Banerji, Eastern Michigan University
Niloufer Sohrabji, Simmons College
Shalia Miranda, University of Oklahoma
Ashok B Abbott, West Virginia University

This paper contends that venture capital funding is a path-dependent phenomenon, where geographic regions develop capabilities with specific technologies over time and support for economic activity surrounding those technologies comes to be taken for granted. When funding follows regional patterns, we expect that information about stock market performance to influence funding decisions since decision-makers are attentive to their institutional environment. To understand the moderating effects of institutionalized funding practices, we considered regional preferences for funding novel versus established technologies and funding allocations toward novel versus established technologies. Results indicate that effects of market signals on funding are significant when both regional preferences and funding allocations are oriented toward established technologies, but not when either regional preference or funding was oriented toward novel technologies.

Strategies Of Foreign Firms In China: Developing Capabilities And Legitimacy
Patrick Reinmoeller, Erasmus University-Rotterdam
Xueyuan Zhang, Erasmus University-Rotterdam
Barbara Krug, Erasmus University-Rotterdam

The concept of "distinctive competence" (Selznick 1957) and institutional theory has helped to better understand the influence of environment on firms (DiMaggio and Powell 1983). We analyze three coastal provinces in China, one of the largest transition economies, to illustrate the relationship between institutional pressures and unique resources and to explore the case of foreign invested enterprise (FIEs) in China. Our basic question is whether or not their choice of organizational form of FIEs tends to isomorphism. Focusing on the organizational choice in ownership structure of FIEs in China between 1978 and 2004 our analysis of archival data and online governmental databases for data collection and our field research in autumn 2004 with more than 40 interviews offers support to the isomorphism argument and additional insights into the relationship between isomorphism and uniqueness.
to move early appeared not to explain the firm’s performance by itself. According to the results the first-mover oriented strategy was profitable only when it was employed in strong appropriability regime.

**Toward A More Comprehensive Model Of Post-Acquisition Performance Effects**
Kimberly M Ellis, Michigan State University
Bernadine Johnson, Michigan State University

This paper seeks to develop a more comprehensive model of post-acquisition performance, which includes contextual factors and process dimensions. Extending existing M&A research, we find that strategic fit and organizational fit have significant, though opposite effects on the level of post-deal integration. Furthermore, our results show that the level of integration influences target managers’ involvement in decision-making, but not information exchange with employees. Finally, information exchange and target involvement had significant, positive effects on post-acquisition performance as did strategic fit, organizational fit, and level of integration. Our results place prior empirical findings on firmer ground, while offering support for other relationships that were insignificant in previous M&A studies. In light of the recent resurgence in M&A activity, our findings provide insight to academicians and practitioners.

**THE ROLE OF THE EXECUTIVE**

**CEO Transformational Leadership And Corporate Entrepreneurship: The Mediating Role Of TMT Processes And Perspectives**
Yan Ling, George Mason University
Michael Lubatkin, University of Connecticut/EM Lyon
Zeki Simsek, University of Connecticut
John F Veiga, University of Connecticut

Combining theory and evidence on transformational leadership with research on upper echelons, we build and test a model to examine how CEO transformational leadership influences a firm’s level of entrepreneurialism. In addition, we examine how transformational CEOs enhance TMT processes, i.e. TMT behavioral integration, and perspectives, i.e. risk propensity, which yield greater entrepreneurial returns. Using survey data from 159 firm’s CEO and TMT members, our results confirm that CEO transformational leadership is both directly related to the extent to which the firm pursues corporate entrepreneurship, and indirectly related through its impact on TMT processes and perspectives.

**CEO Contestation And The Indecisive-Decisive Continuum**
Raed Elaydi, University of North Carolina-Chapel Hill

A CEO’s job should be viewed as interdependent and within a social context that can be affected by subordinates (Bennett et al., 1990; Cummings, 1986; Gabarro, 1988; Gabarro et al., 1993). The following discussion will attempt to look at the contestation that occurs between the leader (CEO) and the upper echelons in a conceptual approach.

**Predicting Career Progress: Who Promotes And Who Gets Promoted?**
Rocio Bonet, University of Pennsylvania
Peter Cappelli, University of Pennsylvania

This paper analyzes an employer-employee matched dataset in order to examine how establishment and individual characteristics affect employees’ career progress. Drawing from the theories of mobility in sociology, labor economics and strategic human resource management, the paper develops and tests hypotheses directed to analyze what are the main factors that determine career advancement of individuals. We first analyze what are the determinants of variation of promotion opportunities among organizations. Why do some companies advance their employees and others do not? Secondly, we analyze what are the individual factors that determine different promotion opportunities within organizations. Who gets ahead within organizations? To our knowledge this is one of the few studies that try to link organizational characteristics to individual level outcomes.

**TOP MANAGEMENT TEAMS, LEADERSHIP, AND POWER**

**A Multi-Level Model Of Power And Diversity In The Upper Echelon: Combining Differences To Effect Innovation**
Willow A Sheremata, York University

Firms that tightly couple diverse technologies can realize great profits by breaking through current technological paradigms. However, this type of strategy requires management teams to integrate diverse cognitive structures-schemata-which in turn creates difficulty and tension. The distribution of power helps firms surmount this tension, because it counters the negative effects of cognitive diversity on decision-related outcomes and enables the use of in-formation embedded in diversity. Diverse belief structures that exercise power should increase decision quality, decision-making speed, and the commitment to implement decisions all of which should positively affect innovation performance.

**Transformational Leadership, Consensus, And Firm Performance**
Sarah J Marsh, Northern Illinois University
Devaki Rau, Northern Illinois University

Consensus, or shared agreement and understanding among the members of an organization about its goals and resources, is a key factor influencing performance. Research differs, however, on the nature of the influence of consensus within the organization. In this study, we examine how transformational leadership behaviors within the organization influence the level of consensus within an organization, and how consensus directly and indirectly influences firm performance. We interview twelve executives and survey 143 managers in 35 firms in the U.S. Equipment Lease and Financing Industry to test hypotheses about leadership behaviors, consensus, and performance. The findings suggest that only when managers have developed consensus around how their firm’s resources and capabilities create current competitive advantage can efforts to create a collaborative vision of the future create positive results.

**BEST CONFERENCE PAPER PRIZE FINALIST WINNER**

**The Role Of Authority, Justification, And Coalition-Building In Strategic Renewal**
Christoph Lechner, University of St Gallen
Steven W Floyd, University of Connecticut

Prior research suggests that political behavior affects both the substance of strategic decisions and the quality of their implementation. Research is divided, however, about whether these effects are positive. Here, we consider this question in the context of strategic renewal, defined as the process by which organizations improve or create core capabilities. We argue that the degree of exploration inherent in strategic initiatives moderates the effects of political behavior on the renewal process. As initiatives become more exploratory, the environment for obtaining resources becomes more challenging, and therefore, political behavior becomes more important to the renewal process. Results from a sample of 98 strategic initiatives in nine business units of four large insurance firms suggest this argument.

**Top Management Team Potency And Strategic Decision-Making Speed: The Critical Role Of Motivation**
Kevin D Clark, Villanova University
Patrick Maggitti, St Joseph’s University
Christopher Collins, Cornell University

The authors introduce and test a model of TMT potency and strategic decision-making speed based on field data from 71 high technology firms. The research results suggest that demographic and process
explanations of decision speed are incomplete. Specifically, while demography and process are associated with decision speed, the effects of such variables on decision speed are completely mediated by potency. We speculate on the potential value to TMT researchers of investigating motivational constructs, like potency. In particular, we anticipate the value of the potency lens for sorting out the relationship between decision speed and decision quality.

**COOPERATION, NETWORKS, AND ALLIANCES**

**Session Chair: Olaf N Rank, University of Bern**

**When Network Relationships Become Liabilities: Illuminating Social Capital’s ‘Dark Side’**

Jamie D Collins, Texas A&M University

A commonly held position in the management literature is that social capital is a potential source of economic opportunities and performance benefits for firms. Whether studied at the level of the individual or at a higher level of aggregation such as top management teams, evidence abounds that such relationships are potentially very valuable. In contrast, this study investigates the relationships between executive-level social capital, firm-level social capital, and firms’ likelihood to engage in undesirable or maladaptive behavior. I explore the much alluded to, but relatively underdeveloped, notion that a “dark side of social capital” exists and argue that the expectation of reciprocity is one of the key factors responsible for sub-optimal firm-level decision-making. This research involves interviews of more than 350 senior-level executives.

**Executives’ Interpretations Of The 2004 EU-Enlargement: Effects Of International Experience, Strategy, And Firm Size**

Nils Plambeck, Groupe HEC-Paris

In this study, I investigate whether executives interpreted the EU-Enlargement in 2004 as a threat or an opportunity. Relying on data from 151 German CEOs, I examined whether a firm’s international experience mediates the effect of strategy and firm size on strategic issue interpretation. The findings suggest that both, the strategy and firm size affect the international experience of a firm. However, I also found that the effects of strategy and firm size on the cognitive process of interpretation are completely worked through international experience. Thus, they only have an indirect influence on interpretation. My findings point to the need to investigate direct and indirect effects on executive interpretive processes in order to gain a better understanding of strategic issue interpretation.

**Strategic Decision-Making At The Firm And Alliance Level: An Empirical Study**

Jorge Walter, New York University
Franz W Kellermanns, Mississippi State University

In this study, we examine how alliance-related strategic decision-making processes operate at both the firm and alliance level, how the processes at these two levels interact with each other, and in what way they affect alliance performance. In particular, we test a set of hypotheses related to the interactive influence of four predominant decision factors - i.e. rationality, speed, constructive confrontation, and politicity - on the performance of strategic alliances. Our empirical results from 103 high-tech alliances indicate that beyond the direct influence of all four characteristics on alliance performance, rationality and constructive confrontation have distinct effects at the firm and alliance level. Moreover, we find strong empirical support for our argument that firm and alliance-level decision-making variables interact with each other to influence alliance performance.

**The Influence Of Reputation And Friendship In Cooperation Networks**

Olaf N Rank, University of Bern
Artur Baldauf, University of Bern

Based on a network analytical approach we examine the effects of reputation and friendship as antecedents of cooperation in strategy-making. Specifically, we argue that an existing friendship tie between any two actors will enhance the likelihood that these actors collaborate. Likewise, we expect that actors who are perceived as reputable represent attractive cooperation partners. To test our hypotheses, we collected network data for the strategy-making process in two companies. Applying stepwise QAP regression the empirical results reveal that friendship as well as reputation positively influence cooperation between actors. Moreover, controlling for actor level attributes we find significant effects of the type of actors as well as their assignment to formal corporate sections while no significant results can be obtained for an actor’s rank.
The Impact Of Firm Rivalry And Learning On Location Choices In Global Industries
Juan Alcacer, New York University
Cristian Dezso, New York University
This paper explores the impact of firm rivalry and firm heterogeneity on location choices made by Multinational Enterprises (MNEs) across countries. Strategic interaction among firms is especially important in industries where firms need to sell globally in order to recover R&D investments. Firm rivalry is modeled using a game-theoretical model where two firms choose an international expansion strategy in order to enter four countries. The model is solved assuming differences in the initial firm capabilities and under two different leaning scenarios. Learning is linked to lower marginal costs across time due to local cumulative production (local learning) and global cumulative production (global learning).

Uncertainty And Risk In International Operations

Multinationality And Risk Management: A Cross-Sectional Study
Torben Juul Andersen, Copenhagen Business School
Multinational enterprise in control of overseas resources and capabilities has been linked to strategic flexibility that allows the firm to take advantage of opportunities and manage risk exposures imposed by changing environmental conditions. This paper analyzes the implied performance and risk management effects in a comprehensive sample of public firms and finds supportive evidence for the proposition that multinationality can improve the firms’ risk management capabilities and enhance performance across industries. However, the ability to exploit upside potential and avoid downside risk is industry specific. The positive effects of multinationality are particularly pronounced among firms operating in service industries while firms in capital-intensive primary industries display the inverse relationships.

The Impact Of Uncertainty On International Acquisitions: Effects Of Industry, Firm, And Managerial Characteristics
Sharon Watson, University of Delaware
Cross-border acquisition is an important aspect of the global strategy of many firms, especially large multinational companies (MNCs). One of the main findings of internationalization studies is that MNCs make internationalization decisions in a manner that will reduce the uncertainty involved in the internationalization process. International acquisitions can be viewed as a particular case of firm internationalization, in which managers making the international acquisition decision attempt to reduce uncertainty. This study will examine the impact of several uncertainty factors on the international acquisition decision. In particular, this study examines the effects of industry uncertainty, characteristics of the acquiring firm, and characteristics of the CEO and management team on the international acquisition decision.

Hope For Meaningless Measures: A Proposal For Dissecting Country-Risk Analysis To Find Meaning
Mikelle A Calhoun, Valparaiso University
From governmental corruption to economic instability, foreign firms face a variety of unique risks in each host country entered. Country-risk analysis efforts by consultants, political interest groups and academics provide comparison data, often in the form of country ratings. Such analysts dissect risk into conceptually distinct categories of political risk, financial risk, economic risk, credit risk, corruption and economic freedom. Yet, others have criticized such analysis, sometimes with findings of high correlation among ratings, challenging presumptions of risk distinctions. After confirming the correlation problem empirically, this paper provides an explanation for the lack of distinction between risk ratings with resulting suggestions to improve the information value of country-risk analysis efforts. Aggregation of risk data at the country level removed critical information concerning risk variance.

A Divergence-Of-Expectations Approach To The Assessment Of Country Risk
Dante D Di Gregorio, University of New Mexico
Jay van Wyk, University of New Mexico
Douglas E Thomas, University of New Mexico
We introduce a new way to conceptualize, assess and manage country risk. In contrast with standard approaches that equate risk with expected values (e.g., lower growth implies higher risk), our approach equates risk with the variance of expectations (e.g., greater variation in expectations of growth implies higher risk). This approach is more consistent with the manner in which managers conceptualize risk as unpredictability, the chance of loss, and the magnitude of loss. Preliminary evidence also suggests that the variance-of-expectations approach to country risk assessment introduces new information beyond conventional approaches and may also be more likely to help managers anticipate unfavorable changes in a country’s operating environment.

Technology Entrepreneurship: Strategic Considerations

Organizing For Strategic Entrepreneurship-Building The Virtual Organization
Odd Jarl Borch, Bodo Graduate School of Business
This paper focuses on organizational structures facilitating strategic entrepreneurship. It elaborates on the process of developing a virtual organization with resource networks to other firms as a platform for strategic renewal. We emphasize the role of the network entrepreneur responsible for linking and coordinating strategic resources of several organizations in strategic valuable configurations. The different tasks inherent in the development of innovative resource combinations and adequate context-adapted governance mechanisms are highlighted. We add to the dynamic capability literature on organizational configuration mechanisms increasing speed of action, integration and transformation capabilities. Results from an in-depth, participant observation study reveal the challenges of the network entrepreneur in creating the organizational infrastructure for strategic entrepreneurship.

PhD Fellowship Finalist Runner-Up
Leveraging Existing Technology: The Role Of Alliances In Cross-Application Across Technology Domains In Entrepreneurial Firms
Preeta Roy, University of Pennsylvania
"Cross-application" is introduced as the entrepreneurial effort of applying an existing firm technology to a new application domain. Innovation is modeled as a recombinant search effort across application domain and technological knowledge space to: 1) identify how alliances affect the ability to leverage existing knowledge, refining the importance of marketing alliances in innovation; 2) add to the reconciliation of whether innovation is driven by external requirements or internal capabilities; and 3) define and measure the concept of cross-application, clarifying the role of entrepreneurial firms in the transitional stage after initial innovation. Using SDC and USPTO data from 1976 to 2004 (N=107 firms, n= 2305 observations), findings indicate that the importance of R&D alliances depends on the type of recombinant innovation and, in the case of cross-application, marketing alliances are critical.

Extending The Internationalization Model: Early-Stage Internationalization In New Technology-Based Firms
Lars Bengtsson, Lund University
The aim of this paper is to suggest an extension of the traditional internationalization model based on organizational learning theory and a case study of a new technology-based firm in order to explain internationalization processes of so called born globals. In the new internationalization model that is proposed here the propensity, intensity and direction of internationalization of the firm will be determined by various knowledge acquisition processes and not only by experiential...
learning as proposed by the traditional internationalization model. The extended model proposes that congenital learning (the founders’ and other key persons’ prior internationalization experience), grafting (internationalization knowledge of new members of the firm) and vicarious learning (learning from other firm’s experiences) are important processes in explaining the development of born globals.

Modes Of Cooperative R&D Commercialization By Start-Ups

David Hsu, University of Pennsylvania
Vikas Aggarwal, University of Pennsylvania

This paper examines the determinants of the form of cooperative strategies taken by start-ups in commercializing their innovations. Collaborative commercialization through technology licensing, strategic alliances, and even mergers and acquisitions has become increasingly frequent. While the choice of cooperative mode is a real and important choice faced by start-up innovators, empirical studies have not generally examined the costs and benefits associated with each cooperative mode in a comparative manner. Our approach is to analyze a context in which cooperative commercialization is a dominant strategy—but also one in which there is variation in collaborative modality. We study biotechnology start-up innovators in order to focus on the determinants of cooperative form. This context also allows us to abstract away from the comparison with self-commercialization strategies.

RADICAL TRANSFORMATION, ADAPTIVE CAPACITY, AND ORGANIZATIONAL OUTCOMES

Paper | Track G | Salon II

Session Chair: Adrian Atilio Caldart, University of Warwick

Corporate Postures For Strategic Change: Insights From Complexity Theory

Adrian Atilio Caldart, University of Warwick
Joan E Ricart, ISESE Business School-University of Navarra

Within the field of Strategic Change, a strong debate takes place around the issue of continuity—should strategic changes gradually evolve out of the firm’s current situation, or mark a revolutionary departure from such situation? This paper contributes to the ongoing debate by exploring how the different postures for strategic change can affect the performance of firms exposed to a competitive shock. We began our exploration through the study of two Spanish firms. These firms suffered a competitive shock when Spain entered the EU and responded using two radically different strategies. Second, we analyzed formally the strategies observed in the cases through a simulation. Results highlight the non-linear relationship between strategic change and performance and how results are contingent to the time horizon considered.

HONORABLE MENTION

BEST CONFERENCE PAPER PRIZE FINALIST

Integrating Multiple Acquisitions: Organizational Form And Absorptive Capacity

Thomas Keil, York University
Tomi Laamanen, Helsinki University of Technology

Based on an analysis of acquisition behavior of the most active acquirers in seven industry sectors in the United States in the 1990s, we find that a high acquisition pace associated with a steep change in an acquirer’s acquisition rhythm is negatively related to acquirer performance. The negative effect can be detected both in terms of acquirer bankruptcies and decreasing market returns. Acquirers’ accumulated acquisition experience, size, and organizational form both mediate and moderate the relationship. Our findings contribute to an improved understanding of the role of acquisition program level determinants of acquirer performance and an improved understanding of the use of acquisitions as the means to grow.

The Influence Of Multiple Restructurings On Market Value: Learning Or Lemon Effects?

Donald B Bergh, Purdue University
Elizabeth Ngah-Kiing Lim, Purdue University

This study examines the relationship between the frequency of restructuring actions and the restructuring firm’s market value. We use signaling theory to argue that a firm’s restructuring actions provide information to external observers such as stockholders. We then develop two alternative hypotheses: firms that restructure more frequently are indicating that they have experience and knowledge of how to restructure and that these actions will improve their strategies and the market will reward such strategies. Alternatively, firms that restructure more frequently are signaling that they are lemons and that they have deep seated problems and the market will punish such strategies. The hypotheses are tested with a sample of 243 corporate restructurings that occurred during the 1990s.

Radical Transformation To New Markets: What Drives Success?

David J Bryce, Brigham Young University
Jeffrey H Dyer, Brigham Young University
Nathan Furr, Stanford University

Corporations that find conditions deteriorating in a primary business face a basic dilemma: Stay and weather the storm, hoping that conditions change, or attempt a radical transformation to new markets where pastures appear greener and hopes brighter. Unfortunately, neither choice is a good one. Conditions in the primary business may not change for the better, and attempts at radical transformation could hasten firm failure. The firm may discover, for example, that its capabilities are not well-suited to the opportunity, or that breaking down established processes to redeploy resources leaves much of the organization non-functional. Yet, while some firms fail in their attempts to transform, other firms seem to meet with substantial success. This paper examines what drives success and failure of radical strategic transformations.

