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Welcome to Vienna!

Dear Fellow Participants,

Welcome to the Strategic Management Society’s 26th Annual International Conference! We are pleased to have your attendance here in Vienna.

Javier Gimeno of INSEAD and Jens Schaedler of Booz Allen Hamilton are our Conference Program Co-Chairs for this conference. They have brought to us a very exciting program filled with topics of current interest to all of us. Our meeting will hold many opportunities to learn more about the most innovative, current developments in the Strategic Management field.

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

Again, this year, presentations will be made on Sunday by our developing topical interest groups. Over the years ahead, we expect our conference to grow and develop as each of the interest groups expands their activities. We welcome this innovation and thank those who are putting it together for all of us. For those of you who have not done so, take advantage of your membership privilege to join interest groups of value to you.

To the Program Review Committee, our presenters, and to all that helped put this program together go our thanks for making the Vienna 2006 program a success! Of course, special and personal thanks must go to Javier and Jens for their many contributions and the time they have given to all of us.

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

Permit a personal note: This is the last time I will sign this annual welcoming letter as your Executive Director. It has been my honor and pleasure to serve the SMS as your Executive Director over these many years. I know you will support our incoming Executive Director, Nikolaus Pelka, with the same enthusiasm, and skill you have given me as he pursues new, exciting initiatives underway at the SMS.

Sincerely,

Dan Schendel
Executive Director
Dear Colleague,

We would like to welcome you to Vienna for the 26th Annual International Conference of the Strategic Management Society (SMS).

Over the years, the SMS conference has focused on topics of novel interest and relevance for strategy academics, practitioners and consultants. This year, under the title "Strategy and Governance in a World of Institutional Change", we want to reflect on the diverse and changing institutions of governance, and how they affect strategy making. The topic raises fundamental questions for the strategy field, for it is these institutions that determine who sets the goals for the company, who exercises control over strategic decisions, and who bears the consequences. Worldwide, holders of financial and human resources have become more mobile and demanding, reducing some flexibility in internal resource allocation by strategic managers.

Several sessions will broadly focus on the influence and pressures of financial stakeholders on firm strategy, and the role of governance and strategy in knowledge-based firms, where the main productive resources are the skills of employees. Other sessions will focus on governance of stakeholders more broadly, and explore the relationship of companies with their stakeholders, corporate social responsibility, etc. These are topics that are often charged with strong political and ideological content, but we hope to encourage an open and critical debate based on factual research evidence.

The conference structure will maintain some traditional formats, while exploring innovative interactive formats. As in the past, we will meet in plenary format to hear leading thinkers react to the conference theme. Among the plenary speakers, we will hear from:

- **Gregor P Boehm**, Managing Director, Carlyle Group-Germany
- **Georg Notling-Hauff**, Director, Carlyle Group-Germany
- **Horst J Kayser**, Chief Strategy Officer, Siemens
- **Christoph Lechner**, Professor, University of St Gallen
- **Helmut Meier**, Senior Vice President, Booz Allen Hamilton
- **Ulrich Spiesshofer**, Executive Committee member, ABB Ltd
- **Gregor Vogelsang**, Vice President, Booz Allen Hamilton

We have 72 traditional paper sessions and topical panels, organized around twelve conference tracks. This year we received about 30% more submissions then in recent years, reflecting a broad interest in the conference. All of us owe a huge debt of gratitude to the work of the SMS Interest Groups. The leaders of these groups are collectively responsible for attracting the best research in their research area. We also want to thank the many SMS members who were involved in the review process. With over 800 submissions to be evaluated over a short time period, these members provided reliable support and excellent professional judgement.

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 the program booklet, and we especially encourage you to attend their sessions.

One important innovation in the conference format this year is the development of highly interactive "common ground" sessions. Look for these 33 "common ground" sessions, scheduled on Monday and Tuesday afternoon, to provide energizing, developmental discussions around a group of papers on a related topic. We are very grateful to the experienced scholars who will serve as facilitators for these sessions. We have not scheduled other paper or panel sessions in parallel, so we hope that every conference participant will get involved in these "common ground" discussions.

The program has benefited enormously from the work and initiative of Peter Smith Ring of Loyola Marymount University, who has served as Conference Program Associate Chair for the Vienna conference, and will serve as Conference Program Chair of the 2007 Conference in San Diego.

The goal of the conference is to foster the exchange of ideas among professionals in the field of strategic management. We hope that everyone will be able to take advantage of the wonderful opportunities to meet people and debate ideas. We want to thank all those involved in the conference, such as plenary speakers, presenters, chairs, facilitators, review committee members, Interest Group leaders, SMS board members, and very specially Dan Schendel, Niko Pelka, Theresa Klassen, and the SMS team for their leadership and support.

Have fun, enjoy, and learn!

Javier Gimeno  
Conference Program Co-Chair  
**INSEAD**

Jens Schaedler  
Conference Program Co-Chair  
**Booz Allen Hamilton**
Hotel Entrance

Bar

Lobby Lounge

Hotel Reception

Restaurant

LOBBY LEVEL

Hotel Entrance

WC

WC

Hotel Entrance

Park Congress

Co-Chair Welcome (Monday)

Plenary Sessions (Monday-Wednesday)

Luncheon (Monday-Wednesday)

MEZZANINE LEVEL

Hilton Vienna

Strauss

Brahms

Mahler

Bruckner

Lehar

Speaker Ready Room

Schoenberg

Klimt Ballroom

Cocktail Hour

Mezzanine Gallery (Tuesday)

Interest Group Lunch (Sunday)

Opening Reception (Sunday)

Business Center

WC

WC

Speaker Ready Room

WC

WC

Berg

Zweig

Schnitzler

Werfel

Kafka

WC

WC

WC

Elevators

Restrooms

Cyber Café

SMS Conference Registration Desk

Exhibitor Booths

Coffee Breaks

Telephones
About the Strategic Management Society

2006 SMS Executive Committee and Board of Directors

Richard A Bettis  
University of North Carolina  
President

Michael A Hitt  
Texas A&M University  
President-Elect

Carlos Cavallé  
IESE-University of Navarra  
Past-President

Dan Schendel  
Purdue University  
Founding President & Executive Director

Jay B Barney  
Ohio State University  
Robert E Hoskisson  
Arizona State University

Will G Mitchell  
Duke University

Jan P Oosterfeld  
IESE-University of Navarra

Joan E Ricart  
IESE-University of Navarra

Carolyn Y Woo  
University of Notre Dame

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 55 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 is international in scope 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 (IG)  
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)
Conference Tracks

The design of the three-day conference is focused on the "tracks" or themes, which are presented concurrently on all three days of the conference as paper, panel, or "common ground" sessions split into three overlapping clusters of topical themes:

**Conference Theme Tracks**

- A - The Competitive Advantage Of Ownership Forms
- B - Resource Allocation And Performance Measurement
- C - Governing The Knowledged-Based Firm
- D - Government, Institutions, And Resource Allocation

**Interest Group Tracks**

- F - Competitive Strategy
- G - Corporate Strategy and Governance
- H - Global Strategy
- I - Strategy Process
- J - Knowledge and Innovation
- K - The Practice of Strategy
- L - Entrepreneurship & Strategy

Common Ground Sessions

One of the objectives of the SMS conference is to showcase the most recent research by its members; thus, authors can provide exposure and developmental feedback for promising new research, something that does not necessarily happen in traditional paper presentation formats.