COMPETITIVE RIVALRY AND MULTIMARKET COMPETITION

Dynamics Of Inter-Firm Rivalry In Multipoint Competition: Cases Of Korean Household Goods And Cosmetics Firms

Eonsoo Kim, Korea University
Young-shin Kim, Korea University
Bongsun Kim, Korea University
Young-jin Koo, Korea University

How do companies actually select and act against rivals? What are the drivers of competitive behavior? How do those drivers influence inter-firm rivalry? Inter-firm competition assumes a series of dynamic and reciprocal action-reaction pairs. Furthermore, typical interaction among competitors is multilateral and occurs in more than one business or market—i.e., multipoint competition. However, many discussions on competitive strategy only give us static and unilateral picture of competition. By describing and analyzing the cases of eight competing household goods and cosmetics firms, we show that the drivers consist of awareness, motivation, and capability, and their level and strength are determined by combination of internal and external factors such as market commodity, spheres of influence, organizational arrangement, strategic similarity, and resource similarity.

Making Sense Of Competition Through Sport: Linking Perceived Competitive Context And Organizational Actions

Adelaide W King, University of Virginia
Annette L Ranft, Florida State University

Managers’ cognitive schema of their firms’ competitive set and the relations among this set provide a fundamental frame for interpreting a firm’s capacity to achieve competitive advantage. Our research focuses on managers’ perceptions of the nature of competition and how managers’
cognitive schema influence strategic decisions and competitive actions. Drawing from sports competition, we describe taxonomy of three schema individuals may use to scope their competitive set, frame their assumptions about the relationships among the competitive set, and evaluate competitive success over time. We seek to identify a set of propositions that predicts how differing schema with regard to the nature of competition influence important strategic decisions, including relevant time horizons, size of investment, market entry and exit decisions, and escalation of commitment.

**PHD FELLOWSHIP FINALIST FELLOW**

**Strategic Lucidity Or Mixed Signals? An Empirical Study Of Competitive Manuevering And Stock Return Risk**

Margaret Yardeell Hughes, *University of Kentucky*

Walter J Ferrier, *University of Kentucky*

Drawing from core ideas in signaling theory and competitive dynamics, this study explores the relationship between the characteristics of firm's competitive strategy and its stock risk (beta). We predict that the information embedded in the intensity, pace, and pattern with which a firm attacks its rivals serve as important "signals" that investors use to assign risk. We tested our model on a sample of market-leading firms across multiple industries over a seven-year time panel. In contrast to the central tenets of the capital asset pricing model, our findings suggest that beta is indeed influenced by firm-specific, managerial-influenced competitive behavior - unsystematic sources of risk manifest in the unpredictability, complexity, and the differentiated patterns in the competitive moves carried out between rivals.

**The Capability Lifecycle Revisited**

Patrick E Schueffel, *University of Lausanne*

Building on the findings of Wernerfelt, Helfat, and Peteraf developed the capability lifecycle concept. While this concept promises to yield some interesting insight into the evolution of dynamic capabilities, it is too complex to be tested in its entirety in practice. The concept is therefore narrowed down to certain aspects and further detailed to make it germane to empirical testing. Hypotheses about the evolutionary path of dynamic capabilities are derived accordingly and a research setting is devised in which the hypothesis can be tested. Implications for further research are discussed.

**Factors To Entry Tendency Into Emerging Industries**

Chin-jung Luan, *National Taiwan University*

Prior to choices of entry timing, modes, and directions, entry tendency should be considered which reveals firms' heterogeneity of framing and analyzing the risks and growth opportunities when facing emerging industries. In this paper, factors to entry tendency, to which very little attention has been paid in previous studies, are investigated and examined. A logit model and a data set from Taiwan are employed to test the impact of prior firm performance, successful experience of past entries, and type of control on a firm's propensity to entry. We argue that lower past performance levels, previous successful entry experience and control held by managers to a large extent will increase probability of the firm to enter emerging industries.

**The Effect Of Industry Resource Clockspeed On Investment Strategies**

Gonçalo Pacheco de Almeida, *New York University*

Karel O Cool, *INSEAD*

James E Henderson, *Babson College*

In some businesses, firms can accumulate resources faster than in others. Are firms more likely to make early investments when the industry resource clockspeed is slower or when it is faster? This paper contributes to the competitive strategy literature by examining the effect of industry resource clockspeed on firms' investment strategies. The hypotheses were tested in the worldwide petrochemical industry from 1975-1995 by combining two datasets, one of which includes novel data on time-to-build. Results suggest that, in industries with slower clockspeed, firms are more likely to invest under uncertainty and that pre-emptive strategies are less effective. Uncertainty hinders investment through option value, but also amplifies the effect of industry resource clockspeed. Several important implications for competitive strategy are discussed in the paper.


Oliver F Gottschalg, *Groupe HEC-Paris*

Penrose's seminal book on the "Theory of the Growth of the Firm" (1959) is frequently referred to as the foundation of the resource-based view of the firm (RBV). Despite the intuitive appeal and theoretical relevance of her arguments, Penrose's theory has proven difficult to support empirically. This paper derives testable hypotheses regarding the performance impact of resource accumulation and resource stretching in a firm's growth process that follow directly from Penrose's Theory. To test these hypotheses using a unique data set on the experience, growth and performance of private equity funds. The findings provide strong support for Penrose's predictions of (a) a positive performance impact of resource accumulation through experience, and (b) a negative performance impact of excessive growth, in particular as excessive growth tends to have an adverse impact on a firm's ability to benefit from experience.

**Strategic Restructuring And The Firm's Value**

**Paper**

**Track G**

**Salon VII**

**Session Chair:** David G Sirmon, Clemson University

**BEST CONFERENCE PAPER PRIZE FINALIST HONORABLE MENTION**

**Strategic Actions And Value Creation: The Case Of Firms Facing Crisis**

J L Morrow Jr, *Birmingham-Southern College*

Michael A Hitt, *Texas A&M University*

David G Sirmon, *Clemson University*

Tim R Holcomb, *Texas A&M University*

Firms that have failed to meet the performance expectations of investors must seek new ways of creating value or face a loss of financial support. Using the resource-based view of the firm, we hypothesize and find that valuable and difficult to imitate actions involving the recombination of the firm's existing stock of resources (such as new products, processes, or technologies) and the acquisition of new resources (through mergers or acquisitions) have a positive affect on investors' expectations. In contrast, we find that valuable and difficult to imitate actions involving access to but not control of new resources (through the formation of alliances or joint ventures) does not have any effect on investor expectations of performance.

**Value Creation In Domestic And Cross-Border Acquisitions: A Comparative Analysis**

Anju Seth, *University of Illinois-Urbana Champaign*

Rajshree Agarwal, *University of Illinois-Urbana Champaign*

Protiti Dastidar, *George Washington University*

Studies examining the sources of value creation in cross-border acquisitions are few, and there are none that compare value creation of domestic versus cross-border acquisitions. Cultural and institutional differences, and differences in technological intensity (at both the firm and industry level) may, in addition to economic factors, cause systematic differences in the value created by cross border versus domestic acquisitions, thus affecting a firm's international competitiveness. We seek to investigate the characteristic features that distinguish cross-border acquisitions from U.S. domestic acquisitions, and the extent to which the sources of value are similar in domestic versus cross-border acquisitions. Our study intends to answer these questions using a matched sample of U.S. domestic acquisitions and cross-border acquisitions.
acquisitions and potentially contributes not only to our understanding of acquisition activity and its value consequences, but also to further explaining idiosyncrasies associated with doing business internationally.

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**PHD FELLOWSHIP FINALIST**

**DEVELOPING COOPERATIVE CAPABILITIES**

**Session Chair:** Jeffrey T Macher, Georgetown University

**Virtual Coopetition: Mutual Value Preservation In The Consulting Industry**

Abhijit Mandal, University of Warwick
Don Antunes, IMD

We develop and empirically model the concept of virtual coopetition, a situation that results when the initiating party abstains from a predatory move. We simulate the actions and consequences of hiring and firing personnel in two management consulting firms and examine poaching strategies in this industry. We show that, when considered with the risk of being a target, the long-term consequences of poaching strategies are such that it is difficult to recover from the damage inflicted. The ecological (and to some extent evolutionary) consequences of poaching explain why this phenomenon is rarely seen in the management consulting industry: it produces value destruction. We conclude that the avoidance of mutual value destruction is a virtual form of coopetition.

**Nature And Strategic Implications Of M&A Development In China: A Case Study**

Hong Liu, University of Manchester
Jie Dong, University of Manchester

To date research on M&As in China has been limited. Based on a single case study, this paper examines the relationships between government, 'strategic fit', 'organizational fit' and M&A performance in China. The government plays a major role in M&A activities in China. Target's products and industry and acquirer's reputation, resources, and management competence or culture are among the key success factors. The implementation of organizational fit appears to be more difficult due to the mentality associated with the planned economic system. The post-acquisition integration is a process of the installation of scientific management systems and infusion of market-driven concepts. Implications for both research and managerial practices have been discussed.

**Vertical And Horizontal Interdependencies In An Industrial Cluster: Implications For Firms’ Competitiveness In Global Markets**

Luiz Mesquita, Arizona State University
Sergio Giovannetti Lazzarini, IBMEC

A growing literature has underscored the importance of multiple forms of inter-firm collaboration in "industrial clusters". Yet, the management literature on inter-firm cooperation seems to discretely focus on either vertical or horizontal forms of relationships as well as their respective forms of value creation. In this paper we model how under different conditions of interdependence (i.e. sequential, reciprocal and pooled), clustered firms not only enhance their competitiveness in global markets given horizontal and vertical coordination, but most importantly, they harness synergistic effects out of the combination of such multi-directional coordination. We obtain empirical support for our model from an exclusive survey database from the Argentine wood furniture industrial cluster. We also discuss implications for theory and practice.

**The Impact Of Alliance Capabilities, Alliance Management, And Relational Capital On Performance Of Non-Equity Alliances**

Gerrit Willem Ziggers, Radboud University Nijmegen
Brian V den Ouden, Radboud University Nijmegen

Choosing the appropriate alliance governance structure is a critical determinant of alliance success. A literature review reveals that alliance capabilities, alliance management and relational capital are variables that have an impact on alliance performance. A model was developed and tested that comprehends these firm and dyadic variables. Additionally, the focus is on non-equity arrangements and performance is viewed as a three dimensional firm level construct: net-spill over, satisfaction and goal-attainment. The study has been conducted among 91 firms involved in non-equity alliances. Results support that performance consists of three dimensions. The effect of alliance capabilities on performance is ambiguous, while alliance management only contributes to goal attainment. Relational capital is found to be positively related to all performance dimensions. Results and directions for further research are discussed.

**Alliance Organization And Technological Performance: Integrating KBV And TCE Explanations**

Michael J Leiblein, Ohio State University
Jeffrey T Macher, Georgetown University

This paper examines whether and how the organization of collaborative alliances affects technological performance. Building on concepts from transaction cost economics (TCE) and the knowledge-based view (KBV) of the firm, the paper conceptualizes collaborative alliance arrangements along two dimensions that summarize their coordination and control features. Using a sample of 665 semiconductor production-sourcing alliances and polychotomous two-stage analysis, our empirical results indicate the coordination requirements of technological development have distinct effects on alliances’ technological performance.
The resource-based view of the firm has been criticized for lacking of a conceptual model for the endogenous creation of new resources. In this paper, I propose a cognitive approach to the endogenous creation and development of resources. This approach is based on the cognitive processes that determine which particular resource managers identify as strategically important. Through resource conceptualization processes, managers discover those resources from the network of resources comprising the firm, and the industry that result to be crucial for achieving superior performance. In other words, the endogenous creation of resources is the outcome of managers enacting their sources of competitive advantage

### Mental Models, Resource Constraints, And Differential Performance

Abhijit Mandal, University of Warwick
Don Antunes, IMD
Howard Thomas, University of Warwick

This paper integrates the resource-based view (RBV) with the literature on managerial cognition and organizational slack to show how constraints in resource allocation can lead to shifts in firm performance and even industry structure over time. Using a process-based method, we show how the structure and constraints of resources, under the moderating impact of heterogeneous mental models, can create and sustain resource heterogeneity, leading to differential performance over time and even the restructuring of industries. Previously developed propositions are tested using simulation in two strategic business units from a leading player in the U.K. insurance industry. The conclusion highlights implications for research methods, strategy theory and managerial practice.

### Cognitive Competitive Groups And Firms' Strategic Choices

Ababacar Mbengue, University of Reims

This study aimed at demonstrating one fundamental hypothesis of strategic management research with a cognitivist perspective: decision-makers frame their competitive environment in terms of clusters of competitors, and the way they frame this environment determines firms’ strategic choices. It builds upon previous research which took a cognitive stance on competitive interaction, particularly research more specifically focused upon the link between how top managers make sense of information and how they subsequently act to influence organizational outcomes. However, previous empirical studies on competitive interaction with a cognitive perspective have generally been based on case studies. The present research used a more normative approach to empirically address this important issue by providing a rigorous test of specific hypotheses. Empirical setting is the French perfume industry.

### A RESOURCE-BASED VIEW OF STRATEGIC RESTRUCTURING

### Human Resources And Diversification Strategies In Financial Services

Jeongil Seo, University of Wisconsin-Madison
John Haltiwanger, University of Maryland
Larry W Hunter, University of Wisconsin-Madison
Hywook Chiang, US Census Bureau/University of Maryland
Cheryl Grim, US Census Bureau/University of Maryland
Ron S Jarmin, US Census Bureau
Nicole Nestoria, US Census Bureau/University of Maryland
Kristin Sandusky, US Census Bureau

This paper assesses the relationship between human resources in internal labor markets and firm diversification in the U.S. financial services sector. The sector comprises a number of related sub-industries and recent deregulation has allowed firms to construct increasingly diversified portfolios of activities across these sub-industries. Recent deregulation, particularly in banking, has also loosened geographic restrictions on firm activities. Drawing on the “resource-based view” of firm strategy, we hypothesize that firms with stronger development of human resources are more likely to diversify. We find support for this view in analysis of data from the Longitudinal Household-Employer Dynamics program matched to the Longitudinal Business Database. Firms with lower net turnover, lower wage dispersion, and greater opportunities for workers inside the firm tend to diversify more subsequently.

### Inter-Business Unit Competition in Diversified Firms: The Moderating Role Of Relatedness And Environmental Dynamism

Sebastian Knoll, University of St Gallen
Sebastian Raisch, 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.

### Resource-Driven Diversification: Assessing Relatedness Through Competence Analysis

Marc Frechet, IAE-University of Toulouse
Daniel Pardo, CNRS/IAE-University of Toulouse

Although it is generally argued that related diversification enhances performance while unrelated diversification decreases, research on the link between diversification and performance leads often to contradictory results. This may be partly due to varying conceptualisation of related diversification. Our contention is that we may understand some diversification-refocusing processes by looking at the resources and recent diversification strategy. Thus, we present an original method, gathering patent analysis and interviews, to assess the extent to which two activities are related. The method is related to patent citation analysis, coupled with interviews. Using that finer-grained approach, we are able to show that we may understand some of the diversification-refocusing processes by looking at the resources acquisition strategy. In that case, diversification is a means to acquire knowledge or immaterial resources.
Multi-Level Learning And Dynamic Gap Bridging: Perception Strategic Role In Co-Evolution Of Capability And Opportunity Spaces

Giovanni Battista Dagnino, University of Catania
Marcello M Mariani, University of Bologna

Building on the assumption that firm strategy is a fundamentally dynamic process of gap bridging between capability space and opportunity space, this paper emphasizes the importance of firm multi-level learning processes for the co-evolution of the capability space and the opportunity space. The incorporation of a cognitive and learning dimension renders it possible to take into account the importance of the firm's perception of the opportunity space and the capability space. The introduction of the perception dimension provides a way of investigating and understanding how the co-evolutionary processes of capability space and opportunity space expansion/contraction are partially guided by firm multi-level learning and adaptation, which enable it to renew and redeploy its capabilities in relation to the evolution of strategic opportunities.

Organizational Social Capital: Self-Regeneration Ability In Organizations

Carlos Fernandez Isold, MIK S Coop
Ainhoa Unamuno, MIK S Coop
Iñigo Urkidi, MIK S Coop

In every single organization there is a formal structure, which is usually described by means of boxes, arrows, documented policies and procedures. Behind the flow chart of each organization there are clusters and groups of people working together, sharing their knowledge, solving common problems, exchanging goals, histories and frustrations. In this paper, we establish the hypothetical theory, which asserts that social capital is the source from which communities of practice (CoP) may emerge. This is a worthwhile aspect for organizations since it helps towards the self-regenerative ability that allows them to co-develop. At the same time, this system feeds itself back, since CoP themselves contribute to strengthening the organizational social capital. This way, new practical corporations may emerge more easily from the knowledge acquired in previous processes.

Reconceptualizing The Relationship Between Social Capital, Knowledge Creation And Competitive Advantage

Hari B Bapuji, University of Manitoba
Mary M Crossan, University of Western Ontario

Prior research suggests that social capital provides competitive advantage by facilitating knowledge creation. Integrating the insights from the social capital perspective and the knowledge-based view, we suggest that the relationship between social capital, knowledge creation and competitive advantage is complex. We argue that social capital and a variety of firm capacities complement each other to create knowledge and achieve competitive advantage.

Knowledge Search-Transfer Behavior In Innovation Process: The Impact On Innovation Outcome

Mona Weck, Helsinki University of Technology/TeliaSonera Corporation

The importance of intra- and inter-firm knowledge exchange in innovation development has been widely recognized in prior research, whereas the direct impact of this on the innovation outcome has received less attention. This paper contributes to social capital and knowledge-based view through increasing the understanding on the impact of knowledge search-transfer behavior on the innovation outcome. It demonstrates that the diversity of external relations in idea generation and the diversity of internal relations in solution development and implementation result in novel innovations with high performance potential. Moreover, this paper extends the concept of emergent and deliberate strategies to innovation processes and indicates deliberate innovations to be positively associated with performance potential. The results are based on a process-oriented research carried in the telecommunication services sector.

SAME PROCESSES, ALTERNATIVE LENSES, NEW INSIGHT?

Session Chair: Lars Schweizer, University of Bamberg

Enhancing Prescriptiveness Of The Resource-Based View: Addressing Priem And Butler's Critique Through Porterian Activity Analysis

Nicolai J Foss, Copenhagen Business School
Norman T Sheehan, University of Saskatchewan

Priem and Butler (2001) claim that while the resource-based view offers a comprehensive explanation as to why firms are able to sustain superior performance, it offers less guidance in terms of how managers may achieve superior performance. Barney (2001) defends the resource-based view, but while his prescriptions are helpful they do not fully address Priem and Butler's critique. This paper proposes that by formally integrating activities and activity drivers into the resource-based view enhances its prescriptiveness, thus addressing Priem and Butler's critique (2001). We argue that introducing activities and activity drivers opens the black box to reveal how firms create value and these insights provide guidance as how to achieve superior, sustainable performance.

An Integrative Model For Organizational Transformation In Transition Economies

Sarah Elizabeth Ann Dixon, Kingston Business School
Marc Day, Henley Management College
Klaus E Meyer, Copenhagen Business School

Companies in transition economies require radical organizational transformation to enable them to survive in a market economy. Resource-based theory provides a useful starting point for organizations to understand the bases on which to develop strategic capability to meet new environmental requirements. By drawing additionally on institutional, top management team, dynamic capability and change management theories we have developed an integrative framework for organizational transformation in transition economies, which synthesizes strategic management theories, relates them to a cluster of problem areas associated with organizational transformation and provides a problem solving tool for practicing managers. Thus we have addressed one of the current challenges of strategic management, namely to reduce fragmentation.

Introducing Real Options Into Strategy Process

Alexander D Falkenberg, Credit Suisse First Boston

Real-options theory bridges the gap between strategy and finance, but is still arcane for most strategy practitioners. Conceptualising strategies as a portfolio of real options, an analytical framework is proposed, which integrates real-options theory along the categories of a traditional strategy process framework. Strategic analysis, strategy formulation, valuation and selection are re-defined from a real-options perspective to diminish the discrepancy between mathematical real-option models and the practice of strategic management. The real-options based framework of strategy process is superior to traditional strategy process models for high velocity markets characterized by high levels of uncertainty.
The Influence of Formal Agreements on Strategic Management

Managing Their Money: CEO Trading Behavior
Elie Matta, Groupe HEC-Paris
Jean McGuire, Concordia University

Facing increasing reliance on equity and options incentives, we propose that CEOs manage their firm-specific wealth. Management of their holdings of options and equity involves intricate decisions concerning the exercise and sale of stock options, and further sales of their holdings of firm equity. We distinguish two types of a CEO’s trading behavior: risk reducing and risk seeking. Examination of these behaviors is informed by behavioral decision theory and the importance of several decision anchors: firm-specific wealth thresholds, target downside risk, dynamic loss aversion, and also social referents. Using a sample of 350 U.S. firms over a period of seven years, we examine the determinants of a CEO’s trading behavior and consider the implications of each behavior on changes in a CEO’s firm-specific wealth.

Do Institutions Notice Good Governance
Karen A Schnatterly, University of Minnesota
Scott Johnson, Oklahoma State University

Do institutions notice good governance? Institutions claim to prefer shares of better-governed firms. Managers want their firms to be attractive to institutions as that increases demand for their firm’s stock. In this study, we analyze the drivers of ownership structure, focusing on why institutions, and certain types of institutions, prefer the stock of certain firms. Using data from the semiconductor industry (1993-2000), this study analyzes the influence of corporate governance structure on institutional stock ownership. We find that institutions, in fact, have no governance preferences. Institutions in general are not attracted by more independent boards or by managerial incentive alignment.

Effects Or Prior Relationships On Contract Structure Between Corporate Sponsors And Academic Researchers
Janet Bercovitz, University of Illinois-Urbana Champaign
Beverly B Tyler, North Carolina State University

Current understanding of how corporations manage their sponsored research relationships and how contract structure influences and is influenced by sponsors’ objectives and expectations are poorly understood. Even less is known about how the strategies and objectives of academic institutions influence and are influenced by formal contacting with industry sponsors. This lack of knowledge motivated us to conduct an exploratory study of the sponsored research relationships contracted by a major private research institution (1996-2004). A longitudinal study was required to consider changes in contract structure and content. A single academic institution was used to control for differences in institutional strategies and goals. The research is based on two theoretical perspectives, transaction cost economics and relational governance, and two streams of research, alliance research and contracting.

Nicholas S Argyres, Boston University
Janet Bercovitz, Duke University
Kyle J Mayer, University of Southern California

A major theme in the literature on managing strategic IT outsourcing relationships is that their performance depends heavily on the design of the outsourcing contract. This paper builds on Mayer and Argyres’ (Organization Science, 2004) analysis of a series of contracts between two firms over 11 years, which showed evidence of gradual learning in directions consistent with transaction cost theory. The current paper shows, in a sample of 397 contracts, that when such learning is important: (1) the level of detail in two key categories of contract provisions — task description and contingency planning — acts as complements rather than as substitutes, and (2) partners with a longer past relationship will use more detailed contingency planning, suggesting that learning effects can dominate trust effects.

Emerging Markets Strategic Issues

Knowledge Transfer And Corporate Philanthropy: Creating A Link
Asunta Forgione, Brigham Young University
Paul C Godfrey, Brigham Young University

With the spread of global competition MNCs must constantly search for new sources of competitive advantage. One such advantage is knowledge transfer. We present an initial case that the strategic value of in-house and in-market knowledge transfer activities may be powerful and positively supplemented by in-country philanthropic activities designed to strengthen the educational infrastructure that facilitates effective knowledge transfer. As the field of strategic management enters its next 25 years, establishing multiple linkages with other academic disciplines will both strengthen and broaden the knowledge-base and impact of the field.

How CEOs Add Value Managing Companies: A Study During Argentinean Stagnation-Crisis-Recovery Process
Alejandro Carrera, Austral University
Martin Jose Muñiz, Austral University

Our theoretical foundations establish that CEOs must manage three main processes for fulfilling their mission: Business, Managerial, and Institutional Configuration Process. In this explorative longitudinal study we examine 240 CEOs, from medium to large argentine firms and multinational companies within the Argentinean context - an important test for CEOs during the 1999-2004 economic recession-crisis-recovery and growth period-, for confirming the existence of the competencies the mentioned processes demand. Aiming to improve the understanding of the value added by a CEO to his company, we have analyzed CEOs in-depth interviews and presentations to the MBA students at IAE. Research results have backed up our theoretical pillars; the research could be encouraged in other countries.

Competing In Central And Eastern Europe: Emerging Trends And Rules Of The Game
Vinod K Jain, University of Maryland

Eight Central-Eastern European countries joined the E.U. on May 1 and changed the competitive dynamics in Europe dramatically. With the completion of privatization in many states, acquisition opportunities have dried up, and multinationals are now making greenfield investments and expanding their existing facilities in the region. Many companies have begun relocating their manufacturing and service facilities from Western Europe into Central and Eastern Europe. In matters of competition, all companies operating within the E.U. will need to ensure that their competitive practices and arrangements are compatible with E.U. competition laws. This applies to horizontal arrangements, vertical arrangements, and to business practices of companies with a dominant market position. To be successful, multinational companies will now need to master the evolving rules of the competitive game.
Market Reactions To Emerging Market Firms' FDI In Developed Markets

Douglas E Thomas, University of New Mexico
Lorraine Eden, Texas A&M University

Research on emerging market firms (EMFs) and their internationalization strategies has been limited but is increasing. However, we still know very little about the international expansion-performance relationship in EMFs. EMFs are expanding into both other emerging markets as well as developed markets. This study develops hypotheses predicting that investing in developed markets will have a different impact on performance than investing in other emerging markets. We argue that investing in developed markets affords emerging market firms the opportunity to both exploit existing slack financial and relation-based resources and explore new knowledge-based resources. It proposes an event study methodology, herefore unsuitable for emerging markets, because of market efficiency concerns, using American Depositary Receipts (ADRs). This paper proposal represents one of the first empirical tests of the performance impact of EMFs’ investing in developed markets and as such contributes to the literature on global strategic management.

The Decision Environment Of Foreign Entry Governance Choices

Session Chair: S Trevis Certo, Texas A&M University

The Influence Of Prior Experiences On The Likelihood Of International Merger And Acquisition Activity

S Trevis Certo, Texas A&M University
Jamie D Collins, Texas A&M University
Michael A Hitt, Texas A&M University
Richard H Lester, Louisiana Tech University

We examine the international merger and acquisition (M&A) activities of a sample of S&P 500 firms. We rely on organizational learning theory to hypothesize that the learning associated with the firm’s international posture as well as its prior acquisition experiences increase the likelihood that the firm will engage in subsequent international acquisitions. The results suggest that operating a subsidiary in a host country increases the likelihood that the company will acquire another company in the host country. We also find that prior experience with international acquisitions is positively associated with subsequent international acquisitions. In contrast, the results suggest that prior experience with domestic acquisitions is not associated with subsequent international acquisitions.

Research On Alliance Contractual Design: Achievements And Opportunities

Africa M Anfo, ISE Business School-University of Navarra

We offer an overview of management research on strategic alliance contracts, still scarce given the difficulties in accessing this kind of data. We distinguish alliance contractual form and governance form, as these are often confused in the literature even if they serve different purposes. We trace the distinction between two related constructs frequently mixed in the literature: contractual complexity and contractual completeness. Finally, we examine the conditions that may warrant the design of more or less complex alliance contracts depending on the effect of those conditions on environmental and behavioral uncertainties, and thus on the costs of and benefits from contracting.

Examining Governance Choices In China: A Focus On Longstanding Ties, Relational Governance, And Contracts

Laura H Poppo, Virginia Polytechnic Institute & State University
Zheng Zhou, University of Hong Kong
Zhlin Yang, City University of Hong Kong

Whether governance choices in China endorse an efficiency logic proposed by transaction cost economics is unclear at this time. In this empirical study, we examine different perspectives, which offer at times inconsistent predictions of the governance of buyer-supplier relations. Some argue that relational governance will ultimately define governance of market exchanges, and in doing so, will decrease a reliance on contracts. We develop an alternative logic that relational governance substitutes for weak legal institutions, and in doing so, enables the use of contracts. Building on the transaction logic, we then argue that relational governance thus mediates the relationship between exchange hazards and contract customization.

Negative Multi-Market Spillover Effects Of Foreign Direct Investment In Response To Investment Incentives: The Challenge For MNCs

Heike Proff, Zeppelin University

Since the beginning of the 1990s, many multinational companies set up production capacities in the growth markets outside the Triad countries. Their rational expectation was to obtain economic rents for individual direct investment decisions due to high investment incentives consisting of high import barriers and a booming domestic market. What was not taken into account, however, was that multi-market competition occurs when many multinational companies simultaneously invest in many developing countries in a few industries with standardized products. This paper gives an explanation of negative multi-market spillover effects that occur when such foreign direct investment take place and develops three hypotheses about factors that influence these effects. Empirical evidence regarding the validity of the hypotheses is provided and managerial challenges for MNCs are discussed.

Managing Entrepreneurial Firms: Issues In Governance

Session Chair: Sergio Luis Ibarra, University of Autónoma-Queretaro

Knowledge Entrepreneurship: Governance Modes And The Knowledge-Based View Of The Firm

Sofy Carayannopoulos, Wilfrid Laurier University

This paper develops and tests hypotheses from the knowledge-based view of the firm that predict whether a knowledge-seeking firm will form an alliance with or acquire a smaller knowledge source when its primary objective is to gain access to externally-existing knowledge. Its contribution rests in examining knowledge characteristics, as well as the individual and firm dyad knowledge-related qualities that influence the governance choice decision. Results confirm that the choice is impacted by the value and complexity of knowledge, the seeker's preference for acquisitions and the source's alliances, as well as the relationship between knowledge seeker and knowledge source knowledge assets. This work also extends understanding of the knowledge-based view of the firm by verifying that knowledge-motivated acquisitions could be evaluated employing a real options perspective.

Strategic Flexibility, Governance And Knowledge In Threshold Firms

Igor Filatotchev, King's College London
Mike Wright, University of Nottingham
Shaker A Zahra, University of Minnesota

Threshold companies that are making the transition from the start-up to the professionally managed stage of their cycles have to build new capabilities in order to compete. They need also to establish governance systems that ensure the accountability of their managers. Failure to assemble and deploy a wider array of capabilities and introduce efficient governance can severely limit threshold companies’ strategic flexibility. Using the knowledge-based and agency views of the firm, we propose that the threshold firm’s governance systems and its absorptive capacity can complement or substitute each other in ways that foster or limit strategic flexibility.

Stock Options As A Retention Tool: The Role Of Wage Indexation In Young High-Tech Firms

Benjamin Campbell, University of Pennsylvania

Many high-tech firms include stock options as part of their strategic
compensation package. Firms may offer stock options to align principal and agent incentives, compensate employees in a liquidity-constrained environment, and retain employees during industry booms. Using a new data set on Information Technology (IT) professionals, I demonstrate that retention is the strategy most consistent with stock option grants. Additionally, the retention effects should be most pronounced at small entrepreneurial firms. I extend a model of equity compensation as a tool for wage indexation developed by Oyer (2004) by including local labor market variation. I provide preliminary evidence supporting the implication that regions where wages are more highly correlated with industry growth should be more likely to offer equity compensation as a retention device.

Theory Development In Entrepreneurship And Strategy: Understanding The Superstar Firm Phenomenon From A Governance Perspective
Teresa E Nelson, Suffolk University
Nancy M Carter, Catalyst Inc

Certain firms move from start-up to mega-status within a startlingly few number of years. In a multi-part research project we are working to theorize how these high growth, high potential firms make this transition, particularly in regard to governance and funding mechanisms. This paper extends theory on the growth processes of superstar firms with institutional ideas. We examine how the initial public offering process, as a gateway into a new corporate "space", redifines governance arrangements. We collect primary data through interviews with corporate executives in Boston and Silicon Valley to determine the outcome of this redefinition. We combine these findings with an archival project to chart the participation of women, an underrepresented but highly visible class of governance participants, before and after IPO.

R&D, INNOVATION, AND PERFORMANCE

Session Chair: Jeffrey H Dyer, Brigham Young University

The Determinants Of Success In R&D Alliances
Jeffrey H Dyer, Brigham Young University
Benjamin C Powell, University of Alabama
Mariko Sakakibara, University of California-Los Angeles
Andrew Wang, NIST

We use an original dataset on 397 firms involved in 142 R&D alliances to examine the determinants of success. Our study overcomes three prominent weaknesses of prior studies - small sample size or low response rate, lack of multiple measures of success, and data from only one partner in the alliance. We find that contractually generated trust is more important than goodwill trust in explaining alliance success. We find that success rates drop significantly when a competitor is involved in the alliance and that frequency of interaction, knowledge-sharing, and trust drops significantly in competitor alliances. We find that success rates increase, even in competitor alliances, when partners establish coordination routines that facilitate frequent interaction. We also find that success rates drop with increases in the number of participants in the alliance.

Tapping External Knowledge And Time: The Choice Between R&D Alliances And Mobile Scientists
Barak S Aharonson, University of Toronto
Daniel Tzabbar, University of Central Florida

In the race for knowledge creation managers attempt to shorten the innovative process by tapping external knowledge through the formation of R&D alliances and the hiring of talented scientists. Although the literature acknowledges the merits of both forms little has been done to compare the benefits from each of these choices with regard to knowledge creation overtime. By adding the time dimension and constructing a more dynamic model we attempt to augment our understanding of the deferential impact of the choices. We test the hypotheses on a population of biotechnology firms. Our findings suggest that while mobility may serve as a good mean to develop innovative capabilities in the short run, R&D alliance may serve as a vehicle for knowledge generation in the long run.

The Impacts Of Capability And Resource On Performance Heterogeneity: Evidence From United States Biotechnology Ventures
Yu-Shan Su, Chang Jung Christian University
Hong-Jen Chiu, National Taiwan University

The U.S. is in the leading role in the biotechnology industry far from any other country. The main purpose of this study is to empirically examine the impacts of capabilities and resources on the performance heterogeneity of the 126 U.S.-based biotechnology ventures. Results show that the related performance of biotechnology ventures is affected by the biotechnology venture's capabilities. Secondly, a venture's R&D and marketing capabilities are negatively related to short-term performance, while a venture's manufacturing capabilities are positively related to short-term performance. Thirdly, a venture's R&D and marketing capabilities are positively related to long-term performance, while its manufacturing capability is positive but not significant related to long-term performance. Finally, both intangible and tangible assets show no significant impact on the performance of biotechnology ventures.

Strategic Innovation Management And The Firm's Institutional Context
Patricia A Nelson, University of Edinburgh

How does the firm's institutional context affect its strategic innovation management? Do firms based in liberal market economies (LMEs) and coordinated market economies (CMEs) manage innovation - including the generation of knowledge - in different ways? Are the different forms of innovation management described in the literature associated with specific institutional contexts? This paper explores how firms with their home base in LMEs and CMEs manage innovation in digital imaging (core technologies: image sensors, integrated circuits and optics) in both consumer electronics and medical instruments. We argue that because of their different institutional contexts, firms manage innovation differently, and we suggest that firms in CMEs produce positive discontinuous innovations rather than disruptive ones.

EXECUTIVE COMPENSATION: COMPENSATION DESIGN, GOVERNANCE STRUCTURE, AND RISK TAKING

Session Chair: Jaume Franquesa, Kent State University

Group-Performance Bonuses In Division General Managers' Compensation: A Multi-Level Model
Jaume Franquesa, Kent State University

This research tests agency theory predictions regarding factors associated with greater use of group-level or corporate-level performance measures in incentive compensation for business unit general managers of multi product firms. The study fits a multi-level regression model and shows that both division-level and firm-level factors contribute independently to explaining the use of aggregate-performance bonuses. Consistent with predictions, it is found that the relative weight given to aggregate measures in the incentive contract of individual division managers is a decreasing function of the number of business units of the firm as well as of the index of diversification among them (both related and unrelated entropy), and an increasing function of the magnitude of firm-wide spillover effects by each focal unit.

TMT Incentive Structure, Incentive Dispersion, And Industry Risk Influences On Risk Taking: A Multi-Level Analysis
Cynthia E Devers, Texas A&M University
Tim R Holcomb, Texas A&M University
R Michael Holmes, Texas A&M University

In this research, we apply a multi-level model to extend previous CEO and top management team (TMT) compensation research in three important ways. First, we investigate whether the structure of long-term
Moving Closer To The Action: Examining Board Monitoring And Compensation Design Effects On Firm Risk

Robert M Wiseman, Michigan State University
Cynthia E Devers, Texas A&M University
Gerry M McNamara, Michigan State University

We examine the effects of internal corporate governance mechanisms (board monitoring and compensation design) on firm risk (strategic risk actions and income stream uncertainty). Findings show that board monitoring and compensation design influence firm risk. Within compensation design, we find some simple relationships, such as a negative association between base salary and firm risk. However, we also find some complex relationships. More specifically, we find that options-based compensation can lead to either increased or decreased risk taking, depending on the relative value and exercisability of the options. Further, we find a complex pattern of effects for board monitoring on firm risk. Our results suggest that internal corporate governance mechanisms exhibit a more complex influence on executive behavior than previously assumed.

Inequality At The Top: Determinants Of Pay Dispersion Within The Top Management Team

William Gerard Sanders, Brigham Young University
James Fredrickson, University of Texas-Austin
Alison Davis-Blake, University of Texas-Austin

Drawing on social comparison theory, we argue that characteristics of a firm's governance structure are important determinants of compensation dispersion within the top management team. Results from the study of a longitudinal sample of 235 large U.S. firms indicated that intra-team compensation dispersion were smaller when: 1) a substantial proportion of TMT members were also on the board; 2) the CEO and Chairman positions were combined; 3) TMT members had similar firm shareholdings and equity-based compensation, and; 4) a large proportion of TMT members had worked their way up the internal hierarchy. These findings support the importance of social factors in shaping compensation dispersion and demonstrate that governance choices by boards of directors may have unintended, yet important consequences for pay dispersion among TMT members.

Knowledge And Innovation Networks

Paper Track J Salon VI

Session Chair: Devi R Gnyawali, Virginia Polytechnic Institute & State University

The Knowledge Sharing Company: Innovation Spurs When Social Capital Breaks Through Communities of Practice

Tullia Troisi, Luiss Guido Carli University
Lucia Marchegiani, Luiss Guido Carli University
Luca Pirolo, Luiss Guido Carli University

Intangible resources, and specifically inter-firm and intra-firm relations, activate profitable knowledge exchange and combination processes, both outside and within the firm. This results in a process of innovation, and ultimately leads to competitive advantage. Nevertheless, while external relationships are generally promoted and sustained by the management, the networks that arise within firms are often spontaneous, and rarely recognized. We indeed affirm that such connections may foster social capital, and result in communities within the firm, which seem to favor innovating activities. The paper proposes a re-interpretation of the social capital framework through the dimension of communities of practice, with the aim of understanding how the innovating activities are boosted within the firm.

Innovative Activity In Emerging Higher-Technology Industries: The Impact Of University Research Activity

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

In this paper we analyze the impact of university research activity on the innovativeness of firms in the U.S. fiber optics industry from 1976 to 1994. Hypotheses are generated suggesting that geographic proximity to specialized university research output will affect the level of research activity, and the extent of new product introductions, at firms in this emerging higher-technology industry. Additional hypotheses are generated that suggest differences in the predicted relationships across firm types (start-ups versus established firms) and across stages of the industry life cycle. The hypotheses are tested longitudinally using data on firm location, founding, and product offerings. University and firm research activity are measured by counting the number of articles related to fiber optic technology that were published in academic journals during the study period.

Restructure Your Network To Innovate: The Importance Of Network Dynamics On Firm Innovation

Manish Srivastava, Virginia Polytechnic Institute & State University
Devi R Gnyawali, Virginia Polytechnic Institute & State University

We suggest that inherently dynamic phenomena of network and innovation need to be examined using a dynamic approach. Accordingly, we focus on dynamic aspects of a firm's ego network and develop a conceptual model of how structural, relational, and qualitative changes in a firm's ego network relate to the firm's innovation outcomes. We identify and articulate several key aspects of changes in a firm's ego network that are important to achieve flexibility and vitality in the network, and in turn contribute to innovation. We plan to test our unique conceptual model using network and patent data in the semiconductor industry. This study generates intriguing possibilities for future research and provides practical guidelines for managers interested in restructuring their firm's networks and improve innovation performance.