The "common ground" sessions are precisely designed for providing authors with exposure to their work, developmental feedback, and ideas for future research. The idea is to create, within the physical and time constraints of the conference, a forum for highly interactive, facilitated conversations around a set of related papers.

* The common ground sessions will be longer than traditional paper sessions, to accommodate more interaction among authors, and between authors and audience members. The number of papers per session will vary, but will likely be around 6-8.

* The sessions will be scheduled at a time when they will not conflict with other traditional paper sessions. It is expected that all SMS conference attendees will join some "common ground" sessions during these time slots, either as participants or as audience members.

* The sessions will be facilitated by well known scholars in the respective topic areas. These scholars will receive information about the papers in the session ahead of time, and will work with authors to ensure that the session is most productive. The facilitator will prepare questions and issues for discussion that will cut across the different papers.

* As with traditional paper session, common ground sessions are designed under the assumption that participants will have papers ready that will be the subject of presentation and discussion. However, unlike traditional paper sessions, the time in common ground sessions will be used mostly for discussion rather than for one-way presentation.

* To ensure sufficient time for interaction, presentations of each paper will have to be short, focusing only on the main motivations and findings of each paper. You should plan for a 3-4 minutes summary of your study. Although flipcharts will be available for each group to facilitate visual discussion, we recommend that you bring handouts. Each participant should prepare a one-page, two-sided handout summarizing the main contributions, propositions, and results of the study (e.g., you can print some PowerPoint slides in handout form). These handouts will be the main visual aids used during these short presentations. Of course, there will be plenty of time for questions, feedback and debates, in which you will be expected to participate.
Past Conferences

1981  London  "Global Strategic Management in the 1980's"
        Program Chairs: Derek Channon & Hugh Parker
        Program Chairs: Henry Mintzberg & Marianne Jelinek
1983  Paris  "Making Strategy Work"
        Program Chair: Dominique Heau
1984  Philadelphia  "Targeting Strategies"
        Program Chair: Peter Lorange
1985  Barcelona  "The Essence of Strategic Management"
        Program Chair: Eduard Ballarin
1986  Singapore  "Cultures and Competitive Strategies"
        Program Chairs: Peter FitzRoy & Gordon Redding
1987  Boston  "Strategy: Prospect and Retrospect"
        Program Chairs: Joseph Bower & Andrall Pearson
1988  Amsterdam  "Winning Strategies for the 1990's"
        Program Chair: Jan Eppink
1989  San Francisco  "Strategies for Innovation"
        Program Chair: Robert Harris
1990  Stockholm  "Strategic Bridging: To Meet the Challenges of the Nineties"
        Program Chairs: Leif Melin & Hans-Olof Hagén
1991  Toronto  "The Greening of Strategy – Sustaining Performance"
        Program Chairs: David Hurst & Rod White
1992  London  "Strategic Renaissance: The Transformation of Economic Enterprise"
        Program Chair: James Kelly
1993  Chicago  "Integrating Strategy"
        Program Chair: Edward Zajac
        Program Chair: Michel Ghertman
1995  Mexico City  "Strategic Discovery: Opening New Worlds"
        Program Chair: Raul Alvarado
1996  Phoenix  "Competing in the New Economy: Managing Out of Bounds"
        Program Chairs: Gary Hamel & C K Prahalad
1997  Barcelona  "Managing in an Interconnected World"
        Program Chair: Joan E Ricart
1998  Orlando  "Tailoring Strategy – One Size Does Not Fit All"
        Program Chair: Kevin Coyne
1999  Berlin  "Winning Strategies in a Deconstructing World"
        Program Chairs: Dieter Heuskel & Rudi K F Bresser
        Program Co-Chairs: Raffi Amit, Charles E Lucier & Bertrand G Shelton
2001  San Francisco  "Reinventing Strategic Management – Old Truths and New Insights"
        Program Co-Chairs: Rich Bettis & Derek Dean
2002  Paris  "Old Barriers Crumbling, New Barriers Rising"
        Program Co-Chairs: René Abate & Karel Cool
2003  Baltimore  "Intersections: Strategy Across Conventional Boundaries"
        Program Co-Chairs: Rita Gunther McGrath & Bertrand G Shelton
2004  Puerto Rico  "Strategic Balance: Driving Innovation And Maintaining Performance"
        Program Co-Chairs: Patricia Gorman Clifford & Steven W Floyd
2005  Orlando  "Strategic Management: Achievements And Opportunities"
        Program Co-Chairs: Irene M Duhaime & Carl W Stern; Associate Chair: Javier Gimeno
Recommended Dress
Business casual attire is recommended for all conference sessions.

Monday Evening Event
Enjoy an evening of Viennese classical music and culinary delights at the Kursalon. The Kursalon is approximately a 15 minute walk from the Hilton Vienna through the Stadtpark. Please refer to the map which is in your packet for the location.

The dress for this event is business attire.

Name Badges
To help ensure a secure environment for all attendees, it is imperative that your name badge be worn at all times.

Your name badge will be your ticket to luncheons and evening events.

Name Tents
Presenters on the program receive 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
In consideration of all attendees, we request that there be no smoking during all sessions and meal functions.

SMS Cyber Café
Located on the Mezzanine Level, the SMS Cyber Café will provide email and Internet access to all SMS Conference attendees.

Cyber Café Hours:
- Sunday 16:00 – 21:00
- Monday 08:00 – 18:00
- Tuesday 08:00 – 18:00
- Wednesday 08:00 – 11:00

Speaker Ready Room
Located in Schoenberg on the Lobby Level, the Speaker Ready Room will be provided for speakers to prepare for their presentations.

Speaker Ready Room Hours:
- Sunday 16:00 – 21:00
- Monday 08:00 – 18:00
- Tuesday 08:00 – 18:00
- Wednesday 08:00 – 11:00

The Business Center
The full-service Business Center is located on the Mezzanine Level.

Business Center Hours:
- Saturday – Sunday 10:00 – 20:00
- Monday – Wednesday 07:00 – 23:00

Emergency Contact Number
If you encounter any emergency (i.e., medical, etc.) during your stay at the Hilton Vienna, contact the Security Department by dialing extension "5900" from any hotel house phone.
2006 SMS Review Committee

The Review Committee listed below worked with this year's Program Co-Chair, Javier Gimeno and Associate Co-Chair, Peter Smith Ring 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 26th Annual International Conference.

Rajshree Agarwal, University of Illinois-Urbana Champaign
Juan Alcacer, New York University
Jaideep Anand, Ohio State University
Siah Hwee Ang, University of Auckland
Duncan N Angwin, University of Warwick
Richard J Arend, University of Nevada-Las Vegas
Nicholas S Argyres, Boston University
Africa M Ariño, IESE Business School-University of Navarra
Kendall W Artz, Baylor University
Kazuhiro Asakawa, Keio University
David B Audretsch, Indiana University/Max Planck Institute of Economics
Harry G Barkema, Tilburg University
Pamela S Barr, Georgia State University
Donald D Bergh, University of Denver
Frances Bowen, University of Calgary
Brian K Boyd, Arizona State University
Rudi KF Bresser, Free University-Berlin
Philip Bromiley, University of California-Irvine
Thomas H Bruton, Purdue University
Garry D Bruton, Texas Christian University
Benjamin Campbell, University of Pennsylvania
Albert A Cannella Jr, Arizona State University
Laurence Capron, INSEAD
Laura B Cardinal, Toulouse University
Mason A Carpenter, University of Wisconsin-Madison
Xavier Castaño, HEC-Paris
Marco Ceccon, Georgia Institute of Technology
Bala Chakravarthy, IMD
Sea-Jin Chang, Korea University
Ming-Jer Chen, University of Virginia
Sven-Olof Collin, Kristianstad University College
Álvaro Cuervo-Cazurra, University of South Carolina
Tina Dacin, Queen’s University
Urs S Daellenbach, Victoria University of Wellington
Giovanni Battista Dagnino, University of Catania
Catherine M Dalton, Indiana University
Parthiban David, University of Oklahoma
Mark de Rond, University of Cambridge
David L Deeds, University of Texas-Dallas
Gregory G Hess, University of Texas-Dallas
Michael L DeVaughn, University of Minnesota
Jay Dial, Ohio State University
Deborah J Dougherty, Rutgers University
Frank L Douglas, Massachusetts Institute of Technology
Michael J Dowling, University of Regensburg
Rosario F Faraci, University of Catania
Walter J Ferrier, University of Kentucky
Steven W Floyd, University of St Gallen
Timothy B Folta, Purdue University
Annetta Fortune, Drexel University
Kirsten Foss, Copenhagen Business School
Paul C Godfrey, Brigham Young University
Anthony Goerzen, University of Victoria
Siegfried P Gutegarten, University of Technology-Sydney
Mark H Hansen, Brigham Young University
Dawn A Harris, Loyola University-Chicago
Louis Hébert, HEC-Montréal
Quy N Huy, INSEAD
Richard A Johnson, University of Missouri
Prashant V Kale, University of Michigan
Rittha Katila, Stanford University
Hicheon Kim, Korea University
Andrew A King, Dartmouth College
Peter J Lane, University of New Hampshire
Dovev Lavie, Technion-Israel Institute of Technology/University of Texas-Austin
Thomas C Lawton, Imperial College London
Christoph Lechner, University of St Gallen
Peggy Lee, Arizona State University
Michael J Leiblein, Ohio State University
Richard P Leifer, Rensselaer Polytechnic Institute
Michael D Lord, Wake Forest University
Jeffrey T Macher, Georgetown University
Anoop Madhok, York University
Tammy L Madsen, Santa Clara University
Abhijit Mandal, University of Warwick
Catherine A Maritan, Syracuse University
Margaret Ann McFadyen, North Carolina State University
Michael D Meeks, San Francisco State University
Shailendra R Mehta, Duke University
Hemant Merchant, Simon Fraser University
Luis Mesquita, Arizona State University
Will G Mitchell, Duke University
Thomas P Moliterno, University of South Carolina
Kathrin M Mösslein, HHL-Leipzig Graduate School of Management
Lilach Nachum, City University of New York
William E Newburry, Rutgers University
Bo Nielsen, Western Washington University
Pere Ortín Ángel, Autonomous University-Barcelona
Joanne E Oxley, University of Toronto
Anders Pehrsson, Växjö University
Andrew M Pettigrew, University of Bath
Vladimir Pucik, IMD
Jeffrey J Reuer, University of North Carolina-Chapel Hill
Miguel Rivera, Babson College
Kendall Roth, University of South Carolina
Frank T Rothaermel, Georgia Institute of Technology
W Glenn Rowe, University of Western Ontario
Michael V Russo, University of Oregon
Vincente Salas-Fumás, University of Zaragaz
MB Sarkar, University of Central Florida
Karen A Schnatterly, University of Missouri
William S Schulze, University of Utah
Susan L Segal-Horn, Open University
Matthew B Semadeni, University of South Carolina
Mark T Shanley, University of Illinois-Chicago
J Myles Shaver, University of Minnesota
Andrew V Shipilov, INSEAD
Nicolaj Siggelkow, University of Pennsylvania
Kulwant Singh, National University of Singapore
Andrew Spicer, University of South Carolina
Stewart Thornhill, University of Western Ontario
Laszlo Tihanyi, Texas A&M University
Salvatore Torrisi, University of Bologna
Klaus T Uhlenbruck, University of Montana
Paul M Vaaler, University of Illinois-Urbana Champaign
Freerk Vermeulen, London Business School
Govert Vroom, Purdue University
William P Wan, Texas Tech University
Margaret A White, Oklahoma State University
Richard C Whittington, University of Oxford
Peter B Zemsky, INSEAD
Arvids A Ziedonis, University of Michigan
José Angel Zuñiga-Vicente, University of Rey Juan Carlos
Awards

All award winners will be announced during the Tuesday Awards Luncheon.

Strategic Management Journal Best Paper Prize

The Fourteenth Annual Strategic Management Journal Best Paper Prize will be presented at the 2006 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 1986-99 eligible. The prize is co-sponsored by John Wiley & Sons and the Strategic Management Society (SMS).

This Prize will be announced during the Tuesday Awards Luncheon.

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 first presented this prize in 1998 to honor the best paper presented at the SMS Annual International Conference. A review committee observes and evaluates each finalist’s presentation during the conference. Decisions are based on the following criteria:

• 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 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 Winner and Honorable Mention prizes will be announced during the Tuesday Awards Luncheon.

Booz Allen Hamilton/SMS PhD Fellowship

Booz Allen Hamilton created this award in recognition of a PhD students' presentation of an outstanding paper at the SMS Annual International conference. The Award is granted to a PhD candidate who is the primary author and enrolled during the 2006-2007 academic year at their PhD granting institution.

Ten finalists are chosen by a review committee, five of which are 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 Tuesday Awards Luncheon.

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

**The Rational Tradeoff Between Corporate Scope And Profit Margins: Capacity-Constrained Capabilities And Market Maturity**
Daniel A Levinthal, University of Pennsylvania
Xun Wu, University of Pennsylvania

**Persistence Or Convergence: Institutional And Modernization Determinants Of Multinationality**
Laszlo Tihanyi, Texas A&M University
Robert E Hoskisson, Arizona State University
Albert A Cannella Jr, Arizona State University

**Strategy Teams In Multibusiness Firms: Studying Strategizing Practices Across Levels**
Sotirios E Paroutis, University of Warwick
Andrew M Pettigrew, University of Bath

**Ambidexterity And Performance In Small To Medium-Sized Firms: The Pivotal Role Of TMT Behavioral Integration**
Michael Lubatkin, University of Connecticut/EM Lyon
Zeki Simsek, University of Connecticut
Yan Ling, George Mason University
John F Veiga, University of Connecticut

**Time-Based Competitive Performance And Entrepreneurial Orientation**
Mathew Hughes, University of Nottingham
Paul Hughes, Loughborough University
Robert E Morgan, Cardiff University

**Strategic Organization In Traditional Industries: Boundary Architecture As A Source Of Competitive Advantage**
Filipe Santos, INSEAD
Ana Maria Pereira Abrunhosa, University of Coimbra
Maria Inês Costa, Technical University of Lisbon

**Social Learning And Foreign Investment Location Choice: Japanese Electronics Firms In China, 1980-2000**
René A Belderbos, Catholic University-Leuven
Woody Van Olffen, University of Maastricht
Jianglei Zou, Catholic University-Leuven

**The Value Socially Constructed Performance Information: Certification And Sense-Making In Baseball**
Scott D Graffin, University of Georgia
Andrew J Ward, University of Georgia

**Long-Distance Collaborations Inside The Firm: Promoting Knowledge Flow Or Facilitating Internalization?**
Minyuan Zhao, University of Michigan
Mazhar ul Islam, University of Minnesota

**Inter-Organizational Learning And Innovation: Effects Of Heterogeneity And Knowledge Investments**
Carmen Weigelt, Rice University
MB Sarkar, University of Central Florida
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 Tuesday Awards Luncheon.