Communities Of Practice: A Social Network Investigation

Joan T Allatta, Purdue University

Rich ethnographic studies have shown the importance of story telling, collaboration, and shared understanding to the work activities, problem solving, and innovation that occur in communities of practice. This study investigates communities of practices more broadly by applying social network analysis to data from information and communication technology systems. Findings suggest that these methods may be useful for identifying communities of practice. Co-location is found to be a common and frequent attribute among workers within communities. The results also challenge the assumption that communities have a core-periphery structure, as well as the notion that communities may include hundreds or thousands of workers. Group size was found to negatively influence some social network measures, bringing into question the appropriateness of calling large groups communities of practice.
The Distribution of Benefits In Multi-Partner Alliances: The Case Of The Wi-Fi Alliance
Dove Lavie, University of Texas-Austin
Christoph Lechner, University of St Gallen
Harbir Singh, University of Pennsylvania

We examine the heterogeneity in the distribution of benefits to partners in multi-partner alliances by studying the dynamics of entry and organizational involvement decisions and by considering the disparity between common and private benefits to partners. Testing our hypotheses in the context of the Wi-Fi alliance, we find that internal involvement enhances reputation and leads to market success at the expense of productivity. External involvement in competing alliances enhances productivity and market performance despite potential efficiency losses. Finally, whereas the market responds favorably to pioneers, both early and late entrants to the alliance reveal higher productivity compared to intermediate entrants. These findings highlight the merits of exploration versus exploitation and the dynamics of involvement in multi-partner alliances.

Alliance Formation In Declining Industries
Katherine B McPadden, City University of New York
Helaine J Korn, City University of New York

This research examines alliance behavior among firms in declining industries versus firms in growth industries. Drawing from the population ecology perspective of industry decline and the resource dependence theory of alliance formation, the paper seeks to explain why firms in declining industries are more likely to form alliances than firms in growth industries. In particular, the paper considers whether a firm is more likely to form an alliance with a partner outside its industry than with a partner inside the same industry, and how such pairings affect performance. Alliance behavior may indeed differ depending on the industry stage. Specifically, firms in declining industries may be more likely to engage in alliance activity and to seek out partners with greater access to needed resources.

Partner Selection, Network Dynamics, And Network Evolution In Dog Breeding
Jens L Boyd, McKinsey & Company/Free University-Berlin

Strategic network research tries to answer two questions: 1) How does individual partner choice affect the entire network? and 2) How does the entire network affect individual partner choice. This paper takes up both questions and identifies: 1) the relative impact of power, underlying resources, trust, costs, and learning on partner choice; and 2) the relative impact of exogenous shocks, resource creation, resource redistribution and changes in the overall network composition on network dynamics. Network evolution results from the interaction of individual partner choice and network dynamics. This can be shown in a longitudinal sample of German dog breeding partnerships from 1979 to 2003.

Co-Operation Strategies And Firm Centrality In Fuel Cells Technologies Emerging Industry
Angeloantonio Russo, Bocconi University
Elena Novelli, Bocconi University
Stefano Pogutz, Bocconi University
Paolo Migliavacca, Bocconi University

According to several opinions Fuel Cells Technologies (FCTs) might lead to strong discontinuous technological change and significant transformations in various industries. The aim of the paper is to observe if a network of innovators does exist, and within this network of innovators if firm size and firm innovation aptitude influence firms network location. Research investigating the economics of technological change and innovation, and strategic management research focusing on co-operation strategies support our theoretical framework. We investigate around 450 worldwide alliances completed throughout the period from 2000 to 2004. Implications for both scholars and practitioners can emerge. This paper suggests if managers might focus on alliances to lead the transformations related to FCTs, providing interesting insights on which factors will drive to the appropriate co-operation strategy.
Tapping the Value of Resources and Capabilities in Dynamic Environments

**Paper**

Session Chair: Vicki R TenHaken, Hope College

Dynamics Between Competence Building, Business Configuration, and Economic Performance

Yi-Ju Lo, National Taiwan University

Ji-Ren Lee, National Taiwan University

Dynamic capability literature has suggested that firm heterogeneity lies in a firm’s capabilities of integrating, building, and reconfiguring internal and external competencies to cope with a hypercompetitive environment. However, the extant research conversation seems silent in explicitly linking a firm’s competence building initiatives with the varieties of business configuration. Based on the theoretical notions suggested by endogenous growth theory, the present study attempts to bridge the gap by hypothesizing various linkages among competence building efforts, business configuration, and economic performance. Empirical validation of this conceptual model based on a firm-level path analysis on Taiwanese electronics hardware manufacturers’ operation data shows significant support for the dynamic interplays among these constructs. Implications for competence research and suggestions for future research are discussed.

Determinants Of Firm’s Innovativeness In A Hypercompetitive Landscape: A Case Of Strategizing Following Organizing?

Laura A Costanzo, University of Surrey

This study explores the organizational determinants of innovative firms in the context of the hypercompetitive European financial services industry. From the field research, through a process of inductive theorizing, it emerges that organic structures, formalized processes and a culture of change were the major determinants of firm’s innovativeness. Formalized processes, however, did not represent layers of hierarchy. Instead, they represented a vehicle for bridging together different parts of the ‘boundaryless’ organization. At a more general level, the empirical findings reported in this paper lead to argue that in dynamic business environment, prescriptive approaches to how companies can be more innovative than others might not be appropriate.

Survival Characteristics Of The Shinise (Very Old Japanese Companies)

Makoto Kanda, Meiji-Gakuin University

Vicki R TenHaken, Hope College

"Shinise" are very old Japanese companies. Are there common characteristics that have enabled these companies to survive for 100 or more years? The companies studied range in age from 1200 to 120 years old. Average profit per capitalization and profit per sales ratios are very high for the "shinise" companies compared to other Japanese companies. Yet the "shinise" range in size from small ($1 million per year) to large (over $1 billion per year), indicating size and growth rate are not necessarily one of the common factors. This paper will explore the unique characteristics the "shinise" share, which may inform our study of management strategies for firm survival.

The Strategic Imperative For E-Businesses Of Creating And Capturing Value

Steve Nysten, Free University of Brussels

Paul Verdin, Free University of Brussels

Marta Dowejko, Free University of Brussels

New perspectives on strategic thinking have highlighted customer value creation and shareholder value capturing as equally important and inseparable dimensions of successful and sustainable strategies. This article uses such a new strategic framework to revisit the question why so many e-business start-ups failed and why so few successfully managed to survive. On the basis of an in-depth analysis of several case studies it is argued that a key problem with many e-businesses was not failure to create customer value but rather failure to capture part of the value of their business as sustainable profit. In addition it is illustrated how important it is to adopt appropriate business and revenue models. The paper concludes with some general recommendations for successful e-business strategies.

Governance: Ownership and Finance

**Session Chair:** Amy Hillman, Arizona State University

Strategic Stakeholder Importance Revisited: Toward An Actionable Tool For The Governing Of Stakeholders

Rafał Koźlowski, Karol Adamiecki University of Economics-Katowice

Mariusz Bratnicki, Karol Adamiecki University of Economics-Katowice

The current debate in corporate governance is about the fundamental purpose of business, shareholder value maximization versus meeting stakeholder claims. Proponents of the value maximization principle say that a firm exists to maximize shareholder value. Proponents of the stakeholder theory, say that a firm exists to satisfy the claims of its all stakeholders. The authors will develop framework of corporate governance process, where stakeholder’s activism and interactions with others play the main role. This paper applies the methodology of a multidiimensional analysis to develop framework that defines components of key governance processes, particularly those relating to the dynamics between board and its critical external and internal stakeholders. The research of the model of corporate governance process was carried out in 136 Polish companies in 2002.

Family Ownership And Control In Large Corporations

Mike W Peng, University of Texas-Dallas

Yi Jiang, Ohio State University

Despite the Berle and Means (1932) hypothesis, which suggests an inevitable separation of ownership and control, as firms grow large, there is extensive concentration of family ownership and control in large corporations around the world. There is a major theoretical controversy regarding the role of family, with three positions suggesting that it is positive, negative, or irrelevant to firm performance. To address this controversy, we not only draw on agency theory, but also other theories to generate competing hypotheses. Using 744 publicly listed family corporations in eight Asian countries, we examine the effect of two primary family ownership and control mechanisms, appointing a family member to be the CEO and using a pyramid structure, on firm performance.

Director Diligence Or Board Contacts? A Test of Relationships Between Interlocks, Workloads, And Firm Performance

Gavin J Nicholson, University of Queensland/Competitive Dynamics

Kevin Hendry, University of Queensland

Amy Hillman, Arizona State University

Geoffrey C Kiel, University of Queensland

Recent normative advice is to limit the number of directorships any individual holds. While there is little empirical evidence to support this view, there is a strong tradition of support for multiple directorships as a mechanism for firms to co-opt external resources. In this paper, we explore the issue of multiple directorships within Australia’s publicly listed companies. In particular, we consider how director workloads affect director diligence and firm performance. Our findings indicate that the incidence of multiple directorships in Australian listed companies is low. Further, directors holding multiple directorships are no less diligent than their counterparts. There does not appear, however, to be any relationship between holding multiple directorships and firm performance. Finally, we discuss the implications of these findings for researchers and practitioners.
A Complementary Approach To The Financial And Strategy Views Of Capital Structure
Julio Pindado, University of Salamanca
Chabelo de la Torre, University of Salamanca
This paper provides a complementary approach to the financial and strategy views of capital structure. According to our ownership view, capital structure is partly determined by the incentives and the goals of those who are in control of the firm. Our results strongly support this view. As a consequence of managerial entrenchment and rent expropriation phenomena, self-interested agents (entrenched managers and controlling owners) choose the capital structure according to the debt ratios more appropriate for their own best interest. Additionally, we find evidence of an interaction effect between insider ownership and ownership concentration; particularly, the debt increments promoted by outsourcing owners are larger when managers are entrenched. Further findings are obtained according to firm-specific characteristics, such as intangible assets, investment opportunities and free cash flow.

ENTREPRENEURSHIP AND EVOLUTION

Paper Track L Jasmine

Session Chair: Frank Lasch, University of Montpellier I
Impact Of Entrepreneurial Innovation On Technological Progress
Preeta Roy, University of Pennsylvania
This paper distinguishes between the impact of entrepreneurial innovations that explore new technology and the impact of entrepreneurial innovations that explore new markets. By investigating this distinction, this paper 1) characterizes innovative impact as diversity versus sheer numbers; 2) discusses a mechanism whereby "general-purpose technologies" (Bresnahan and Trajtenberg, 1995) evolve through entrepreneurial activity; and 3) redirects entrepreneurial focus to innovations that create overall impact, i.e. to the firm and the technological community. Using SDC and USPTO data from 1976 to 2004 (N=107 firms, n=2248 observations), findings indicate that entrepreneurial innovations exploring new application domain (market) knowledge result in more diversified future innovations, although they result in less numbers of citations. This implies that counting citations is not necessarily the best way to identify innovative impact.

The Determinants Of Start-Up Survival And Growth In The French ICT Sector
Frank Lasch, University of Montpellier I
Frédéric Le Roy, University of Montpellier I
Said Yami, ERFI/University of Montpellier I
This study is based upon the assumption that firms are not alike and that differences between them will affect survival and growth. So, why do certain ICT firms fail while others succeed? And what are the sustainable determinants that can be linked to survival and growth? We analyze a sample of 498 French ICT firms and discuss the impact of four factor groups based upon a modeling of survival and growth (multiple regression model): human capital and working experience of the entrepreneur, preparation and pre-founding activities, initial ownership concentration; particularly, the debt increments promoted by outsourcing owners are larger when managers are entrenched. Further findings are obtained according to firm-specific characteristics, such as intangible assets, investment opportunities and free cash flow.

The Relationship Between HRM Practices And Firm Clockspeed
Benjamin Campbell, University of Pennsylvania
Frederik Andersson, Cornell University/US Census Bureau
Clair Brown, University of California-Berkeley
Hyowook Chiang, US Census Bureau/University of Maryland
Yooki Park, University of California-Berkeley
This paper examines the relationship between clockspeed, (firms' rate of product evolution), product market competition, and human resource management practices (HRM) within firms. We focus on the high-tech electronics industry and use a newly developed employer-employee matched database to identify HRM clusters based on firms' compensation patterns. Clockspeed at the firm level is characterized using data from the Survey of Industrial Research and Development. In our very preliminary findings, we demonstrate that in the electronics industry, HRM practices of firms are correlated with clockspeed and are not correlated with product market competition. Because product choice and HRM are based on legacy decisions, it is particularly critical for new firms to implement complementary product and HRM strategies.

New Ventures And First Diversification: Theories Of Relatedness Need Not Apply
Xuanli Xie, University of North Carolina-Chapel Hill
Hugh M O'Neill, University of North Carolina-Chapel Hill
How do new ventures use diversification strategy? This study argues the existing theory on diversification may not readily apply to new ventures because of the different impact of organizational routines, strategic leaders, and environment conditions on new ventures, as compared to established firms. Specifically, we propose that new ventures are less constrained by existing resources and routines in their diversification, and more likely to use diversification as experiments to search and build competences. We hypothesize new ventures pursue more unrelated diversification than established organizations. The presence of a founding entrepreneur will further increase unrelated diversification in new ventures. Low industry profitability will increase unrelated diversification in established organizations, but not in new ventures. Hypotheses are tested by paired sample of new ventures and established firms.

ALLIANCE PORTFOLIOS AND NETWORKS

Paper Track G Kahili/Lily

Session Chair: Kevin D Clark, Villanova University
Designing The Boundaries Of The Firm: From "Make, Buy, Or Ally" To The Dynamic Benefits Of Vertical Architecture
Michael G Jacobides, London Business School
Stephan Billinger, Universit of St Gallen
How do firms design their boundaries? What motivates these design choices and what is their impact? Our inductive, longitudinal evidence of a firm that opened its boundaries without changing its scope suggests that over and above making individual "make, buy or ally" choices, firms such also deploy particular vertical architectures, i.e. patterns on how they interface with intermediate and final markets. In particular, permeable vertical architectures (partly integrated, and partly open to intermediate markets) are adopted because of their expected dynamic benefits. Our paper explicates these benefits, which go far beyond "transactional alignment". Our inductive framework refocuses research from the individual transaction to the multiple boundaries of the firm; and helps provide prescriptive guidance on how the design of firms' boundaries can enhance dynamic capabilities.

Incremental Alliance Portfolio Expansion In Technologically Innovating Firms: An Integrative Framework
Ulrich F Wassmer, ESADE
The engagement of technologically innovating firms in a wide array of strategic alliances has become a ubiquitous phenomenon in today's business landscape. In fact, most firms are facing the challenge to manage an entire alliance portfolio, which often does not support successful commercialization of their innovations. Therefore, when does make sense for firms to add one additional strategic alliance to their alliance portfolio and when does such an incremental alliance create value? By borrowing from contingency theory and the resource-based view of the firm, we identify a number of factors and advance a conceptual framework that seeks to answer these questions.
Investment Banks In Acquisitions: Favoring Friends Or Clients?
Alexander Sleptsov, Tulane University
Jaideep Anand, Ohio State University
This study examines the effects of the network relationships between acquirers, targets and their investment banks on the acquisition performance. Such effects may be ambiguous: an established ‘firm-bank’ relationship implies higher trust between the parties, but also provides the bank with an access to private information about the firm, which the bank may use opportunistically. We develop and test hypotheses on whether and when investment banks tend to behave opportunistically towards their clients. We find that banks on average remain loyal to their existing partners at the expense of their current clients. This loyalty, however, may become strained when the investment banking industry experiences downturn. This study starts to outline a boundary between the social capital and opportunism perspectives of the network ties.

Social Networks And Human Capital As Bases Of Executive Power
Dante D Di Gregorio, University of New Mexico
Kevin D Clark, Villanova University
Ken G Smith, University of Maryland
We present a model of social networks and human capital as bases of executive power. Drawing on a sample of 174 executives, we find human capital and social networks have independent and complex influences on power. Strong ties may be empowering, specifically in the case of ties within the top management team and to board members, but they may also be constraining, as in the case of external ties. We found no evidence of a direct link between network size or range and power. In terms of human capital, executives can gain power by developing an enhanced understanding of organizational processes and routines. Counter-intuitively, organizational tenure exhibits a U-shaped relation with power. We also find considerable support for the interaction of human and social capital.

Knowledge And Systems For Strategic Intelligence

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Productivity Visualization: An Approach To Measuring Information Work Productivity
Susan Conway, Microsoft Corporation
Josef Kocher, Microsoft Germany GmbH
The key to innovative dynamic business growth is the ability to leverage organizational productivity. Information is not only a primary but also likely the most renewable of all organizational assets. The challenge for business management is to leverage the information flowing through the enterprise to deliver products and services to the consumer in a timely, efficient and profitable manner. This paper pays particular attention to the support and enabling of information as a primary asset. The interaction of human capital, organizational structure and technology create the focal point for the delivery of information-based value to customers. Productivity Impact Framework (PIF), as described in this work, provides a dynamic method of evaluating and measuring the business value at the intersections of work and information.

Environmental Scanning System
Danilo Collevecchio, Butera & Partners/IRSO
Giordano Ferrari, University of Perugia
Scanning the general environment for trends that affect the organization's mission is essential to developing an effective strategic plan. Environmental scanning system will increase management efficiency in dealing with uncertainties inherent in the future by anticipating change and influencing the future rather than by simply reacting to it. The scanning of international business environments is a very important step for reaching sustainable competitive advantages.

Strategic Control: The Role And Effect Of ‘Balanced Scorecards’
Torben Juul Andersen, Copenhagen Business School
Stig Hartmann, Copenhagen Business School
Strategic control remains an essential feature of the strategic management paradigm but has received little attention in strategy research. Hence, the balanced scorecard developed in management accounting has become a dominant approach to strategic control. This paper discusses the balanced scorecard approach in the context of different strategy perspectives and analyses how adherence to balanced scorecards may affect the strategy formulation process.

Information-Technology Based Tools To Address The Participation Dilemma In Strategic Formulation And Implementation
R Christopher Schroeder, Orange Consulting Group LLC
Steven T Sonka, University of Illinois-Urbana Champaign
Managers charged with organizing strategic process are challenged to engage large groups of stakeholders in the process while conducting processes where each participant has the opportunity to feel that their effort has made a contribution. This paper describes the innovative use of information technology-based tools to overcome some of the group dynamic issues that plague strategy process efforts. Two specific innovations are described and their use illustrated in an actual client setting. One tool captures, summarizes, and reports the attitudes and beliefs of each participant regarding the strategic issues the organization is addressing. The second innovation employs that information to engage participants in determining how the organization’s resources should be allocated to be consistent with the group’s determination of what is strategically important.

Getting To Know You: Relationships And Strategic Performance

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Integrating Strategic Management Of HR Issues As A Distinctive Capability In Successful IJV Formation Process
Nathalie Droin, University of Québec-Montréal
Susan Bartholomew Saunders, Queen’s University
International joint ventures (IJVs) are frequent mode of entry into global markets. However, IJVs often encounter performance problems and their success rate is notoriously low. Research links the success (and failure) of IJV to elements of firms’ HR management. While HR problems arise with their greatest force at the operational level, many of these problems are “planted” in UV formation process long before operations start. In practice, time devoted to HR issues in IJV’s planning process remains very small. Challenge is to shift the attention to HR issues from IJV operations to IJV formation process to address roots of problems before they grow. This study illustrates the integration of a “strategic HR approach” to UV formation process as a distinctive capability to form successful IJVs.

Does Social Networks Influence Performance? A Corporate Social Capital Approach To Performance Of University Of Start-Ups
Manuela Presutti, University of Bologna
Cristina Boari, University of Bologna
What makes a firm more successful than another? Strategic and organizational studies have long been interested in the search for the differential factors that affect performance of firms. In particular, the network perspective has gone a long way to inform us of the ways in which firm performance is affected by social structures and networks of organizations. The great bulk of research on the effects of networks is not, however, directly related to our central question of how embeddedness influences firm performance. In this paper, we are specifically interested in how and when a firm’s social interorganizational...
networks lead towards greater levels of performance. Our purpose is to integrate the accumulated knowledge in the social capital and strategic management frameworks in order to develop a paradigm that explains the link between inter-organizational social relationships and firm long-term abnormal performance.

Alignment Of Strategic Orientation And The Effect On Relationship Quality And Organizational Performance In Alliances
Curtis B Moore, Texas Christian University
Hadi Alhorr, Drake University
Barry A Macy, Texas Tech University

This study develops and tests a dynamic perspective of alignment between partnering firms' strategic orientations and its effects on alliance relationships and performance. It extends previous research on alliance partners' relationship and performance by empirically examining the potential positive effects of the partners' alignment of organizational orientation, operationalized by using the Miles and Snow (1978) typology we extend the partners' relationship-performance paradigm by examining the effects of strategic orientations alignments in Supplier-Buyer alliances. Hence, the model that we present examines the effects of strategic orientations of alliance partners to propose that an alignment in strategic orientation of the partners will be positively associated with relationship quality and, consequently, a positive increase in the performance/competitive advantage of the alliance partners.