MONDAY
13:30 – 14:45
Berg
M-29

RUNNER-UP
When Do Independent Directors Create Corporate Value?
Luis Diestre, University of Southern California
Juan Santaló, Institute of Empresa-Madrid

MONDAY
13:30 – 14:45
Bruckner
M-30

RUNNER-UP
Ownership Form And Acquisition Strategy: Do Family-Firms Make Better Acquisitions?
Manisha Singal, Virginia Polytechnic Institute & State University
Donald E Hatfield, Virginia Polytechnic Institute & State University

MONDAY
16:30 – 18:15
Bruckner
M-37

FELLOW
Understanding The Emergence Of Organizational Communities: Nanotechnology In The United States
Jennifer Woolley, University of California-Irvine

MONDAY
16:30 – 18:15
Klimt Ballroom 3
M-42

RUNNER-UP
Routine Compatibility, Tacit Knowledge, And M&A Implementation Success
David L Souder, University of Minnesota
Akbar Zaheer, University of Minnesota

MONDAY
16:30 – 18:15
Klimt Ballroom 3
M-43

FELLOW
The Burden Of Reach: Exploring Trends And Implications Of Multi-Site Firm Geography
Linda M Cohen, University of Pennsylvania

TUESDAY
10:30 – 11:45
Klimt Ballroom 1
T-51

FELLOW
The Competitive Effect Of Going Private: Evidence From Competitors' Stock Price Reactions To Transaction Announcements
Yu Zhang, INSEAD

TUESDAY
14:00 – 15:15
Strauss
T-59

RUNNER-UP
What Makes And What Does Not Make A Real Option? Studying Joint Venture Equity Shares
Ilya RP Cuypers, Tilburg University
Xavier Martin, Tilburg University

TUESDAY
17:00 – 18:45
Stauss
T-73

FELLOW
Replication: On Knowledge Transfer In Chain Organizations
Marie Bengtsson, Linköping University
Lars Lindkvist, Linköping University

TUESDAY
17:00 – 18:45
Zweig
T-74

FELLOW
Performance Effects Of Resource Interdependence: A Study Of Firms' Products And Process Innovations
PuayKhoon Toh, University of Michigan
Gautam Ahuja, University of Michigan

WEDNESDAY
11:15 – 12:30
Klimt Ballroom 2
W-84

RUNNER-UP
The Cultural Roots Of Corporate Responsibility
Dimo Ringov, INSEAD
Maurizio Zollo, INSEAD
Speakers

**Monday**

**08:30 – 09:00**
M-23

**Co-Chair Welcome**

**Javier Gimeno**
Professor of Strategy  
INSEAD

**Jens Schaedler**
Vice President  
Booz Allen Hamilton

**Peter Smith Ring**
Professor of Strategic Management  
Loyola Marymount University

**Managers, Boards, Or Active Investors: Who Should Determine Strategy?**

**Peter Butler**
CEO  
Governance for Owners

Facilitator: **Philippe Haspeslagh**  
Paul Desmarais Chaired Professor of Active Ownership  
INSEAD

**Monday**

**15:15 – 16:15**
M-35

**Managing The Balance:**

**A Global Player’s Perspective On Institutional Change**

**Ulrich Spiesshofer**
Head of Corporate Development and Member of the Group Executive Committee  
ABB Ltd

**Tuesday**

**08:00 – 09:00**
T-49

**Do Values Create Value?**

**Gregor Vogelsang**
Vice President  
Booz Allen Hamilton

**Tuesday**

**09:00 – 10:00**
T-49

**Managing Growth**

**Horst J Kayser**
Chief Strategy Officer  
Siemens

**Christoph Lechner**
Professor of Strategic Management  
University of St Gallen

**Jens Schaedler**
Vice President  
Booz Allen Hamilton

**Tuesday**

**15:45 – 16:45**
T-61

**Governing The Relationship-Based Firm**

**Helmut Meier**
Senior Vice President  
Booz Allen Hamilton

**Wednesday**

**08:30 – 09:30**
W-76

**Private Equity: The Better Owners?**

**Gregor P Boehm**
Managing Director  
Carlyle Group-Germany

**Georg Nolting-Hauff**
26th Annual International Conference

Sunday, October 29, 2006

07:30 – 21:00  Conference Registration Open – Lobby Level
10:00 – 11:30  Interest Group Session I – Mezzanine Level
11:30 – 13:00  Lunch – Klimt Ballroom
13:00 – 14:30  Interest Group Session II – Mezzanine Level
14:30 – 15:00  Coffee Break – Mezzanine Level
15:00 – 16:30  Interest Group Session III – Mezzanine Level
16:00 – 21:00  Exhibits Open – Lobby Level
16:00 – 21:00  Cyber Café Open – Mezzanine Level
16:30 – 17:30  Interest Group Officers Meeting – Zweig – Mezzanine Level
17:30 – 18:30  Interest Group Meetings – Mezzanine Level
19:00 – 21:00  Opening Reception – Klimt Ballroom

Monday, October 30, 2006

07:30 – 18:00  Conference Registration Open – Lobby Level
07:30 – 08:00  Pastry and Coffee – Lobby Level
08:00 – 18:00  Exhibits Open – Lobby Level
08:00 – 18:00  Cyber Café Open – Mezzanine Level
08:30 – 09:00  Co-Chair Welcome – Park Congress
09:00 – 10:00  Plenary – Park Congress
10:00 – 10:30  Coffee Break – Lobby & Mezzanine Level
10:30 – 11:45  Parallel Paper/Panel Sessions – Mezzanine Level
12:00 – 13:15  Luncheon – Park Congress
13:30 – 14:45  Parallel Paper/Panel Sessions – Mezzanine Level
14:45 – 15:15  Coffee Break – Lobby & Mezzanine Level
15:15 – 16:15  Plenary – Park Congress
16:30 – 18:15  “Common Ground” Sessions – Mezzanine Level
18:30 – 21:30  SMS Evening at the Kursalon
Conference At A Glance

Tuesday, October 31, 2006

07:30 – 18:00  Conference Registration Open – Lobby Level
07:30 – 08:00  Pastry and Coffee – Lobby Level
08:00 – 18:00  Exhibits Open – Lobby Level
08:00 – 18:00  Cyber Café Open – Mezzanine Level
08:00 – 09:00  Plenary – Park Congress
09:00 – 10:00  Plenary Panel – Park Congress
10:00 – 10:30  Coffee Break – Lobby & Mezzanine Level
10:30 – 11:45  Parallel Paper/Panel Sessions – Mezzanine Level
12:00 – 13:45  Awards Luncheon – Park Congress
14:00 – 15:15  Parallel Paper/Panel Sessions – Mezzanine Level
15:15 – 15:45  Coffee Break – Lobby & Mezzanine Level
15:45 – 16:45  Plenary – Park Congress
17:00 – 18:45  “Common Ground” Sessions – Mezzanine Level
19:00 – 19:30  SMS Business Meeting – Berg – Mezzanine Level
19:30 – 0:30   Cocktail Hour – Mezzanine Gallery
20:30          Evening on Your Own