WOMEN IN STRATEGIC MANAGEMENT: PROGRESS AND PROSPECTS FOR THE 21ST CENTURY

Panel Track C Salon I
Dawn A Harris, Loyola University-Chicago
Constance E Helfat, Dartmouth College
Marjorie A Lyles, Indiana University
Margaret A Peteral, Dartmouth College

On the 25th anniversary of the SMS, this panel session brings together experienced businesswomen and senior women scholars to highlight the achievements and shared experiences of women who have forged the way in strategic management. The session moderators will guide a conversation among the panelists and with the audience, including discussion of current challenges facing women in strategic management and possible approaches to dealing with these challenges. The session also will include new research findings on the representation of women in top management. The panelists include: the founder of a risk management company who single-handedly created a new industry segment, a veteran strategy consultant who recently joined the ranks of tenure-track academia, and two renowned senior women scholars in strategic management.

COLLABORATION WITH EXTERNAL PARTNERS IN KNOWLEDGE DEVELOPMENT

Paper Track J Salon II

Session Chair: Matthew B Semadeni, University of South Carolina

Virtual Customer Environments And Customer Involvement In Innovation And Value Creation: A Behavioral Perspective
Satish Nambisan, Rensselaer Polytechnic Institute
Robert A Baron, Rensselaer Polytechnic Institute

Organizations have deployed virtual customer environments (VCEs) to facilitate customer-firm partnering for innovation and value creation. The current study proposes a model of customers' value co-creation behavior (i.e., participation behavior) in VCEs. Data collected from Microsoft and IBM customers is used to validate the model. Results indicate the importance of customers' interaction experience in the VCE as a critical construct in analyzing and understanding their value co-creation attitudes and behavior. Based on the study findings, we offer a set of simple strategies (a) to enhance customers' overall interaction experience in the VCE and thereby their willingness to participate in value creation activities; and, (b) to enable organizations to incorporate the VCE as an integral element of their overall customer and product strategy.

Managing Distributed Innovation: Towards An Integration Of Product Development And Network Theory Perspectives
Satish Nambisan, Rensselaer Polytechnic Institute

This paper integrates concepts from product development and social network theory to examine innovation projects that involve multiple firms or a network of firms. Eight key elements of such distributed innovation (DI) environments are identified that reflect their underlying granularity, modularity, embeddedness, and openness. Propositions that describe the interaction effects among the DI elements as well as those that capture their implications on knowledge management, technology strategy, and governance in DI environments are offered. The proposed framework demonstrates the value of integrating the two areas of product development and network theory to inform on DI, and provide important directions for future research and practice.

Biotech Companies: Producing Knowledge, So What?
Rodolphe Durand, Groupe HEC-Paris
Vincent Mangematin, INRA/UPMF
Olga Bruyaka, EM Lyon

This paper studies the complex relationships between regional investments and exploration and alliance strategy on biotech firms' research outputs and profitability. Tested on the most comprehensive dataset on French biotechnological firms so far (307 companies, 1729 observations), results show that firm determinants predominate over regional effects, and that developing an alliance reinforces the research output of a biotech firm (the more so when the biotech firm focuses on exploitation). However, research outputs do not relate positively with profitability, raising the strategic dilemma for a firm to promise current versus future performance.

Changing The Exchange: The Co-Evolution Of Knowledge Creation And Interpersonal Exchange Networks
Margaret Ann McFadyen, North Carolina State University
Albert A Cannella Jr, Arizona State University
Matthew B Semadeni, University of South Carolina

While theory has long suggested that the configuration of knowledge workers' ego networks (i.e., interpersonal exchange networks) change over time, this assertion has remained largely unsubstantiated empirically. To this end, we explore the dynamic changes to the structural and relational dimensions of knowledge workers' ego networks. Three key questions structure our study: do knowledge workers' networks change over time; if so, how do they change; and what affects the changes. Our analysis provides empirical evidence that the configurations of knowledge workers' ego networks do change over time, the changes are systematic, and previously created knowledge moderates those changes. Our study is focused on knowledge workers (specifically, biomedical research scientists), but has implications for other settings as well.

Regaining The Balance Between Theory And Practice In Strategy Research

Paper Track C Salon III

Session Chair: Joseph W Peppard, Loughborough University

Research Designs For Studying Realized Strategies: A Review And Empirical Illustration
Ansgar Richter, European Business School
Robert Urlich, McKinsey & Company

Empirical research on strategy is often insufficiently closely aligned with the contemporary conceptual strategy literature. We bridge this gap by developing design conditions for empirical research on the realized (as opposed to the intended) strategies of organizations. We argue that empirical research should, first, take account of the dynamic nature of strategy, which materializes through successive resource allocations. Second, operationalizations of strategy should be amenable to the
Rumelt, Schendel, and Teece (1994) proposed four key questions to provide the strategy field with common objectives or goals. We chronicled strategic management’s progress in addressing these questions through an examination of articles published in the Strategic Management Journal. Additionally, the theoretical perspectives used to approach the four key questions were examined to evaluate the influence of other scientific fields on the strategic management field. Results based on a random sample of 300 articles published between 1996 and 2004 indicate the strategy field has placed more emphasis on the questions ‘how do firms behave?’ and ‘why are firms different?’ and that theoretical approaches grounded in strategic management research are most prevalent. Research addressing international strategy has fluctuated over the ten years while research addressing the scope and function of headquarters has received little research attention.

### Revisiting Strategy’s Fundamental Questions: Evaluating The Progress Of The Strategy Field

William E Gillis, Florida State University  
Sean P Lux, Florida State University

In this paper we argue that strategic management, as a discipline needs to re-examine the fundamental assumptions and structures that direct how we conceptualise, design, conduct and present research. A serious focus on knowledge poses such fundamental challenges to traditional theories that basic concepts such as how to define a market or a firm need to be rethought. We argue that as researchers we need to apply the principles of the “inside-out” perspective on our own thinking and practices if we are to really progress. To illustrate the problem, we analyse the notion of the knowledge-intensive firm as an increasingly popular organizational category and suggest a different approach to strategic management research.

### Knowledge Sharing Behaviour: Towards A Conceptual Framework

Peter Holdt Christensen, Copenhagen Business School

The main problem in intra-organizational knowledge sharing is believed to be that individuals are not willing to share knowledge. A central challenge is consequently to motivate individuals to share knowledge. Both intrinsic and extrinsic rewards and different organizational structures are applied to motivate individuals. In this paper I present a conceptual model of knowledge sharing behaviour to better understand why individuals share knowledge. The starting point is that knowledge sharing is an exchange, and within this framework knowledge is being exchanged with financial, organizational or social rewards. The conceptual model encompasses four types of knowledge sharing, and each type relates differently to, on the one hand, intrinsic and extrinsic rewards, and on the other hand - to traditional authority-based hierarchies and more trust-based communities.

### Free Knowledge Sharing In An Open Internet Community: The Case Of Wikipedia

Stephan Herting, University of St Gallen

In this paper, the concept of a private-collective innovation model that has been applied to Open Source Software projects will be used to analyze the case of the online encyclopedia Wikipedia. The work suggests that the implications drawn in a software development context hold as well in different community based collaboration contexts. Endorsing the generalizability of the concept, this work instigates further research to be conducted using the model in a company setting. Additionally, the paper gives rise to the question how the incentives used to explain knowledge sharing in communities should be under research.

### Achievements Of Intra-Firm Transfer Of Best Practices: The Case Of Amadeus

Alexandre Perrin, University of Nice Sophia Antipolis  
Nicolas Rolland, CERAM Sophia Antipolis  
Tracy Stanley, Amadeus

This paper takes up the challenges of looking at the issues of knowledge transfer in Amadeus a global travel service company. The value-added of this paper is to stress the factors impacting knowledge transfer in a global scale. The empirical study evaluated the effectiveness of a knowledge management program in achieving transfer in sales and marketing practices throughout the markets of EMEA and Latin America. 33 best practices were identified and transferred during our study. We look for indicators of knowledge transfer through the best practice forum process. Our study's findings revealed that there was a level of complexity and non-linear interconnectivity within and between these factors, which confirms that knowledge transfer is a complex, multifactor process relying on a number of interacting variables.

### Beyond Resource Imitatability: Resource Imitation And Competitive Environment

Flore Bridoux, Catholic University-Louvain

This paper starts from the argument that the resource-based view cannot completely understand resource imitation because the RBV assumes that all competitors that have the capability to imitate resources will act so. Relaxing this behavioral assumption, the paper discusses the motivational driver of resource imitation. It presents resource imitation as a strategic competitive move aimed at defending or improving the firm’s competitive advantage. Then, it points to the role of the competitive environment as motivational driver of resource imitation. One main contribution of this paper is to introduce the time dimension in the distinction between strategic and tactical moves to shed a new light on the core connections between resources and competitive environment.
TUESDAY

Firm-Level Heterogeneity And Persistent Differences In Innovation And Performance

Tammy L. Madsen, Santa Clara University

Many in strategy believe that variance in firm level factors, such as resources and capabilities, largely determines differences in firm performance. Given the importance of this assumption, one might expect that empirical research on capabilities and resources test this common belief. Yet, the fragmented empirical work on capabilities and resources often investigates how firm level factors increase or decrease performance or survival chances rather than how they contribute to competitive heterogeneity (e.g. enduring and systematic performance differences among close rivals) (Hoopes et al., 2003). This paper offers empirical evidence of how firm level factors contribute to persistent differences in the performance and innovative activity of firms competing in the global semiconductor industry from 1990-1999.

Business Models Heterogeneity And Heterogeneous Performances: An Explorative Study Of The Italian Telecom Industry

Paolo Boccardelli, Luiss Guido Carli University
Lucia Marchegiani, Luiss Guido Carli University

Under the premise that complementary resources may foster competitive advantage, this paper focuses on the dynamics that rule the accumulation of resources by joint different actors. In fact, the emergence of complex business systems calls for a shift in the theoretical approach that focuses on single firm’s mechanisms of accumulation of idiosyncratic resources. Indeed, where value and rents stem from a constellation of resources distributed among different actors, competitive advantage and above normal rents depends on the complementarity regimes, which affect the overall bundle of resources. Using the business model framework to explain heterogeneity among firms, we argue that complementary resources integrated in different business model settings respond to the need for networking and complementarity seeking, and are thus related to different outcomes.

Robust Imitation Strategies And Their Impact On Industry Dynamics

Olivier Furrer, Radboud University Nijmegen
Devanathan Sudharshan, University of Kentucky
Ramesh A. Arakoni, University of Illinois-Urbana Champaign

Strategic management is fundamentally concerned with environmental changes and organizational adaptations. One of the important way firms adapt their strategy is through imitation. The profound influence of imitation on industry dynamics is well established as an important issue to be studied. However, the question of which leader to follow has not yet been satisfactorily answered by the literature. To answer this question, we chose a simulation methodology to better understand the performance implications of following the industry leader, a strategic group leader, or a resource group leader. The objective of the simulations is to identify the most robust imitation strategy for a firm to follow given a level of uncertainty in its external environment and uncertainty about the value and inimitability of its resources.

BUSINESS MODELS AND VALUE CREATION

Resources And Dynamic Capabilities In Business Model Concepts: A Review Of The State-Of-The-Art

Saku Mäkinen, Tampere University of Technology
Marko Seppänen, Tampere University of Technology
Tomi Nokelainen, Tampere University of Technology

Concepts of business models have attracted significant attention in practicing community in recent decade and academic community has followed the suit in multiple disciplines. Even though the research on business model concepts has grown in recent years the concepts remain ill-defined and unambiguous. One of the reasons is that the concept itself is grounded in multiple disciplines. This has lead to confusion on multiple fronts like what business models try to achieve, how they should be constructed and what are these concepts created for. This paper reviews the current state-of-the-art in business model definitions and evaluates how current state-of-the-art in business model literature considers resources and dynamic capabilities.

Business Models Viewed Through A Value Logic Lens: Some Conceptual Insights

Norman T Sheehan, University of Saskatchewan
Vaidyanathan Ganesh, University of Saskatchewan

This paper outlines key business models options for firms. Inspired by Porter's logic that strategy is not about doing the same things better than rivals, rather it is about finding new competitive niches to dominate we outline three value logics, industrial, network and knowledge, and argue that value logic choices provide new avenues for competition. The paper offers a discussion of the how combinations of business logics change as industries evolve through time and suggests that firms that have exhausted economic rents from the use of a particular value logic should consider adopting a combination of other alternative value logics to effect strategic renewal.

Strategic Challenges For Differentiating Automobile Manufacturers Posed By Increased Modularization

Heike Proff, Zeppelin University

Modularization, defined as breaking down of a complex system into individual elements, has existed in the automobile industry for at least 20 years. Since the mid 1990's, automobile manufacturers have been pushing the separation of their products into modules, and have been standardizing the interfaces between these modules on a far more systematic scale than before this growing trend towards modularization occurred in phases. In the first section the theoretical grounding in the explanations on competence renewal is given. The methodology of the empirical study is presented in the second section followed by the empirical result in section 3. In section 4 the implication for management will be presented.

TUESDAY 17:15 - 18:30

Tuesday Sessions 17:15 - 18:30

Session Chair: Norman T Sheehan, University of Saskatchewan

Resources And Dynamic Capabilities In Business Model Concepts: A Review Of The State-Of-The-Art

Saku Mäkinen, Tampere University of Technology
Marko Seppänen, Tampere University of Technology
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BUSINESS MODELS AND VALUE CREATION

18:30 – 19:15

SMS BUSINESS MEETING
NARCISSUS/ORANGE BLOSSOM

19:30

25TH ANNIVERSARY DINNER AND CELEBRATION (Business Attire)
PALM BALLROOM
Explaining Firm Performance: The Symbolic Management Of Quarterly Earnings Announcements

Jo-Ellen Pozner, Northwestern University
Edward J Zajac, Northwestern University

This paper analyzes theoretically and empirically how firms seek to influence firm value and investor sentiment through the use of normatively appropriate explanations of their financial performance. Taking a symbolic management perspective, we discuss how and why certain types of language (justification and enhancement) are better suited to bad versus good news in firms' quarterly earnings announcements. We find support for this argument using data on 764 announcements from 369 NASDAQ-listed companies in the U.S. In addition to studying the antecedents of symbolic action, we analyze the consequences of such sense-giving techniques, and find that the stock market responds positively when earnings announcements are accompanied by appropriate language, but that securities analysts are less influenced by symbolic language.

The Social-Psychology Of Strategy

Paper
Track B
Camellia/Dogwood

Session Chair: Stephanie E Newell, Eastern Michigan University

Does It Pay To Be Nice? Organizational Care, Performance, And The Moderating Role Of Discretion

Donald O Neubaum, Oregon State University
Maureen K Ambrose, University of Central Florida

Macro-focused strategy research recognizes that employees are an important resource for competitive advantage. Little of this research, however, has empirically examined how this resource influences firm performance. In contrast, the micro-oriented organizational behavior literature has considered how organizational factors influence individual employee's performance, but has not empirically linked individual outcomes to firm financial performance. In this paper, we integrate these micro and macro perspectives and propose that organizational care (a climate of perceived organizational support) should be positively associated with firm performance and that this relationship will be stronger when employees have discretion or latitude of action. Results from 230 individuals across 30 firms show that organizational care was positively associated with future financial performance. This relationship was stronger for firms in high discretion industries.

Organizational Identity As A Strategy In Response To A Changing Environment: Examples From Ford And Toyota

Stephanie E Newell, Eastern Michigan University
Robert Goodman, Wagner College

In this paper we propose a model of strategic decision-making in which top management teams manage organizational identity during a period of environmental change. Specifically, this paper explores and contrasts the concept of sense-making as depicted in the narratives of Ford Motor Company and Toyota. These companies were chosen specifically because their identities and strategies are evolving as their positions in the global auto industry change. Finally, we discuss the potential implications of such a model for managers and practitioners through our analysis of Ford and Toyota. In particular, we discuss the ways in which managers attempt to manage and maintain a particular organizational identity influence their strategic choices in a period of changing environmental pressures and changing relationships with key stakeholders.

Attending Toward Innovation: An Attention-Based Model Of The Likelihood For Product Innovation

David Major, University of Maryland

In this paper, I connect theory supporting an attention-based perspective of organizations with established social-organizational theories of identity, culture, and design. I suggest that the collective focus of an
organization's decision-makers is dependent upon that organization's attention-structures. The extent to which those structures contribute to the strengthening of attentional focus yields implications for the likelihood of innovation by the organization. I further argue that in the event that innovation indeed occurs, the strength of the decision-makers' attentional focus also impacts the scope and frequency of innovations undertaken.

**Strategizing In Dynamic Situations: The Leadership Challenge**

Paper | Track E | Jasmine
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**Session Chair:** William Q Judge, University of Tennessee

**How Does A Firm Lose Its Entrepreneurial Innovativeness? A TMT Perspective**

Kun Liu, University of Utah
Jun Li, University of New Hampshire

Research has examined a fundamental paradox: how to maintain a firm's entrepreneurial innovativeness as it grows? We argue that the importance of structural attributes such as firm age and firm size may be overstated. Rather, the emphasis should be placed on assessing the evolution of a firm's cognitive capacity. We argue that the changes in TMT composition triggered by IPO events may lead to the dissipation of entrepreneurial innovativeness. Specifically, we examine the exit of technical managers, the exit of founders, the exit of long-tenure managers, and the entry of external managers are the key mechanisms that cause the dissipation.

**Organizational Capacity For Change And Strategic Ambidexterity: Flying The Plane While Rewiring It**

William Q Judge, University of Tennessee
Chris Blocker, University of Tennessee

Firms must deliver superior value to today's customers while also adapting to tomorrow's threats and opportunities that lie on the market's periphery. In more colloquial terms, strategic leaders must "fly the plane while rewiring it." This delicate balancing act represents a dilemma for many strategists. Research shows that at best, successful firms tend to excel at one strategic orientation or the other, but very few integrate these two strategic imperatives well. Given this challenge, we explore the role that a new dynamic capability, known as "organizational capacity for change," might play in positioning firms to achieve "strategic ambidexterity" which is conceptualized as the ability to adapt firm capabilities to simultaneously explore changing environments while exploiting existing market conditions.

**The Formation, Motivation, Skills, And Roles Of The Strategist: The Case Of Traveltec**

James Cunningham, National University of Ireland-Galway
Brian Harney, University of Cambridge
Eoin O'Dea, National University of Ireland-Galway

The strategy practice perspective has been the focus of increasing attention and research efforts. In order to develop this emerging field Whittington (2002) suggests that there are three fundamental questions that need to be addressed; who strategists are, how they get there and the skills they require. Utilising an in-depth longitudinal case study supplemented by a series of focus groups this paper attempts to answer these three fundamental questions. In advancing the practice-based approach to strategic management the authors develop a conceptual framework, which explores the formation, motivation, skills, and roles of the strategist. Attention is drawn towards the importance of the strategist's cognitive frame of reference as a critical basis of strategy formation.

**Processing Knowledge In Strategic Change: The Case of a Cooperative Financial Services Perspective**

Tristan Krautz, La Trobe University

This paper investigates the nature of the strategic decision process in the context of two cooperative financial service providers. The findings describe a process of dynamic and incremental consensus building. The dynamic consensus allows the senior manager to make sense of the organisation and its environment through a process of reiterative confirmation/disconfirmation. This process enables the senior manager to construct their perception and understanding of the organisation and its environment and, it is through this constructed reality that the senior manager engages the strategic decision process.

**Managing Regulatory Influences On Corporate Strategy And Structure**

Sebastian Frankenberger, University of St Gallen

The significance of the environment for an organization and its strategy is commonly accepted among scholars, however, there are two opposed paradigms as to what extent the course of the firm is determined by the management team or by the environment. In this context, the roles of different actors internal to the firm have been widely discussed while external actors have only received sporadic attention. Using a neo-institutional perspective, we elaborate on the effects and reactions of corporations when facing regulatory involvement. After discussing internal and external response strategies we present an integrative framework for a strategic management of market and non-market components that includes both internal and external actors.

**Scenarios As Knowledge Transformed Into Strategic Representations: A Foresight Study Of Business Schools In Europe**

Thomas Durand, École Centrale Paris
Stéphanie Dameron-Fouquerie, University of Paris-Dauphine

How does strategy build upon knowledge existing in organizations? We argue that some form of meta-knowledge, representations, stem from knowledge through a complex transformation process. The task of the strategists is to digest the many pieces of knowledge, which resulted from various learning. The paper first presents a theoretical framework based on the concept of social representations before arguing that scenarios are typical representations. The case of a foresight study about the future of business schools in Europe is then presented. The study was conducted through a literature review, interviews in Europe and North America and a working party who helped build scenarios. The case study confirms that "representing" (the process of representation) is more important for the strategist than the resulting "representations".
studies. The findings show differences in each of the organizational factors examined. Overall independent firms performed better than subsidiary firms. In addition, they placed less emphasis on dimensions of the strategy-making process, faced more implementation barriers, and were more likely to have a transformational style of management.

**How Do Performance Measurement And Management Systems Impact Business Performance? A United Kingdom Cross-Regional Comparison**  
Veronica Martinez, Cranfield University  
Michael Kennerley, Cranfield University

This research investigates the effects of performance measurement and management systems on a U.K. energy supplier using contingency theories. It compares the effects of PMMS on three regional units. At this level of analysis, the evidence shows that positive effects of PMMS reside on three main sets: 1) organizational capabilities; 2) organizational behavior; and 3) operational performance. Meanwhile, the main negative effect resides on the bureaucracy on the design of measures. The findings suggest that the maturity of the PMMS positively affects operational performance and process innovation. In addition to the corporate leadership and commitment as two-factors that supports the successful performance of these regions; the local leadership stands out as a key factor to motivate organizational behavior and drive operational improvements.

**An Organizational Model Of Attitude Change**  
Luis Almeida-Costa, Nova University of Lisbon  
João Amaro de Matos, Nova University of Lisbon

The alignment of collective goals and individual behavior has been extensively studied under a principal-agent framework. Two main solutions have been presented: explicit incentive contracts and monitoring. These solutions correspond to changes in the objective situation faced by individuals. However, behavior is influenced, not only by situational constraints, but also by attitudes. Attitudes are summary evaluations of persons, objects or ideas, along a dimension ranging from positive to negative. Therefore, an important dimension of organization is to choose the structures and procedures that best contribute to the dissemination of appropriate attitudes. This paper uses a dynamic model of attitude change to study the relationship between organizational structure, the timing of information flows and the process of formation of attitudes.

**The Strategic Transformation And Management Of Organizational Identity**  
John M Amis, University of Memphis  
Abigail L More, University of Memphis

The purpose of this paper is to further theoretical and practical understanding of the processes by which organizational identity is changed and subsequently managed as a strategic resource. Data were collected over a three-year period from interviews, participant and non-participant observation, and documentary analyses. From these data, a longitudinal case study was constructed to provide insight into the transformation of identity following the relocation of the Vancouver Grizzlies to Memphis, Tennessee. From this, we conclude that organizational identity is constructed through the dialectical interaction of the organization's image, reputation, culture, and external networks. The subsequent conceptualization of organizational identity as a dynamic resource capable of proffering a competitive advantage is discussed.

**ADAPTING TO INTERNATIONAL ENVIRONMENTS**

**Why Do Foreign Affiliates Network? Foreign And Local Financial Service Firms In London**  
Lilach Nachum, City University of New York

I argue that foreignness and multinationality affect firms’ needs for complementary assets sought via inter-organizational interactions and their ability to establish such relationships. Hence, foreign affiliates represent a special case in the use of networking as a means of organizing value added activities. Combining network theories with the theory of the MNE I advance hypotheses that specify the nature of these differences. Comparative analyses show that foreign affiliates network considerably less than local firms, and for somewhat different reasons. I stress the importance of these findings to the understanding of the MNE as a distinctive organizational form, and bring the study of the advantages that foreign affiliates gain from networking as an important topic for future research that follows from this study.

**Successful Adaptation To Regulatory Punctuations Among Multinational Banks: The Case Of The Mexican Banking Industry**  
Luis Perez-Batres, Texas A&M University

Radical transformations of the business landscape have taken place as a result of globalization and technological advances. However, the studying of multinational firms’ strategies and characteristics that facilitate or hamper firm performance, under radical environmental change, have not received enough attention (Keister, 2002). This paper offers theoretical and empirical insights about the strategies and characteristics of multinational banks operating in a third host market, after radical environmental changes have taken place. The results show that multinational banks that formed alliances with local partners outperformed those multinationals that did not. Also, the study sheds light on the importance of sociopolitical-relational ties between home and host countries; particularly interesting is the fact that geographical and commercial distances seem to be as important as cultural distance.

**Unraveling The Mechanisms Of Strategic Adaptation: A Longitudinal Study Of Chinese High-Technology Firms 1995-2003**  
Xiaohui Lu, University of Pennsylvania  
Xun Wu, University of Pennsylvania

This paper studies the role of different institutional, organizational and managerial characteristics in accelerating or hindering high-technology firms’ pace of strategic adaptation toward a higher level of technology orientation in the context of China’s transitional economy. Drawing on a unique longitudinal data of firms in the Zhongguancun Science Park (China’s Silicon Valley) from 1995 to 2003, we find that: 1) marketing experience constrains a firm from rapidly adapting toward technology orientation; 2) firms that are open to global influence by exporting and hiring employees with overseas experience exhibit higher rate of strategic adaptation; and 3) the managerial background plays an important role with a negative effect of CEO tenure and a positive effect of high education on adaptation.

**ENTREPRENEURSHIP: THEORY AND NEW DIRECTIONS**

**Firms, Incentives, And Property Rights**  
Veneta Andonova, ITAM  
Hernando Zuleta, ITAM

Generally, the quality of the business environment and its basic ingredient, the security of entrepreneurial investments, is taken as given in the profit-maximization problem of the firm. We argue that this assumption is a strong simplification of the reality, where firms’ compensation schemes and organizational structure are affecting endogenously the quality of business environment by changing the stakes of engaging in expropriation activities versus respecting the status quo. Incentive compensation contracts, efficiency wages and cooperative-like organizational structures increase the incentives of the workers to engage in activities supportive to the established status quo and curb incentives to challenge it. By using these mechanisms, firms might not only be able to control the internal principal-agent problem and become more competitive, but also to trigger an endogenous change in the investment climate in hostile business environments.
Long-Term Performance Of Serial Entrepreneurs In The Film Industry: Achievement Level, Experience, Ideas, And Networks

Christian Lechner, ESC Toulouse
Michael J Dowling, University of Regensburg
Florian Kirschenhofer, ESC Toulouse

This study examines the influence of multiple factors on the success of serial entrepreneurs. Research on strategic management and entrepreneurship deals with the long-term performance of organizations. In this study, we develop a framework for the long-term performance of serial entrepreneurs that includes the following factors: 1) Changing achievement level; 2) quality of ideas over time; 3) experience effects; and 4) the influence of social networks. Based on this framework we developed a series of hypotheses and tested them with a sample of 87 serial entrepreneurs and more than 400 movies in the Hollywood film making industry. The results have important implications for entrepreneurs and firms working in turbulent environments.

Two Theories Of Entrepreneurship: Alternative Assumptions And The Study Of Entrepreneurial Action
Sharon Alvarez, Ohio State University

Entrepreneurship has fascinated scholars for over two centuries. During this time, a variety of theoretical perspectives have been used, first, to define what constitutes entrepreneurial behavior, and second, to explain the evolution of that behavior in the economy. These different theoretical perspectives have often adopted a variety of assumptions. While different explanations of entrepreneurship have adopted different theoretical assumptions, most of these assumptions concern three central features of entrepreneurial phenomena: the nature of entrepreneurial opportunities, the nature of entrepreneurs as individuals, and the nature of the decision-making context within which entrepreneurs operate. The purpose of this paper is to investigate how different sets of assumptions about opportunities, entrepreneurs, and the decision-making context within which entrepreneurs operate combine to create alternative theories of entrepreneurship.

Social Entrepreneurship: Strategic Innovation And Societal Wealth Generation
Francesco Perrini, Bocconi University

Comparing current academic literature and practitioner reports, this study presents Social Entrepreneurship (SE) from an innovative point of view. It considers SE as an intersection among entrepreneurship, strategic innovation and social issues aimed at both guiding and generating societal wealth. The paper tries to understand where does SE come from, what does SE mean, how do SE work and how are they managed, who are Social Entrepreneurs. Then, it analyzes a sample of 65 Social Enterprises that have been identified as social initiatives by the literature. It tries to uncover common behaviors among the analyzed SE in order to obtain a conceptual framework. The analysis is performed by focusing on four areas in order to find commonalities: mission statement, opportunity identification, business model, and society benefits.

Open AND TEAM INNOVATION

Paper Track J Salon II

Session Chair: Michael DeVaughn, University of Minnesota

Dominant Logic And Cognitive Dissonance: A Closer Look At A Major Challenge For Open Innovation
L Felipe Monteiro, London Business School

A key challenge many firms are now facing is how they can reach outside their own four walls for the ideas they need, i.e., how they can develop the capacity for “open innovation”. Using the concept of dominant logic and applying cognitive dissonance theory to the organisational level, this paper suggests that firms tend to focus their attention on external ideas that simply perpetuate their current competitive strategies and reinforce their existing priorities, neglecting ideas that are dissonant to their dominant logic. It is also proposed that if firms really aim at more than merely incremental innovation they need to develop the ability to incorporate dissonant ideas to their innovation process.

Open Organizations: Emergence And Strategic Implications
Andre Guimaraes, Think International LLC
Alan B Eison, Pace University
Helaine J Korn, City University of New York

We describe the concept of ‘open organizations’ as a new distinct and important organizational form by addressing three fundamental questions: 1) why is the new form different from existing forms such as markets, hierarchies, and clans; 2) how has the new form emerged; and 3) what are the strategic implications of this new form. Drawing mostly from organizational sociology and transaction cost economics literatures we address the first question while assembling a comprehensive framework based on received theory that serves as a guide to students of new organizational forms. We describe the emergence of open organizations in light of its environment and the literature and, lastly, we argue that the emergence of open organizations brings strategic implications to other organizational forms and deserves further study.

Prior Shared Experience Working Together: Key To New Venture Team Success?
Michael DeVaughn, University of Minnesota

Using a sample of new start-up national banks between 1996 and 2000, I investigate the impact of prior shared experience working together in a high level policymaking capacity at a previous firm on several short-term performance outcomes. In addition, I empirically examine the previously purported underlying mechanisms of shared experience working together (i.e., transactive memory, efficiency and opportunities to jointly create new knowledge), an underexplored research domain in the literature. This study contributes to the learning and knowledge management literatures by both operationalizing and measuring prior shared experience in a more precise manner than previously done before. This research also contributes to the entrepreneurship literature as well by suggesting that prior shared experience should also be considered among the locus of tangible initial resources that can impact the development of the new venture.

Modularity As An Entry Strategy: The Invasion Of New Niches In The LAN Equipment Industry
Stefano Brusoni, Bocconi University
Roberto Fontana, Bocconi University

This paper focuses on niche entry patterns in the LAN equipment industry. We analyze a data-set of 1,071 equipment (hubs and switches) marketed during the 1990s. Modularity emerged as a design strategy supporting incumbents’ entry in new niches in the hub segment. However, after switches emerged as an alternative to hubs, incumbents relying on a modular hub strategy were overtaken by a new comer (Cisco). The fastest followers were incumbents that had not previously relied on modular hub architectures. We argue that modularity offers advantages of speed when changes occur within established boundaries. However, it also generates a ‘tunnel effect’ preventing firms from developing products based on different problem-solving strategies. Such changes are more easily introduced by firms relying on less tightly defined modular design rules.

The Relative Value Of Resources Versus Capabilities: Acquisitions In The Chemical Products Industry
Annetta Fortune, Drexel University
Lois Marie Shelton, Chapman University

From a resource-based perspective, the implications of the shift from an industrial age to an information age generate questions regarding
the influence of resources versus capabilities on firm performance in the "new" economy. We investigate whether acquisition targets within the chemicals industry differ in the possession of intangible resources (outputs) versus research capabilities (processes) relative to the industry average. Since acquisition outcomes create different implications in the evolution of firms and firm specific characteristics, the investigation of these outcomes from a resource-based perspective also engages the study of business dynamics, or how business changes in the face of constraints. Hence, this study addresses a contemporary question and demonstrates the applicability of resource-based thinking within the context of organizational change and evolution.

How Long Does It Take To Build Corporate Capabilities For Conducting Alliances And Acquisitions?
Asli Musaoglu Arikan, Georgia State University
Anita McGahan, Boston University
Corporate deals have been studied extensively for large and established firms. This empirical study assesses the amount of time required for stock prices of 3595 recently IPOed firms in 1988-1999 to reflect the expectation that firms have corporate capabilities for conducting alliances and acquisitions. Examining stock-market reaction to alliances and acquisitions, which were executed in 1988-1999, by newly public firms allows us to track changes as firms do their first deals and then accumulate deal experience and to show from the earliest years of firm formation how quickly corporate capabilities developed - and investors reacted. The results suggest that stock prices quickly adjust because firms build capabilities to conduct particular types of deals, or because investors expect firms to pursue deals of particular types, or both.

What Does It Take To Be A Good Parent?
Oliver F Gottschalg, Groupe HEC-Paris
Degenhard Meier, RWTH Aachen
This paper explores the mechanisms through which the corporate center in an unrelated multi-business firm is able to interact with business units from a variety of industries in a rent-generating fashion. We argue that slack headquarter resources are the driving force behind the move to match these resources with the needs of potential target business units. As such, they determine the direction of unrelated diversification. We then examine the case of LBO Associations as one type of unrelated multi-business firm and develop hypotheses regarding the mechanisms through which the investing private equity firm adds value to the acquired portfolio companies (as business units). We then consider the moderating effect of: (a) relevant competencies of the PE firm; and (b) the need of the acquired units on these hypotheses. We test our predictions on a sample of 101 European LBOs and find general support for our argument.

Managing Intangibles And Stakeholder Reputation

Paper Track F Salon VII

Session Chair: Desiree Pacheco, University of Colorado-Boulder

Exploring Industry Reputation In The Italian Banking Sector
Davide Ravasi, Bocconi University
Charles J Fombrun, The Reputation Institute
Elena Dalpiaz, Bocconi University
In this paper, building on an exploratory study of the collective reputation of Italian banks, we develop a framework for understanding industry reputation. Our research relied on several data sources - a large scale survey, archival data, and in-depth interviews - and benefited from the involvement of the authors in a broad project launched by the association of Italian banks to assess and improve the collective reputation of the industry. Our findings show how collective perceptions and representations of industry may differ from those of companies and illustrate how industry reputation may influence value creation at individual and collective level by affecting decisions and actions of various constituents.

The Role Of Intangible Resources In Mediating The Relationship Between Social And Financial Performance
Josep Antoni Tribó, University of Carlos Ill-Madrid
Jordi Surroca Aguilar, University of Carlos Ill-Madrid
This paper studies the causal relationship between corporate social performance and corporate financial performance under the light of the resource-based view of the firm. We hypothesized that there is no a positive causal relationship between both performances measures and only an indirect connection that relies on their mutual connection with a firm's intangible resources. We prove our theoretical contention making use of a database composed of 634 companies all over the world.

The Impact Of Reputation On IPO Performance
Leyland M Lucas, Morgan State University
dt ogilvie, Rutgers University
Through its value in the marketplace, heterogeneous distribution among firms, and the ambiguity of its creation, reputation has provided a basis for sustained competitive advantage and superior financial performance. This research adds to the research on reputations by examining its impact at several levels on IPO performance within the Dotcom sector. Anecdotal evidence suggests that IPO performance is dominated by different reputational effects at the various levels of analysis. Our study asserts that reputation has both a signaling and screening effect that influences IPO performance in the marketplace.

Escape From The Green Prison: Pioneering Strategies For Competitive Advantage Through Environmental Performance
David S Payne, University of Colorado-Boulder
Thomas J Dean, University of Colorado-Boulder
Desiree Pacheco, University of Colorado-Boulder
Firms are under increasing pressure to respond to stakeholder demands for improved environmental performance (EP), i.e. business activity conducted toward the improvement of the natural environment and the enhancement of social welfare. However, EP actions often come at a cost to the firm, and are thus constrained by the competitive imperative. The result for many firms is a decision paradox, akin to game theory's prisoner's dilemma, which we call the green prison. Employing theory from institutional economics and evidence from the growing body of EP research, we explore the green prison concept, including its effects on society and on the corporate competitive environment. We identify a unique set of corporate strategies that can help firms "escape" from the green prison and achieve competitive advantage.

Green Supply-Chain Management And Competitive Advantage
Su-Li Lin, I-Shou University
Cheng-Kai Hu, I-Shou University
Since environmental issues have caught attention of academic literatures, scholars in the strategy field and practitioners during this decade, enterprises face a great deal of pressure from rivals, customers and suppliers respectively in the competitive landscape. Specifically, complying with requirements of customers within the industrial network, most enterprises should follow national and international ecological regulations. Admittedly, they cannot remain internally focused as if they had blinkers on their corporate vision and that is why environmental issues no longer stop at the regulatory boundary but are necessarily boundary-crossing concerns. The paper explains the concept of green supply-chain management (GSCM) as a tool of competitive advantage. The practical application of GSCM is adopting a case sample of TFT-LCD Corporation. Strategic implications of GSCM for competitiveness are explored.
Wednesday Sessions 08:00 - 09:15

Governance: Process and Strategy

Paper Track G Salon VIII
Session Chair: Gavin J Nicholson, University of Queensland/Competitive Dynamics

Governance Choices, Capabilities, and Entry Into A New Market

Valérie Claude-Gauillier, Audencia
Bertrand V Qt, Groupe HEC-Paris

This paper investigates the case of market entry strategies following the introduction of a disruptive innovation. Recognizing that market entry strategies have been envisioned in the literature as a discrete phenomenon, we develop an empirical framework that portrays these strategies as a capability building process. We test our model in the setting of the online brokerage industry by using a sample of 897 moves made by 98 firms over a seven-year period (1994 to 2000). Alliances appear to play a limited role while market transactions are widely used. By suggesting that the entry into a new industry is not a discrete phenomenon, our research should lead the path to additional research on this topic.

Social Ties In The Board Of Directors As A Strategic Asset

Francisca Silva Torrealba, Catholic University-Chile
Nicolas S Majluf, Catholic University-Chile
Ricardo M Paredes, Catholic University-Chile

The effect of business groups on economic performance is controversial, both theoretically and empirically. We hypothesized that the seemingly contradictory empirical results can be explained by the differentiated governance structure of the business groups and, in particular, the role of social ties (family ties and interlocking directorates). Using a sample of Chilean firms, we analyzed the effects of social ties on the economic performance of firms affiliated to business groups. Our results support the hypothesis that the ownership-control structure (i.e., economic rights and voting rights) affects performance both directly and in interaction with social ties. Social ties improve performance when the concentration of voting rights is low, and when the voting rights of the controlling shareholders are aligned with their economic rights.

Boards Behaving Strategically: It's Process That Matters

Kevin Hendry, University of Queensland
Gavin J Nicholson, University of Queensland/Competitive Dynamics
Geoffrey C Kiel, University of Queensland
Carolyn Barker, Australian Institute of Management

Research efforts into the role of the board in firm strategy have suffered from the lack of an overarching theoretical perspective. While agency theory, resource dependence theory and the passive-active continuum approach provide valuable insights into the board's strategy role, none of these perspectives adequately explains this role. We outline a new, integrative theory, one that is based on organisational control theory, but also draws on resource dependence and agency theories. This integrative theory argues that a board's involvement in strategy may be measured according to two dimensions of board process - strategic control and financial control - and that the extent to which either is favored depends on firm and board context. We present qualitative and quantitative research in support of this theory.

Board Of Directors: Strategic Processes And Changing Role

Kamal Bouzina, University of Quebec-Montreal

This Pilot study explores the new role of the board of directors, which exceeds the traditional 'fiduciary' concerns and tends to involve a more active role that deals with strategy formation processes, resource allocation and decision-making processes of the firm. Considering the governance issue from this broader perspective, I investigate how boards of directors provide input to the strategic processes and the ratification of the resource allocation decisions. I also examine how directors collect, understand, assess and use financial and strategic information to ratify the decisions or propositions submitted to them by the management, and finally, what factors underpin the choice of a specific set of information. I propose a theoretical model articulated around two axes: Director's role and organisational level.