Wednesday, November 1, 2006

07:30 – 11:00  Conference Registration Open – Lobby Level
07:30 – 08:00  Pastry and Coffee – Lobby Level
08:00 – 11:00  Exhibits Open – Lobby Level
08:00 – 11:00  Cyber Café Open – Mezzanine Level
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12:30 – 13:45  Luncheon – Park Congress
## Session Overview

### Sunday, October 29, 2006

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<td>Interest Group Officer Meeting – Zweig – Mezzanine Level</td>
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<td>Managers, Boards, Or Active Investors: Who Should Determine Strategy? – Peter Butler – Park Congress</td>
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invited to a dialogue in several small groups about inventing the future of
In this first session of the day for the Strategy Process Interest Group you are
Co-Chairs:
  - Steven W Floyd, University of St Gallen
  - Mark P Kriger, BI Norwegian School of Management
Panelists:
  - Oguz N Baburoglu, Sabanci University
  - Mark de Rond, University of Cambridge
  - Quy N Huy, INSEAD

In this first session of the day for the Strategy Process Interest Group you are invited to a dialogue in several small groups about inventing the future of the Strategy Process sub-field. This session will tend to focus on developing new theory in which we will have six panelists briefly present several bullet points on where they think the interesting and promising areas of the field are currently emerging. Attendees will then break into groups of six to ten based on the presentations and hold a dialogue on the likely future directions of the Strategy Process sub-field. Final reports from groups will conclude the session. No sign-up is required – but do come prepared with your thoughts on future research directions in Strategy Process. It is also intended to be a time to network with similar-minded researchers and form future research collaborations.

Value Creation and Appropriation: Competitive Strategy and Knowledge Perspectives
Co-Chairs:
  - Bente R Lowendahl, BI Norwegian School of Management
  - Tammy L Madsen, Santa Clara University
Panelists:
  - Russell W Coff, Emory University
  - Deborah J Dougherty, Rutgers University
  - Kazuo Ichijo, IMD/Hitotsubashi University
  - Michael Lubatkin, University of Connecticut/EM Lyon
  - Rafael Ramirez, University of Oxford
  - Margaret A White, Oklahoma State University
  - Todd R Zenger, Washington University-St Louis

The creation of value and the appropriation of value are fundamental determinants of firm performance. Recent years have seen promising developments in research and best practice on the creation and maintenance of value, on one hand; and the distribution and appropriation of value on the other hand. However, progress on integrating these issues has been more elusive. In this session, we will hear from leading experts and discuss contributions from the perspectives of Competitive Strategy and Knowledge & Innovation. The format will be interactive, with a roundtable component.

Relationships Between Corporate Strategy And Governance
Chair:
  - Richard A Johnson, University of Missouri
Panelists:
  - Robert E Hoskisson, Arizona State University
  - Morten Huse, Norwegian School of Management
  - Richard A Johnson, University of Missouri
  - Laszlo Tihanyi, Texas A&M University
  - Mike Wright, University of Nottingham

The purpose of this session is to explore the relationships between strategy and governance change in a variety of contexts. While many scholars have argued that governance should change as strategy changes, surprisingly little research has examined this issue. This session includes four papers that examine the aforementioned relationship as well as the reciprocal relationship between governance and strategy. The papers include an examination of public to private transactions and their governance implications, a discussion of collaborative research in Europe on value-creating boards, the impact of exploit and explore strategies of pre- and post-IPO firms on firm governance and strategy change, the role of board network structures in China and investment decisions based on different models, including structural equivalence, structural holes, threshold, and small world models and post-restructuring changes in managerial incentives within the context of strategy. The fifth paper represents a broad survey of governance practices across Europe.
Institutional Development And Transitions In The EU

Co-Chairs:
- Mike W Peng, University of Texas-Dallas
- Margarethe F Wiersema, Rice University

Panelists:
- Tina Claudia Ambos, University of Edinburgh
- Erzsébet Czakó, Corvinus University-Budapest
- Anne-Marie Sigmund, European Economic & Social Committee, European Parliament
- Nastja Vogl, Vienna University of Economics & Business Administration

Klaus Wöller, Arts Division of the Federal Chancellery-Austria

The recent enlargement of the European Union (EU) has increased the complexity of coordinating an already heterogeneous group of members. A major concern is the gap between the EU's political and economic ambitions and the perceptions of its citizens. This provides additional challenges to the development of institutions within the EU and the implementation of new policies. This session aims to explore how EU institutions and policies help to facilitate the integration of the member states and which specific challenges they encounter. In particular, the three panelists from Belgium (EU), Austria, and Hungary will discuss: 1) the importance of organized civil society to building a knowledge economy and the EU's efforts to reconnect institutional Europe with its citizens; 2) the role of art, culture and common values in this context; and 3) competitiveness challenges in the context of Lisbon Strategy.

Overcoming Challenges When Conducting Research In Entrepreneurship

Chair:
- David B Audretsch, Indiana University/Max Planck Institute of Economics

Panelists:
- Rajshree Agarwal, University of Illinois-Urbana Champaign
- Sharon Alvarez, Ohio State University
- Benjamin A Campbell, University of Pennsylvania
- Sonali Shah, University of Illinois-Urbana Champaign
- Robert J Strom, Ewing Marion Kauffman Foundation
- Johan Wiklund, Jönköping University

While entrepreneurship research is a rich and fertile area, scholars can also be confronted by a number of challenges, spanning conceptual, measurement and theoretical issues. This panel features both scholars as well as representatives from the Ewing Marion Kauffman Foundation who will share their experiences and insights in both articulating the research opportunities as well as the constraints, and how such constraints can be overcome. Significant time will be provided for interactions among panelists and attendees, so that the resulting Q&As may provide additional insights and identification of issues.

One of the key topics raised by the Knowledge and Innovation Interest Group membership on our annual meeting in Orlando, was issues concerning getting (or not getting?) published with research in the area of knowledge and innovation. This roundtable is therefore designed to give you ample opportunity to discuss and raise concerns issues related to publication in our “field” of research. The session will start off with brief introductions by each of the panelists, before we break into roundtables to discuss issues raised in the “field” of research. Each table will be facilitated by one or more panelists.

The purpose of this session is to address the issues of competitive heterogeneity and performance sustainability from both a theoretical and methodological perspective. Among the most salient issues in corporate and business
strategy has been heterogeneity among firms’ capabilities and behaviors, on one hand; and the sustainability of competitive advantage and performance, on the other hand. Furthermore, establishing a clear, causal relationship among heterogeneity and sustainability is a recurring challenge for strategy scholars and practitioners. In this session, we will hear from top researchers with original views about conceptualizing competitive heterogeneity and sustainability; about theoretical and methodological means of establishing relationships between these concepts; and about developing a compelling research program in this important area. The format of the session will be interactive, with roundtables devoted to different topic areas.

**THE PRACTICE OF STRATEGY**

**Workshop #1: Dialogues On Learning From Practice Cases: Building Concepts, Tools, And Knowledge From Practical Engagements**

**Chair:**
Richard C Whittington, University of Oxford

This session will bring together case experiences in order to discuss how strategy concepts, tools, and knowledge actually work in practice. The focus will be on how these concepts, tools, and knowledge can be applied and adapted most effectively, and how new concepts, tools, and knowledge can be tested and developed in the field. Practitioners and 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.

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<td>14:30 – 15:00</td>
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<td>INTEREST GROUP SESSION III</td>
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**KNOWLEDGE & INNOVATION**

**International Research Collaboration On Knowledge Innovation**

**Chair:**
Bente R Lovendahl, BI Norwegian School of Management

**Panelists:**
Peter Lorange, IMD
Marjorie A Lyles, Indiana University
Frans AJ Van Den Bosch, Erasmus University-Rotterdam

One of the key topics raised by the Knowledge and Innovation Interest Group membership on our annual meeting in Orlando, was issues concerning getting to know other members of the Knowledge and Innovation Interest Group especially in an international context. One concern was how to establish and maintain research collaboration in international research projects. This final roundtable of our interest group pre-conference is therefore designed to give you ample opportunity to discuss and raise concerns issues related to your own research as well as past and potential collaboration in international research on knowledge and innovation. As with the previous sessions today, this final session will start off with brief introductions by panelists with a broad experience in international research, before we break into roundtables to discuss issues raised in the introductory debates. Each table will be facilitated by a panelists and/or other facilitators.

**ENTREPRENEURSHIP & STRATEGY**

**Entrepreneurship And Strategy: Taking Stock, Future Directions**

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

**Panelists:**
Rajshree Agarwal, University of Illinois-Urbana Champaign
David B Audretsch, Indiana University/Max Planck Institute of Economics
Michael A Hitt, Texas A&M University
Ian C MacMillan, University of Pennsylvania
Anita M McGahan, Boston University
Mike Wright, University of Nottingham

This panel features the leading scholars of entrepreneurship and strategy who will take stock of the intersection between the entrepreneurship and strategic management literature as well as chart out new research directions. The session will foster dialogue between panelists and session attendees to address questions and issues that arise during the session.

**STRATEGY PROCESS**

**The Future of Strategy Process: Bridging Theory And Practice**

**Co-Chairs:**
Steven W Floyd, University of St Gallen
Mark P Kriger, BI Norwegian School of Management

**Panelists:**
Oguz N Baburoglu, Sabanci University
Mark de Rond, University of Cambridge
Quy N Huy, INSEAD
Johan Roos, Imagination Lab Foundation

In this third session of the day we will hold a set of moderated dialogues about inventing the future of the Strategy Process sub-field. Based on the two earlier IG sessions, Session 1 focusing on likely future research directions and Session 2 focusing on recent theory, we will have the panelists from session 1 be discussion moderators for parallel dialogues on the question: what are the interesting and promising areas of the field are in the future and how can we advance research theory in these areas? Final reports from groups will conclude the session and be shared in plenum. Attendance at the two prior IG sessions is recommended but not mandatory. No sign-up is required.

**COMPETITIVE STRATEGY**

**The Value Of Strategic Flexibility**

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

**Panelists:**
Karel O Cool, INSEAD
Nile W Hatch, Brigham Young University
James E Henderson, IMD
Rita Gunther McGrath, Columbia University
Will G Mitchell, Duke University
Jonathan P O’Brien, University College Dublin

Theories used in the strategy field have alternatively emphasized the value of commitment versus the value of flexibility (e.g., staging or deferring investments). Game theory and the resource-based view of the firm, for instance, highlight the importance of commitment by emphasizing factors such as competitor pre-emption as well as various isolating mechanisms that support sustainable competitive advantage. By contrast, other theories such as information economics and real options analysis underscore the benefits
of staging or deferring investments, particularly under conditions of market or technological uncertainty. In this panel, several authors will present recent research that examines the choices firms make to pursue strategic flexibility and the conditions under which such strategies are valuable.

**CORPORATE STRATEGY & GOVERNANCE AND GLOBAL STRATEGY**

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<td>Ferdinand Breninkmeijer, C&amp;A Austria</td>
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<td>Frans Bloom, The Boston Consulting Group GmbH</td>
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<td>Andrzejs Klesyk, The Boston Consulting Group GmbH</td>
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<td>Christian Medved, AGRANA Fruit GmbH</td>
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<td>Manfred Reichl, Roland Berger Strategy Consultants GmbH</td>
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<td>Laszlo Tihanyi, Texas A&amp;M University</td>
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The challenges that multinational corporations face when competing in the global market place are numerous. From the opening of Central and Eastern Europe to the enlargement of the EU, the continent’s competitive landscape has changed in many respects. New and vibrant product markets have emerged, value added activities at all levels have started to move East, and old organizational structures and regional strategies are put back on the drawing board. The purpose of this expert panel is to discuss the strategic challenges faced by firms competing in this new Europe.

**THE PRACTICE OF STRATEGY**

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<th>Workshop</th>
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<td><strong>Workshop #2: Practical Strategy Problem Workshop: Flipchart Problem Outlines For Discussion And Development</strong></td>
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<td>Chair:</td>
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<td>Richard C Whittington, University of Oxford</td>
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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.
performance, this study explores what accounts for their relative effects on performance differences among high-tech industries? A variance components model is fitted to a new data set, and findings indicate that industry effects dominate performance while nation effects have little impact. The empirical results imply that industrial organization-related insights are important to high-tech sector performance.

Interactive Effects Of International Operational Scope, Export Commitment, And Product Diversification In Japan's Electronics Firms

Asli M Colpan, Doshisha University
Takashi Hikino, Kyoto University

The present research examines the internationalization-cum-performance dynamics through econometric analyses of a panel data on Japanese electronics enterprises in the controlled macroeconomic environment since the early 1990s. By analyzing the interactive effects of three predictors, international operational scope as the focal independent variable, export commitment as the first moderator, and product diversification as the second moderator, a comprehensive and more accurate picture of the complicated interactive effects on financial performance is obtained. The results basically provide support for all four hypotheses that identify: first, the main effect of international operational scope on financial performance; second and third, the two-way interaction of export commitment and product diversification, respectively, with international operational scope; and fourth, the three-way interaction of export commitment, product diversity and international operational scope.

The Role Of Flagship-Based Networks In Multinational Enterprise Strategy

Alain Verbeke, University of Calgary/University of Oxford
Sarah Vanden Bussche, Free University of Brussels

This paper discusses the role of international, flagship-based networks in multinational enterprise (MNE) strategy. The focus will be on the costs and benefits of such networks to the MNE.

International Competitiveness Of British Companies

George S Yip, Capgemini Consulting
Alan M Rugman, Indiana University
Alina Kudina, University College London

We define the international competitiveness of companies as a combination of global market share and international as a percentage of revenues. We analyze financial data on 1,884 public British companies to identify those industry segments in which British companies are most successful internationally, and also investigate the attractiveness of these industries in terms of profitability and growth. We find that the majority of even large British companies still have most of their revenues from home. Indeed, there is a set of industries in which British companies (‘domestic champions’) have large global market shares but a low extent of internationalization, and yet enjoy high profits and growth. These industries are mostly in the service sector. Our methodology can be applied to analyzing companies from other nations.

UNPACKING THE PERFORMANCE OF MULTINATIONAL FIRMS

Paper Track H

Session Chair: George S Yip, Capgemini Consulting


Yi-Min Chen, National University of Koahsiun

It has long been conventional to treat the industry as a basic unit of analysis when considering the performance of companies in markets. Shifting the focus of attention from the performance of a firm to the performance of nation and industry, Porter’s The Competitive Advantage of Nations explain why a nation achieves international success in a particular industry. While recognizing the nation and industry environments as the primary determinants of performance, this study explores what accounts for their relative effects on performance among high-tech industries? A variance components model is fitted to a new data set, and findings indicate that industry effects dominate performance while nation effects have little impact. The empirical results imply that industrial organization-related insights are important to high-tech sector performance.