09:15 – 11:00 POSTER SESSION INTERNATIONAL FOYER

Rational Adaptation Or Environmental Selection? An Empirical Test Through A New Lens (Track E)

Jifeng Yu, Georgia State University
Yijia Lin, Georgia State University

Past studies in organizational adaptation tried to judge organizational flexibility with an incomplete criterion of whether firms change or not. However, evidence shows that organizational change and organizational flexibility are not identical concepts. Building on the internal fit and external fit argument (Siggelkow, 2001), we propose two new criteria to evaluate organizational adaptation, strategy dynamics and strategy simultaneity. Based on these two criteria, an empirical test was conducted with data from the U.S. property & casualty insurance industry to join the debate between rational adaptation perspective and environmental selection perspective. Specifically, two simultaneous equation models were applied to compare insurers' reactions to two different types of catastrophe events (natural catastrophes and terrorist attack). The findings show strong support for the rational adaptation perspective.

Technological Core Transformation Through Collaboration: The Role Of Exploration And Exploitation Alliances (Track F)

Frank T Roethaemel, Georgia Institute of Technology
John Hagedoorn, University of Maastricht
Nadine Roijakkers, University of Maastricht

Drawing on the exploration-exploitation framework of organizational learning, we study the effect of strategic alliances on the technological core transformation of incumbent firms faced with radical innovation. We theorize that an incumbent firm's strategic alliances with providers of the new technology can be categorized as being focused primarily on exploration or exploitation. We further hypothesize that an incumbent firm's exploration alliances have a positive effect on its technological core transformation, while its exploitation alliances have no effect. Moreover, we hypothesize that R&D partnerships, due to their enhanced focus on research, are more significant in predicting technological core transformation than R&D joint ventures. We test these hypotheses on a comprehensive longitudinal panel dataset documenting the transformation of the global pharmaceutical industry to the new biotechnology paradigm.

Influences On Firm Heterogeneity: Evidence From The Rural Telecommunications Industry (Track L)

Anne D Smith, University of Tennessee
Jacqueline N Hood, University of New Mexico

In this study, we explored influences on small business strategic choices. Our study focused on the U.S. rural telecommunications industry and the scope of their product offerings in local markets. These firms faced deregulating industry conditions, which afforded them the opportunity (and risks) to undertake new product offerings. We considered three perspectives to understand firm heterogeneity in this industry. We evaluated if differences in product scope were the result of enduring organizational features from initial conditions, local environmental factors, or managerial actions to create advice networks. In a hierarchical regression analysis, we found that initial organizational conditions (i.e., firm size before deregulation and type of ownership) and executive advice networks (both external and internal to the firm) had significant and positive effects on product scope.
The Implications Of Complementarity On The Structural Evolution Of Industries (Track F)

Michael J Lenox, Duke University
Scott F Rokart, Duke University

Critical to the field of strategic management is a fundamental understanding of how the structure of industries evolves over time. At any point in time, the distribution of profits in an industry is intricately linked to the number of firms in the industry, the concentration of those firms, and entry and exit rates. The sustainability of above-average returns depends critically on how these industry factors evolve. Across a number of literatures, a robust set of empirical regularities has been observed with regards to industry evolution. While a number of theories have been advanced to explain these patterns, in this paper, we advance our understanding of industry evolution by creating a simple, tunable model of competition in the presence of complementarity in the production function.

Founder Overconfidence: The Effects Of A Cognitive Bias On Resource Acquisitions And Strategic Planning (Track L)

Anthony Robinson, Georgia State University
Alice J de Koning, Georgia State University

Overconfidence is a cognitive bias that simplifies the decision-making process where limited or equivocal information complicate decision-making processes. As such, it often has profound implications for venture creation and growth, both positive and negative, due to the novel and uncertain contexts of entrepreneurial decision-making. We argue that while the detrimental effects of overconfidence have been explored in extant entrepreneurial literature, the paradoxical and often simultaneous beneficial effects of overconfidence have not been adequately investigated. This research explores the positive and negative effects of overconfidence on new venture performance. We argue that overconfidence will positively affect the commitment of resources by resource owners through a contagion effect. Simultaneously, it will be negatively associated with effective strategic planning resulting in offsetting performance impacts.

Taking Business Seriously: Applying Quantitative Case Analysis To Business Performance (Track C)

Richard H Franke, Loyola College-Maryland

Business disciplines ranging from accounting, statistics, and economics to marketing, finance, and management provide a wealth of ideas and techniques. However for practice in business, as in other scientifically based professional fields such as engineering and medicine, there are gaps of knowledge in each sub-field, and also difficulties in combining disciplines. The most important gap is the requirement for clear definition and inflation-adjusted measurement of performance, the first step for developing strategic management. Results from quantitative case analyses of real profitability over three to five decades for several dozen American and German firms provide replicated (general) findings similar to Buzzell and Gale's real performance appraisals of business units. Real market value also is measured and explained over decades. General strategy principles are derived from the QCA technique developed for analysis and control of business organizations.

09:45 – 11:00 PARALLEL PAPER/PANEL SESSIONS

THE THEORY OF THE FIRM IN STRATEGIC MANAGEMENT: EFFICIENT BOUNDARIES AND PERFORMANCE IMPLICATIONS

Session Chair: Andrew J Ward, University of Georgia

Towards A Property Rights Foundation For A Stakeholder Theory Of The Firm In Strategic Management

Joseph T Mahoney, University of Illinois-Urbana Champaign

This paper suggests that due to the changing nature of the firm in today’s business world, viewing shareholders as the sole residual claimants is an increasingly tenuous description of the actual relationships among a firm's various stakeholders. Thus, a shareholder wealth perspective is increasingly unsatisfactory for the purpose of accurately answering the two fundamental questions concerning the theory of the firm; that of economic value creation, and the distribution of that economic value. The thesis of this paper is that examining the firm from a property rights perspective of incomplete contracting and implicit contracting provides a solid economic foundation for the revitalization of a stakeholder theory of the firm in strategic management and in expanding the resource-based theory of the firm.

Why Do Firms Exist And Is This Question Germane To A Theory Of Strategic Management?

Angelina Zubac, University of Adelaide
Graham L Hubbard, University of Adelaide
Lester Johnson, Melbourne Business School

This paper argues that a theory of strategic management must explain why firms exist because its must explain why some firms can persistently outperform other firms, which infers an explanation for firm competitiveness and, in turn, why firms exist. However, the explanations currently used for firm existence in strategic management do not adequately examine why firms must compete. They tend to be too focused on why firms are different to markets rather than why firms need to assert themselves within an extremely complex institutional environment, or why firms often have inconsistent performance expectations imposed on them over their lifetime. To counter this, we develop the view that firms predominantly exist to satisfy the payment demands of their owners, over time frames that are similarly satisfying.

The Transaction-Based View Of Competitive Advantage

Allen Amason, University of Georgia
Andrew J Ward, University of Georgia
Kenneth J Park, University of Georgia

Despite the attention given to competitive advantage over the past two decades, there is still much that remains unclear. The purpose of this work is to provide additional focus and clarity by suggesting that competitive advantage occurs, and so is best understood, at the level of the individual transaction. To define and develop the concept of a transaction based view (TBV) of competitive advantage; we draw from the resource-based view, from industrial economics, and from behavioral economics to identify the actual events that lead to superior performance. The result is a transaction-based view of competitive advantage that, while rooted in our existing views, offers a fundamentally different perspective, and solves many of the dilemmas posed by more traditional views.

A Contract-Based Theory Of Strategic Management

Peter S Ring, Loyola Marymount University

During the past quarter of a century, scholars contributing to the field of strategic management have built their arguments on concepts, theoretical
perspectives, and empirical findings primarily derived from the disciplines of economics, sociology, and psychology. More recently, law, sociology and political science have been found to provide insights. In this paper, I will develop and argument that the concept of contract as developed within the discipline of law provides an approach to integrating many of the insights that research grounded in these disciplines has produced into a coherent theory of strategic management.

**DEVELOPING THE THEORETICAL BUILDING BLOCKS OF ORGANIZATIONAL CAPABILITIES**

**Organizational Capabilities: In Search Of Micro-Foundations**

Teppo Felin, Emory University
Nicolai J Foss, Copenhagen Business School

During the last decade, strategy scholars have increasingly converged on organizational capabilities as a key construct. We do not reject the notion of organizational capabilities per se, but argue that a number of explanatory anomalies in capabilities-based work are due to much of capabilities-based work being based on collectivist notions that sidestep critical individual-level considerations. Therefore, we call for an increased emphasis on how these collective structures (such as organizational capabilities) originate and change as a result of individuals and individual actions. The arguments are developed by drawing on seminal work in the philosophy of social science, particularly the discussion between methodological individualism and collectivism.

**Tautology, Managerial Relevance, And Predictive Power Of RBV The Neglected Content Dimension Of Organizational Capabilities**

John Gibe, Lund University
Niklas Hallberg, Link University

This study examines “capabilities” in the conceptual and empirical literature’s, to reveal whether indeterminateness of value is a problem within RBV, as suggested by the recent tautology debate. Conceptual studies typically relate to capabilities in terms of the desired ends of their use, whereas empirical studies conceptualize capabilities as composite constructs with desired ends and content-oriented elements. This difference is not coincidental, but reflects lack of clarity in RBV with regards to capability properties. Strikingly, major RBV works provide little input to the methodology of capability conceptualization. We propose that cross-fertilization with content fields enables examination of capabilities independently of performance. A clearer separation between the variables of the RBV equation would improve its predictive power and provide clearer management implications.

**Why The Resource-Based And Dynamic Capabilities Views Defy Integration**

J W Stoelhorst, University of Amsterdam

The purpose of this paper is to demonstrate that the RBV and dynamic capabilities view should be seen as two separate theories that complement each other but defy integration. The paper shows that the neoclassical logic that underpins the RBV is incompatible with the evolutionary logic that has inspired the dynamic capabilities view. In so doing, the paper clarifies the explanatory structure of the RBV and the dynamic capabilities view and shows that each addresses an essential part of competitive strategy, but that attempts to integrate them are misguided. The paper concludes that the development of a theory of strategic management is best served by not seeing the dynamic capabilities view as a replacement or extension of the RBV, but as a self-contained evolutionary theory that should be further developed to complement the RBV.

**Competitive Advantage And A Resource-Optimal Theory Of The Firm**

Mark H Hansen, Brigham Young University

Competitive advantage and superior economic performance have become the central concerns in the study of strategic management. This paper questions whether these constructs should occupy such a central role. Specifically, assumptions of the scarcity and immobility of resources are questioned. A resource-optimal theory of the firm is proposed which holds that owners of resources are primarily concerned with the optimal deployment of resources as opposed to competitive advantage vis-à-vis competitors. The model also proposes that owners of resources are concerned with achieving satisfactory economic performance as opposed to superior economic performance. The model recognizes that all ‘firm resources’ may not be owned by the firm. The theory is tested using a multiple case analysis of three firms.

**KNOWLEDGE IN AND AROUND ORGANIZATIONS**

**Knowledge Archetypes: A Configuration Approach To The Dynamics Of Firm Level Knowledge**

Mark Jenkins, Cranfield University
Véronique Ambrosini, Cranfield University
Nardine Collier, Cranfield University

While there has been exponential growth in the work on the nature of organizational knowledge, relatively little progress has been made in terms of understanding the way knowledge specifically impacts on the firm and the resulting implications for theory, organisation, management and performance. This paper aims to further knowledge in this field, by developing a series of archetypes to represent some of the ways that knowledge is configured in organisations, and to provide a basis for identifying complementarities and conflicts regarding the dynamics and appropriation of organisational knowledge in competitive settings. It examines the relationship between these knowledge archetypes and the dynamics of knowledge within and beyond organisational boundaries. Finally implications for the appropriability of knowledge, and generation of rents by ‘knowledgeable’ firms, are considered.

**Organizational Memory: Conceptual Framework And Empirical Operation At Individual And Group-Level**

Kim-Chi Trinh, Duke University

This paper proposes a conceptual framework of organizational memory and demonstrates its empirical operation. Conceptually, organizational memory includes non-codified and codified information stored in personal, organizational, and external archives that a firm can bring to bear on current decisions. Empirically, the study assesses memory on three topics (marketing environment, market segmentation, and financial analysis) stored in two archives (users’ personal archives, plus organizational archives comprising other experts and reference manuals). The conceptual framework was employed in a day-long experiment with 246 advanced business students acquiring task-relevant information, taking competency tests on task-relevant topics, and evaluating four business plans in randomly assigned organizational memory conditions. Results show individual and group-level task performances vary by availability of non-codified and codified information in different archives.

**Resources Once Removed: Social Capital As A Generative Resource In Entrepreneurial Environments**

Joy M Godesiaisbois, University of Colorado-Boulder
Elaine M Mosakowski, University of Colorado-Boulder

This study focuses on generative resources that produce additional firm resources in entrepreneurial environments. We examine the social capital of start-up teams as a generative resource. Several factors may influence the ability of network relations to add to the legitimacy and other resources of the entrepreneurial firm: the relevancy of network
ties, whether network ties are direct or indirect, and the strength of ties. In particular, we emphasize intermediaries that tap into "resources once-removed," thereby expanding the social capital, the legitimacy, and other types of resources of start-up firms. With real-time data on network contacts used to stage a marketing/sales event for a start-up firm, we test hypotheses about the nature of social relationships as they influence the positive outcomes associated with this event.

**Knowledge Everywhere: Is It Possible That Incommensurable Knowledge Paradigms Exist?**

Margaretha Hendrickx, *Binghamton University*
Bandula Jayatilaka, *Binghamton University*

Knowledge management has become an important activity of the firm and the central role knowledge can play in value creation and competitiveness has made knowledge an important topic of research in strategic management as well as in many other fields. Just as different conceptualizations of knowledge exist, knowledge management is also conceptualized in many different ways. These differences exist due to the different assumptions about the knowledge creation processes. This paper is not an attempt to unify these variations in definitions and assumptions. Instead, we try to discuss these differences in the light of another important idea: incommensurability. We use this idea to develop a framework that can help both researchers and practitioners to understand the knowledge and knowledge management phenomena better.

**The Effect Of Interorganizational Networks On Firm Performance Through Technological Innovation Capabilities In Dynamic Environments**

Jaeyoung Kang, *State University of New York-Albany*

Although several researches showed that interorganizational network influences on firm performance or innovativeness, the process between interorganizational network and organization performance has yet to be clear. This paper examines how inter-organizational network characteristics influence firm performance through technological innovation in dynamic environments. The object of this paper is to suggest the more comprehensive model to link inter-organizational network to firm performance. First, this paper hypothesizes that technological innovation is critical to firm performance in dynamic environments. Second, several characteristics in social network: strength, centrality, and diversity will be examined as determinants of technological innovation development. Last, this paper suggests organizational culture and absorptive capacity as moderator variables to influence the relationship between inter-organizational network characteristics and organizational performance.

### COMPLEX STRUCTURES AND PROCESSES

**Paper**

**Track E**

**Magnolia**

**Session Chair: Shailendra Mehta, Purdue University**

**Research Reflexivity: On The Virtues Of Multi-Level And Non-Simplifying Analysis Of Organising Aggregates**

Edward Kasabov, *UK Advanced Institute of Mgmt Research*

Life science and biotechnology communities increasingly become central to innovation and competitiveness efforts and programmes in knowledge-based economies. One such community, the Irish life science and biotechnology community (ILBC), has been critical to recent national development yet analysis of its traits is lacking. A three-year empirical analysis of ILBC is used to demonstrate the importance of analysis which, first, is multiple level analysis that reflects the complexity and complicatedness of such an aggregate, second, is analysis studying simultaneously 'whole' (community) and its 'parts' and, third, negates research which simplifies and homogenises organising phenomena. Findings from the empirical analysis demonstrate the utility of this multi-level, 'whole'-and-'parts', non-simplifying and non-homogenising analysis approach - an approach suggesting what is referred to as horizontal and vertical research reflexivity.

**Pursuing A Strategy Of Continuous Growth: A Longitudinal, In-Depth Case Study**

Leona Achtenhagen, *Jönköping University*
Leif Melin, *Jönköping University*

In recent years, firm growth has been recognized as an important topic. Yet, studying growth is a challenging task. In result, existing studies on growth largely ignore the internal processes of growth. In this paper, we discuss the phenomenon of continuous growth based on a longitudinal, in-depth case study of a successful Swedish IT consultancy. We analyze the internal processes of pursuing a strategy of continuous growth linked to the literature on managing dualities, and placed between strategic management and entrepreneurship. Hereby, we illustrate the complexity of these internal processes and the interrelatedness of the different factors important for growth.

**Do Entrepreneurs Have Rational Expectations?**

Shailendra Mehta, *Purdue University*

This paper examines the rationality of forecasts of entrepreneurs as well of their perception process. Two contrasting views, rational expectations (motivated by Economics) and over-optimism (motivated by Psychology) exist in the literature. Using a unique database of entrepreneurs, this paper examines the accuracy of perceptions and forecasts of nearly 800 entrepreneurs who were followed over a three-year period. It finds their perceptions to be consistent with rationality, though with error, while their forecasts are found to be inconsistent with rational expectations.
Finding Your Way Out, On Time: "Inside" Strategic Business Exit

Luis Vives de Prada, Massachusetts Institute of Technology
Sivliya Svejnová, ESADE
Donald R Lessard, Massachusetts Institute of Technology

Exit is a critical decision in the evolution and strategic renewal of corporations, and a fruitful area for further academic research. Little is known about the way firms manage their Strategic Business Exit. The scant empirical evidence has shown that market exits often take place late and that failure to leave in a timely manner has important performance implications for the firm. This paper reviews the existing literature on exit, develops a set of hypothesis and advances the concept of Strategic Business Exit.

KNOWING MORE ABOUT KNOWING: EXPANDING UNDERSTANDING OF KNOWLEDGE DEVELOPMENT

Paper          Track A  Narcissus/Orange Blossom

Session Chair: Donald E Hatfield, Virginia Polytechnic Institute & State University

Exploration And Exploitation: Synthesis And Extension

Qing Cao, University of Maryland

Following March (1991), researchers have widely employed the constructs of exploration and exploitation in the studies of various organizational phenomena. In this paper, I synthesize the existing conceptualizations by distinguishing between opportunity exploration-exploitation and resource exploration-exploitation. I argue that opportunity search pulls resource search, whereas resource search pushes new rounds of opportunity search. Achieving balance along both dimensions indicates the co-evolution of firm's growth and its resources, and is associated with the highest performance and adaptability over time.

From Strategic Planning To Strategizing And Organizing In Cyclical Processes: Strategic Management In KIFs

Øystein D Fjeldstad, BI Norwegian School of Management
Bente R Lewendahl, BI Norwegian School of Management
Øivind Revang, BI Norwegian School of Management

In the 1960s and 1970s, manufacturing firms dominated business in most western economies. Chandler (1962) launched the relationship between strategy and structure and Thompson (1967) published his classic on the organization of activities. Intuitively we accept a close relationship between strategy, structure, and high performance. However, we argue that the relationship is not as straightforward as "structure follows strategy" (Chandler, 1962). This perspective on value creation is not ideal, e.g. for a lot of knowledge intensive firms (KIFs) where value creation is centered around problem solving (as opposed to manufacturing) activities (Stabile & Fjeldstad, 1998). In this context, both strategy and structure are improved through a cycle of actions and decisions, as opposed to the most common linear model, where structure does follow strategy.

Closing The Scientist-Practitioner Gap: A Cumulative Knowledge Perspective

Donald E Hatfield, Virginia Polytechnic Institute & State University
Kevin D Carlson, Virginia Polytechnic Institute & State University

Despite large bodies of published work in the strategy field, it is not always clear to those outside the field, and perhaps some within, that we have made substantive improvements in our understanding of key phenomena or our capacity to inform practice. We examine the research in three streams of strategy research, and argue that although improvements in measurement, construct validity, and sampling will improve our bivariate relationships, they will not produce more predictive models. It is only by taking steps to develop more predictive models in strategic management that we will be able to close the scientist-practitioner gap.

Representing And Representation In Strategic Management Research

Joseph Lampel, City University-London
Ken P Starkey, Nottingham University
Richard C Whittington, University of Oxford

This paper critically examines the role of representing and representations in strategic management. We argue that the function of representations is to mediate between our initial inarticulate awareness of reality and our attempt to develop an explicit understanding of the same reality. We also argue that the mediation process is shaped by what we call "under-representing" and "over-representing". Under representing excludes aspects central to phenomena in order to facilitate understanding. Over-representing results when inferential understanding leads to representations containing properties not initially observed and possibly unobservable. We survey under- and over-representations in strategy, and suggest that they should be thought of as complementary processes that are crucial for both theory construction and the development of the field of strategy.