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ADVANCES IN RBV: RESOURCE ACCUMULATION, DEVELOPMENT, AND RENEWAL

Session Chair: Robert Dara M Szlywiowicz, University of Denver

The Value Of Search And Change Capabilities: Observations From A Multi-Agent-Simulation Model Of Inter-Firm Competition

Duncan A Robertson, University of Warwick
Nicolaal Siggelkow, University of Pennsylvania

Using an agent-based simulation model, we extend the basic Hotelling product differentiation model to conduct a systematic analysis of the value of two types of capabilities in a competitive context: search capabilities and change capabilities along both the price and the product attribute dimensions. While search and change capabilities often have positive effects on firm performance, we identify conditions under which both capabilities can be detrimental to firm performance.
The Timing Of Resource Development, Causal Ambiguity, And The Sustainability Of Competitive Advantage
Gonçalo Pacheco de Almeida, New York University
Peter B Zemsky, INSEAD
We deepen and extend resource-level theorizing about sustainable competitive advantage by formally modeling resource development in competitive markets. Firms choose how fast to develop resources and whether to delay investment and imitate the resources of pioneering firms. Time compression diseconomies, which are derived from a micro-model of resource development with diminishing returns, depend on the complexity of the resource being developed. We characterize two dimensions of sustainability: whether a resource is imitable and how long imitation takes. Counter intuitively, we show that increases in causal ambiguity can both decrease the sustainability of competitive advantage and increase the profits of an imitator. Despite recent criticisms, we reaffirm the usefulness of a resource-level of analysis, especially when focused on resources developed in projects with identifiable stopping times.

Resource Renewal: Antecedent Performance And Factor Market Signals
Thomas P Moltiterno, University of South Carolina
Management of the resource portfolio is a vitally important firm-level capability. In particular, ‘resource renewal’ - the divestment of discrete resources and acquisition of replacement resources that contribute similarly to the firm’s on-going strategy-makes fundamental changes to the firm’s asset structure. This study examines performance antecedents of firm-level resource renewal, and explores how antecedent performance is a market signal that provides both opportunities and constraints for the firm when entering factor market. The results suggest that to fully understand the firm’s resource renewal capability, and its implications for organizational risk taking, we need to examine not only antecedent performance, but also where that performance falls relative to aspirations.

Understanding The Resource Accumulation Process
Andrea Lanza, University of Calabria/Bocconi University
Antonella Pellegrino, University of Calabria
Giuseppina Simone, University of Calabria
Searching for the determinants of inter-firm differences Resource-Based View (RBV) has maintained the importance of the resource accumulation process. This papers aims at extending the RBV domain to resources located outside the single firm. We also draw upon the distinction between flow- and stock-resources. Our goal is twofold: to explore how resources stocks are created and to test the validity of the RBV extension. To reach this goal we propose a 2x2 matrix whose dimensions, property right and accumulation process, give rise to four latent constructs. A research on a 124 firms sample has been carried out in the Italian mechanical industry. The relationships among the latent variables were tested by means of Lisrel. Results demonstrate the existence of a resource accumulation process.

Can M&A Activity Improve Firm Performance?

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<th>Paper</th>
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<td>Session Chair: Jerayr Haleblian, University of California-Riverside</td>
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Understanding The Performance Of Corporate Acquisitions
Maurizio Zollo, INSEAD
Degenhard Meier, RWTH Aachen
Particularly because the concept of acquisition performance is notoriously complex, there has been a huge variety in the practice of actually measuring it. The objective of this paper is to offer a synthesis of the approaches to measure acquisition performance with a conceptual analysis and an empirical validation of how various measures of acquisition performance relate to each other. We do this by studying a sample of 146 mergers and acquisitions. The results of the analysis show that there is only a weak link between subjective and objective measures of acquisition performance. Interestingly enough, short-term event study measures show no correlation with any of the other measures of acquisition performance employed by this study. Implications are drawn for strategic management scholars studying acquisition performance.

The Effects Of Firm Growth, Strategic Complementarity, And Acquisition Performance On Acquisition Premiums
Jay Kim, University of Southern California
Jerayr Haleblian, University of California-Riverside
Sydney Finkelstein, Dartmouth College
High acquisition premiums are generally attributed to management hubris. In the proposed study, we offer an alternative perspective: we will explore how acquiring managers’ desperation rather than hubris influences acquisition premiums. Specifically, we propose managers of firms experiencing limited organic growth (i.e., growth through regular operation) are more likely to overpay for targets. These managers are compelled to reinvigorate growth through acquisitions as they attempt to capture growth opportunities, even at the expense of lower profitability or shareholders’ value. Moreover, we propose firms that have experienced considerable acquisitive growth will also pay higher acquisition premiums because they become increasingly dependent on acquisitions for growth. Thus, we explore whether certain types of acquirers seeking growth are more motivated to make acquisitions, and systematically overpay for them.

Motive Archetypes In Mergers And Acquisitions (M&A): The Implications Of A Configurational Approach To Performance
Duncan N Angwin, University of Warwick
Performance studies show the majority of M&A fail and yet managers continue doing deals. To help resolve this paradox considerable effort has been directed at uncovering new performance measures. However the other side of the equation has not received equal attention; the assumptions performance studies make about what motivates M&A. Crude or flawed assumptions may lead to data being confounded; M&As deemed to be ‘the same’ when crucial differences are obscured, and so undermine conclusions. This paper recognises a more complex set of motivations for M&A, including imposed institutional motivations and motivational pluralism. A set of M&A motivation archetypes are crystallised and different performance outcomes hypothesised for each with appropriate performance indicators. These may allow a more sensitive appreciation of actual success in M&A.
while others struggle remain elusive. While some scholars suggest that best practices or culture differentiate innovative from non-innovative organizations, we submit an alternative explanation. We suggest that the existence of three innovative social rules differentiate innovative from non-innovative organizations. We use grounded theory building to identify and explicate three innovative and three contrasting non-innovative social rules that guide the everyday practice of innovation in large established companies. Social rules not only explain why some companies can innovative well while others can not, but also what managers should do to foster innovativeness.

Organizing To Gain From User Interaction: The Role Of Organizational Practices For Absorptive And Innovative Capacities
Nicola J Foss, Copenhagen Business School
Keld Laursen, Copenhagen Business School
Torben Pedersen, Copenhagen Business School

We address how organizational practices may leverage the knowledge absorption from users in the context of innovation. We focus on practices that enhance communication and knowledge sharing between management and employees and between departments, and on pecuniary rewards for engaging in knowledge sharing. Such practices leverage knowledge absorption and lead to higher innovative capacity. Thus, we identify some of the organizational dimensions of absorptive capacity that are needed to benefit from the ‘user innovation model’ and provide quantitative support for the propositions put forward. The paper draws on a survey of 169 Danish private firms. The survey was implemented in 2001 among a sample of the 1000 largest Danish manufacturing and service firms.

Social Networks And Access To Resources For Innovation Project Managers
Mats Lingblad, Singapore Management University

Innovation projects in large organisations are socially embedded in networks for access to funding and high-level political support. This proposal theorises the relationship between network structure and project performance with the help of social network data from 66 project managers in one large multinational organisation. First, superior performance is argued to be related to a large network of weak relationships. An interaction effect between network size and relationship strength creates two possible strategies; either a small network with strong relationships or a large network with weak relationships. Second, superior performance is related to a sparse network. In contrast, when the members of the funding and support network are densely connected, the project leader will loose autonomy, resulting in lower project performance.