INTERNATIONAL MANAGEMENT PRACTICES

Paper          Track H  Poinsettia/Quince

Session Chair: Alison Dean, University of Kent

Advances In The Strategic Management Of Global Law Firms

Susan L Segal-Horn, Open University
Alison Dean, University of Kent

This paper identifies strategic issues arising from the creation of large cross-border law firms. Our research question asks what have been the managerial responses to internationalisation of legal PSFs. Our findings demonstrate: reduction of professional autonomy; an increase in professional managers and managed firms; merger teams and common procedures to ease practice integration; formal knowledge management systems; harmonised human resource practices; inter- and intra-firm networks. These approaches leave unresolved strategic issues in the management of cross-border integration, such as the locus of control over the integrated firm and the creation of the fully integrated global firm. We contend that many of the remaining strategic issues within cross-border legal PSFs result more from problems of growth and increased size of law firms than from internationalisation itself.

Top Management Internationalisation In European Financial Sector Firms: Foreign Nationals Or International Experience?

Winfried鲁格罗克, University of St Gallen
Sabina Tacheva, University of St Gallen
Peder M Greve, University of St Gallen

This paper investigates the relationship between two dimensions of top management team (TMT) internationalisation and firm degree of internationalisation (DOI). Following the logic of upper echelons perspective, diversity in top executives' national origin and in the breadth of their international experience are suggested as important factors associated with firms' degree of internationalisation. The individual and cumulative effects of these two dimensions of TMT internationalisation were explored in a sample of European multinationals in the banking and insurance industry. Our results suggest that both dimensions of top management team internationalisation are positively related to firm DOI, with the combined effects of the two variables being stronger than the individual effects of nationality and international experience diversity.

National Institutional And Cultural Influences On Large And Small Firms' Growth Option Value

Asda A Chintakananda, University of North Carolina-Chapel Hill
Todd M Alessandri, Syracuse University
Tony W Tong, State University of New York-Buffalo

Prior literature has suggested that a firm's growth potential is determined by several factors, including the national institutions and culture that
govern the market environment. A firm’s size also has the potential to influence a firm’s growth potential through diversity and positional advantages. We extend this research by examining the effects that national institutions and culture have on growth opportunities for large and small firms. Examining the growth option value of over 1,000 firms from 16 countries, we found that national institutions and culture have a significant effect on a small firms’ growth option value, but a non-significant effect on large firms. Our results provide implications for strategy design and management processes in order to overcome structural impediments to developing growth opportunities imposed by national institutions and cultures.

**International Recruiting: The KSAs Required For Senior Managers**

Maheshkumar P Joshi, George Mason University
Paige Wolf, George Mason University

As firms venture overseas, executives of the multinational corporations (MNCs) must cope with increasing levels of complexities and manage greater information processing. Particularly, the need is accentuated due to the growth of the knowledge-based economy and the adoption of the Internet. This paper focuses on skills espoused through recruitment of senior managers for global assignments through the advertisements in three newspapers (the Wall Street Journal, the New York Times and the Sunday Times, London) published in 1995 and 2000. Hypotheses tested on 293 advertisements based on a content analysis approach. Results are found to be counterintuitive because one would expect that U.S. MNCs would seek greater levels of skills and abilities for their managers due to their largest share of the world trade.

**Strategy And Entrepreneurship: Interfaces**

**Session Chair:** Franz W Kellermanns, Mississippi State University

**Interrelationships Among Entrepreneurial Orientation Strategy Fit, Learning, And Firm Performance**

Matthew Hughes, University of Birmingham
Paul Hughes, Loughborough University
Robert E Morgan, George Mason University

Entrepreneurial orientation has received support in several quarters as a strategy to enhance firm performance. However, contradictory results have been reported. This study seeks to examine the impact on performance caused by deviation from an ideal entrepreneurial strategy. A survey of 1,000 high technology incubating young firms was performed to generate data. Analysis illustrates that poor fit with the ideal strategy results in a negative effect on performance. The model is then retested for low, medium, and high levels of learning. Findings show the fit requirement largely remains necessary regardless of the level of learning. Young firms must generate an entrepreneurial strategy that blends ideal levels of risk-taking, innovativeness, and proactiveness to achieve stronger performance, whilst simultaneously establishing learning mechanisms to reinforce the desired outcome.

**Strategic Entrepreneurship And Value Creation: A Comparative Case Study**

Tzu-Hsin Liu, Da-Yeh University
Shih-Chang Hung, National Tsing Hua University

This paper will examine the relationship between strategic management and entrepreneurship and develop insights that advance the boundaries of the two fields and addresses an alternative strategic entrepreneurship framework. The value of the framework in analyzing and explaining an issue of how firms use activities of strategic entrepreneurship to pursue value creation is determined through a grounded comparative case study of three successful Taiwanese semiconductor firms - UMC, TSMC, and Winbond. We highlight that firms may form track of strategic entrepreneurship action in which they establish or adjust market positions through opportunity identification over time, underlying the specific market positions use networks to secure complementary resources, and thereby exploit opportunities to create value. This paper will conclude by discussing implications for theory, practice, and future research.

**The Resource-Based View And The Family Firm: A Contingency Perspective**

Kimberly Eddleston, Northeastern University
Franz W Kellermanns, Mississippi State University
Ravi Sarathy, Northeastern University

We apply the resource-based view to the study of family firms by investigating how family specific (altruism) and firm specific (technology) resources contribute to a firm’s performance. We then examine how the impact of these resources is moderated by strategic planning, and environmental dynamism. Our findings suggest that family firms can benefit from emphasizing the positive aspects of kinship and from developing technological assets. As such, we demonstrate that not only do firm specific resources contribute to performance, but also that family relationships can be a source of competitive advantage for a family firm.

In addition, we found a heightened importance of altruism in dynamic environments, and that strategic planning increases in importance for those family firms that lack technological resources.


Michael J Fern, University of Missouri
Laura B Cardinal, Tulane University
Hugh M O'Neill, University of North Carolina-Chapel Hill

In this study, we explore the origin of strategy in new ventures. The origin of strategy is a critical step in a new venture’s development, as the initial strategy that an entrepreneur selects will not only condition the new venture’s evolution, but also affect its short- and long-run performance. Drawing on research from social cognition, we develop a model of strategy choice during new venture formation that focuses on the role of the entrepreneur’s prior knowledge. We test hypotheses from this model using data gathered from the business plans of 149 prospective new ventures in the U.S. air carrier industry, during the period 1995-2004. With this research, we aspire to provide important theoretical and practical insights about the intersection of entrepreneurship and strategic management.

**Customer And Market Inputs To Innovation**

**Session Chair:** Carmen Weigelt, Rice University

**A Strategic View On Early Customer Integration Into The Innovation Process**

Christoph H Wecht, University of St Gallen
Patricia Sandmeier, University of St Gallen

The importance of customers as external innovation resource has been recognized in theory and practice for a long time. All the more in today's diverse and dynamic business environment companies engage in a lot of different activities to involve their customers during innovation processes. Unfortunately many customer integration efforts take a rather limited view on active customer roles during the front end of innovation - being confined to the Lead-User approach. This paper analyses, on a functional tactics level, three drivers that determine early customer integration based on manufacturer's goals. Grounded on three in-depth case studies we identify three corresponding roles customers can play. With insights from the knowledge-based view and the organizational design field these roles are analyzed and managerial implications derived.

**Web-Based Product Innovation: To What Extent Do Companies Actually Import Customer Knowledge?**

Emanuela Prandelli, Bocconi University
Deborah Raccagni, Bocconi University

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 NPD as a key process benefiting from collaboration and we highlight how firms are leveraging the Web to involve customers in their innovation activities. After a theoretical modeling, we provide empirical evidence about the usage of Web-based tools supporting collaborative innovation in five industries: automotive, motorbike, toiletries, food & beverages, consumer electronics. Multiple-case studies analysis is integrated with an extensive base of data gathered through the Web.

**Market Knowledge Contribution To Dynamic Capabilities:**
The Case Of The Pharmaceutical Industry

Gianmarino Verona, Bocconi University
Daniele Severi Bruni, Bocconi University

This paper contributes to the Dynamic Capability by highlighting the role of market knowledge. Through a qualitative analysis in the pharmaceutical industry, we investigate how market knowledge helps firms in sustaining performance thorough product innovation. Our results highlight how the market provides a complementary form of knowledge that contributes to each process of sustained product innovation - i.e., knowledge creation, integration, and reconfiguration. First, market knowledge presents a fundamental role in: initiating the innovation process and delivering its key results (process of knowledge creation); melding with the technical knowledge (knowledge integration); reducing its long term inertia (knowledge reconfiguration). Second, we highlighted that the role played by market knowledge is shaped within specific actions, moved by analytical tools and embedded in organizational structures.

**Vendor Relationships As Transmission Mechanisms In Vicarious Learning: The Role Of Experiential Diversity And Absorptive Capacity**

Carmen Weigelt, Rice University
MB Sarkar, University of Central Florida

Existing literature on vicarious learning suffers from a "passive spillover paradigm" viewing learning as an involuntary process that inevitably spills knowledge over organizational boundaries with other firms in the vicinity automatically consuming it. Both the learning and innovation literature miss an adequate focus on knowledge transfer mechanisms and firms' ability to absorb such knowledge. We explore the nature of vendors' client relationships as a source of firm innovation studying over 8000 credit unions contracting with 63 vendors from 1996-2003. Viewing vendor relationships as a mechanism through which firms tap into the experience of others, we propose that the extent to which a firm can benefit from the experiential diversity of its vendor's clients for innovation performance depends on its own absorptive capacity and experiential diversity.

**Industries As Social Communities**

**Restructuring, Regulation, And Competitive Strategy In Network Utilities**

Howard Viney, Open University

The paper explores the determinants of strategy in the type of quasi-market environment commonly witnessed following market liberalization. Using the U.S. energy industry, the impact of industry restructuring and utility competition is examined in two indicative case studies. The paper finds evidence to suggest that the nature of regulatory impact has changed following industry restructuring. New entrants have emerged, and are pursuing niche competitive strategies as a result of utility competition. However, the patterns of strategy being pursued by more traditional energy companies, in both restructured and traditionally structured states, are more homogeneous, suggesting the work of institutional factors. The paper concludes that the patterns of influence are complex, especially in an industry situation, which is, still fluid, and requires further research.

**Community Dominance: Strategies In Markets For Attention**

Tobias Fredberg, Chalmers University of Technology

Criteria for positioning and performance are in markets for media consumption based on individual attention of consumers. As the industry changed, newspapers companies needed to redirect strategies from being focused on household coverage to take a larger part of people's lives. A foundation for this kind of strategy is the community of consumers that the product is directed towards. The paper is based on a three-year study of the change in the Swedish newspaper market and describes and analyses the strategic conduct with regards to the customer communities that the newspapers started to direct themselves towards.

**Firms Attending To Innovation: An Industry-Level Attention Model Of The Likelihood For Product Innovation**

David Major, University of Maryland

In this paper, theories of strategy and competition among industry firms are linked to cognitive psychology concepts of individual selective focus of attention. I suggest that within an industry's competing firms the focus of decision-makers' attention is mediated by that industry's overarching attention-structures. From a starting point of individual decision-makers, I raise the analysis to the level of industry attention and posit that the effects of social-institutional structures on attentional focus will yield implications for the likelihood of industry innovations. In the event that innovation indeed occurs, the strength of the decision-makers' attentional focus will also impact the frequency of innovations and type of innovation programs undertaken in the industry.

**Managerial Cognition And The Social Construction Of Intra-Industry Structure: A Reassessment Of The Evidence**

Douglas R Johnson, Purdue University
David G Hoopes, University of Kansas

Research on managerial cognition has argued that intra-industry structure is the result of a social construction process by industry participants. Numerous results have been published over the past fifteen years claiming to support this contention. We review this literature from both a theoretical and empirical perspective and demonstrate that these claims are in fact unwarranted. In many instances, the variance in cognitive beliefs across managers is much greater than expected. We argue that such a result is consistent with existing and emergent theories of competitive advantage from the resource-based and "complex landscape" perspectives.

**Start-Ups, Knowledge And Innovation**

**The Influence Of Venture Capitalist Experience On Firm Performance: A Study Of IPO Firms**

Jun Li, University of New Hampshire
S Trevis Certo, Texas A&M University
Christopher R Reutzel, Texas A&M University

Although the influence of Venture capitalist on IPO firms has been widely documented, most research in this stream has treated VCs as homogeneous entities. That is, most studies investigate VC influence based on straightforward comparisons of VC-versus non VC-backed firms. This leaves the question of which VC characteristics add value to entrepreneurial ventures largely unanswered. This paper attempts to fill this gap by investigating how VC characteristics add value to firm IPO performance as well as post-IPO performance. We argue that both VC industry knowledge and IPO market experience impact firm value in both the IPO and post-IPO capital markets. We test our hypotheses with a sample of firms that undertook IPOs during 1996.
Interactions Between Relational And Cognitive Dimensions Of Social Capital And Knowledge Complementing Internationalisation Of Start-Ups
Manuela Presutti, University of Bologna
Cristina Boari, University of Bologna
Luciano Fratocchi, University of L’Aquila
Luca Pirolo, Luiss Guido Carli University

This paper has the purpose to improve the understanding of high-tech start-up internationalization. A social capital theory is reviewed to identify how start-ups can increase foreign inter-organizational relationships to acquire external knowledge and to exploit it for competitive advantage abroad. We argue that cognitive and relational dimensions of social capital embedded in vertical ties of high-tech start-ups with key foreign customers improve the acquisition of the firms’ knowledge from these relationships and this acquired knowledge may then be exploited for competitive advantage abroad. The hypotheses are tested with face-to-face survey data from 108 high-tech start-ups in Italy operating inside an industrial cluster. Our findings confirm the hypothesis that the international propensity of start-ups is conditioned by social relationships.

A Call For Help: When Start-Ups Seek Outsider Assistance In New Ventures
Michael DeVaughn, University of Minnesota
Myleen M Leary, California Polytechnic State University

Drawing on a sample of start-ups banks during their organizational phase, we investigate environmental, organizational and individual level antecedents of outsider assistance in new ventures. We find that environmental factors and organizational factors are more important than individual factors (e.g., previous start-up experience) in predicting the likelihood of founders seeking outside assistance. We contribute to the literature on outsider assistance by examining the question of antecedents, an understudied area in the literature and by expanding the focus to a different type of outside assistance, industry consulting. In addition, we contribute to the literature on interorganizational learning by circumscribing a set of conditions under which firms might choose to rely on the experience of other organizations (consulting firms) rather than their own internal experience.

Then ‘BornGlobals’ Process Of Internationalisation
Michael Pock, University of Liechtenstein
Hans H Hinterhuber, University of Innsbruck

The purpose of this research project is to explain theoretically the process of internationalisation of fast internationalising young companies, so called ‘Born Globals’. The theoretical frameworks in use are the ‘organizational capability perspective’ and the ‘network approach’. The model will integrate the temporal perspective of internationalisation as well as the most important environmental, organizational and strategic factors regarding the process of internationalisation of ‘Born Globals’. The developed model will be verified by an empirical investigation.

VALUE CREATION IN CORPORATE STRATEGY

Generalist Versus Specialist: Who Performs Better In High-Tech Sectors?
Sonic Wu, National Taiwan University

It is arguable whether business units within diversification/diversified firms could outperform single, specialized firms in a high technology industry. Organizational ecologists argue that specialists are able to compete and outperform the generalist’s form since high inertia and complex organizational arrangement make generalist maladaptive in fluctuating and changing industries. However in contrast, organization economy predicts that generalist firms are better at utilizing resources to realize economies of scale and scope, which implies divisional activities are able to share the benefits to compete against their single business counterparts.

Mergers And Acquisitions Activity And Post-Acquisition Performance: The Moderating Role Of Resource Complementarity
Sebastian Knoll, University of St Gallen
Sebastian Raisch, 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.

Social Capital And Value Appropriation: A Study On Technology Alliances In Pharmaceutical Industry
Beiqing (Emery) Yao, University of Kentucky
Margaret Vardell Hughes, University of Kentucky

Many existing alliance studies have investigated how embedded relations can create superior rents for organizations. The role of social capital in rent appropriation, however, has been under-explored. We propose that different structural locations in inter-organizational networks may present firms with divergent opportunities for rent appropriation, and present empirical evidence for this proposal in the form of abnormal stock returns to technology alliance announcements by a set of leading firms in the pharmaceutical industry. The findings suggest that organizations that have higher network centrality, and span more structural holes relative to their partners, have higher rent appropriation. In addition, such relationships are moderated by firms’ commercial capital.

CORPORATE STRATEGY: DETERMINANTS OF STRATEGIC CHOICES

Session Chair: Y Sekou Bermis, Northwestern University
The Impact Of Uncertainty On Vertical Integration: Does Strategic Management Theory Contract Transaction Cost Economics?
Wemer H Hoffmann, Vienna University of Economics & Business Administration
Gerhard Speckbacher, Vienna University of Economics & Business Administration

Whether a particular transaction ought to be managed within the confines of a firm or as a cooperative venture with other firms is an essential strategic question. However, how uncertainty influences boundary decisions of a firm is still a theoretical and empirical puzzle. Based on transaction cost economics and strategic management theories we identify the main transaction and resource characteristics influencing boundary choices. Building on these insights we develop hypotheses on how different types of uncertainty interact with these transaction and resource characteristics and how their combined effect influences vertical integration. The hypotheses are tested using a sample of integration/collaboration decisions by Austrian automotive supply companies.

Towards A Dynamic Analysis Of The Interaction Between Technological Resources And Corporate Diversification
Francisco Javier Forcadell Martinez, University of Rey Juan Carlos
César Alonso-Borrego, University of Carlos III-Madrid
Luis Angel Guerras-Martin, University of Rey Juan Carlos

The main theoretical contribution of this work is the proposal of a dynamic framework between corporate diversification and technological resources. We carry out an empirical analysis using the information of a representative sample of Spanish manufacturing companies for the period 1992-2002. We use a dynamic panel data analysis, which considers the interactions of the variables in a longitudinal framework.
estimating a bivariate VAR, augmented for additional covariates. In order to provide robust results, we control for two potential sources of endogeneity: censoring and unobserved firm heterogeneity. We treat the first problem using a generalized selection model. To overcome the second problem, we consider a system-GMM estimator applied to a transformation of the model, which removes the unobserved heterogeneity term. Empirical results show that the existence of related diversification positively influences the accumulation of technological resources, and visa versa, showing an inverted “U” form.

Changing Fortunes: Making Sense Of Corporate Reputation Over Time

Y Sekou Bermiss, Northwestern University
Edward J Zajac, Northwestern University

Corporate reputation represents a highly valued and intangible firm-specific resource, yet very little is known about what specific factors influence perceptions of corporate reputation. This study addresses these issues by analyzing how particular financial and strategic indicators can predict the positioning of firms in the widely publicized Fortune reputation rankings. We propose that what constitutes a good corporate reputation (along with its presumed antecedents) has itself changed over time as new strategic theories of the firm, such as agency and core competency theory, have gained greater currency. We find empirical support for our argument that longstanding traditional financial indicators of firm performance have lost explanatory power over time relative to other indicators that are seen as more consistent with newly emerging ideas regarding appropriate corporate behavior.

The CarMax Story

Austin Ligon, CarMax, Inc

With sales of $5.3 billion in its latest fiscal year, CarMax, Inc is a Fortune 500 company and is the United States' largest used-car retailer. Austin Ligon will provide insight into the story of how Circuit City decided to enter the used car business. His address will show how the company took that idea from concept to reality and how they beat back the challenge from Wayne Huizenga's AutoNation.
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INTEREST GROUP MEETINGS

Sunday, October 23
17:30 – 18:30

Monday, October 24 *
18:15 – 19:15

Strategy Process
Chair: Vadake K Narayanan
Narcissus/Orange Blossom

The Practice of Strategy
Chair: Bob de Wit
Poinsettia/Quince

Entrepreneurship & Strategy
Chair: Rita Gunther McGrath
Salon I

Knowledge & Innovation
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Camelia/Dogwood

Corporate Strategy & Governance
Chair: Robert E Hoskisson
Azalea/Begonia

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Chair: Margaret A Peteraf
Salon VI * & VII

Global Strategy
Chair: Stephen B Tallman
Salon VIII
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