Driving Radical Innovations: Are Informal Structures More Successful Than Formal Ones?
Hans Georg Gemuenden, Technical University of Berlin
Katharine Hoelzel, Technical University of Berlin
Sören Salomo, University of Graz
Christopher Lettl, Technical University of Berlin

In this paper, the authors study the influence of promoter roles versus selected project management characteristics on innovation success in highly innovative ventures, taking into account the degree of innovativeness as a moderating variable. Four main research questions are derived and tested using a sample of 146 highly innovative new product development projects. A rigorous sampling design, state-of-the-art measures for the degree of innovativeness, and multi-trait-multi-method methodology (MTMM) is used. The results show that promoters influence innovation success selectively depending on the degree of innovativeness. The selected project management characteristics also show significant positive effects on success, increasing with higher degrees of innovativeness. Remarkably, support from high-ranked organizational members turns out to have a negative effect on project success.
500 ratings published by six agencies for 19 EMCs holding 45 presidential elections from 1987-2004 suggest that elections heighten perceived agency risk and lower their ratings, but that such effects disappear in EMCs with several agencies competing for bond rating business. Agency rivalry may counteract electoral rivalry effects on ratings and skew objective decision-making about the price and availability of capital to EMCs during election periods.

**OFFSHORING STRATEGIC DECISIONS: EVOLUTIONARY PATHS AND IMPLICATIONS FOR STRATEGIC MANAGEMENT**

Panel | Track A | Klimt Ballroom 2
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Thomas Hutzschenreuter, WHU-Otto Beisheim Graduate School of Management
Arie Y Lewin, Duke University
Silvia Massini, University of Manchester
Carine Peeters, Duke University
Bent Petersen, Copenhagen Business School
Joan E Ricart, IESE Business School-University of Navarra
Stefan Stroh, Booz Allen Hamilton
Henk W Volberda, Erasmus University Rotterdam

This international panel will report on a global project to study Offshoring Decision that was initiated by Professor Arie Lewin in Duke University and now involves a large group of professors around the world. This international group provides ample opportunities for cross-country comparison in addition to providing a global perspective on the issue.

**STUDYING INTERACTIONS WITHIN TOP MANAGEMENT TEAMS**

Paper | Track I/K | Klimt Ballroom 3
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Session Chair: Laura A Costanzo, University of Surrey
Michael Lubatkin, University of Connecticut/EM Lyon

**BEST CONFERENCE PAPER PRIZE FINALIST**

Strategy Teams In Multibusiness Firms: Studying Strategizing Practices Across Levels

Sotirios E Paroutis, University of Warwick
Andrew M Pettigrew, University of Bath

In this paper, we present an approach to strategy as practice, which focuses on the actions and interactions of strategy teams in multibusiness firms. This approach suggests that knowing and acting by these teams is dynamic, collective and distributed across three interrelated levels: local (within the team), global (across teams) and contextual (at the context of the team). Using the insights from two studies of FTSE-100 firms, we identify seven sets of practices utilised by strategy teams. We also suggest that the ability to make and execute strategy is located both at the corporate centre and distributed across the business units and involves both recursive and adaptive activities. Finally, we offer a framework for mapping the practices of strategy teams for both academics and practitioners.

Interactions, Attention, And Decision-Making In High Tech Organizations

John E Joseph, Northwestern University

This study seeks to understand the level of dynamicity inherent in the firm’s capabilities and answer the question: How dynamic is the degree to which a firm’s resource allocation can drive the firm’s dynamic? In this paper, I posit that to deal with the challenges of innovation, managing resources, organizations develop information processing and decision mechanisms to govern the allocation of attention. These cognitive mechanisms create interaction opportunities and guide decision-making and resource allocation in the face of complex business environments. Utilizing a survey of chief marketing officers and other senior marketing executives of high technology firms, I test the hypotheses that the interactions among organizational activities, real-time information and the use of performance ‘dashboards’ influence the ability to effectively direct attention and allocate resources within the marketing function at high tech firms.

**BEST CONFERENCE PAPER PRIZE FINALIST**

Ambidexterity And Performance In Small To Medium-Sized Firms: The Pivotal Role Of TMT Behavioral Integration

Michael Lubatkin, University of Connecticut/EM Lyon
Zeki Simsek, University of Connecticut
Yan Ling, George Mason University
John F Veiga, University of Connecticut

While a firm’s ability to jointly pursue both an exploitative and exploratory orientation has been posited as having positive performance effects, we need to know more about the antecedents and consequences of such ambidexterity, particularly in SMEs. To that end, we extend upper echelon theory by focusing on the pivotal role of TMT behavioral integration in attaining ambidexterity in SMEs. Then, to address the bottom-line importance of pursuing an ambidextrous orientation, we hypothesize and test its association with subsequent firm performance. Analyzing multi-source survey data, including CEOs and TMT members from 139 SMEs, we find that a firm’s TMT behavioral integration is positively associated with its ambidexterity. Moreover, our findings demonstrate that SMEs’ pursuit of ambidexterity is positively related to performance one year later.

Strategic Decision-Making Within The Context Of A High-Tech Start-Up: A Case Of Strategising Following Organising?

Laura A Costanzo, University of Surrey
Colin Hales, University of Surrey

This paper provides a more reliable view of how the strategic decision-making process is shaped, through interaction of CEO and TMT by adopting the method of the longitudinal case study. The project is a U.K.-based start-up company. The case study brings to light the evolving nature of the role and influence of the TMT on the decision-making process, at different stages of the development of the venture. Our research findings suggest that Chandler’s dictum that ‘structure follows strategy’ may not be applicable. Particularly, at R-Engineering a future strategic orientation emerged after an organizational structure was born place and managerial roles and responsibilities of the top management team had been defined.

Alliances And Exchanges By Entrepreneurial Firms: Managing Power And Autonomy

Filipe Santos, INSEAD
Kathleen M Eisenhardt, Stanford University

This paper examines how entrepreneurs manage their organizational boundaries in nascent markets. We conducted an inductive theory building study of five firms over a multi-year period. The result is a framework that describes how entrepreneurs co-construct the boundaries of their firm and market using three key processes: 1) claiming the market through leadership signals, disseminating stories and adopting templates that balance familiarity and novelty; 2) demarcating the market by co-opting established firms through alliances and; 3) controlling the market by acquiring entrepreneurial rivals who could become stepping-stones, open new market segments or possess threatening resources. Overall, this paper contributes to reinvigorate the study of inter-organizational power by exploring the processes through which low power actors, such as entrepreneurs, attempt to construct new markets.

Do Small Firms Benefit Less From Alliance Activity Than Large Firms?

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

Recent anecdotal research argues that small firms are disadvantaged in their ability to utilize strategic alliances. Despite this attention, little empirical work documents the specific organizational factors that make collaboration difficult, whether specific decisions regarding the organization of alliances
may mitigate these reported disadvantages, or whether these considerations affect performance for these firms. Utilizing the resource-based (RBV) and transaction cost economics (TCE), this paper examines the extent to which alliance-, firm-, and partner-level characteristics affect alliance decisions and subsequent performance across small and large firms. Using a sample of 603 semiconductor production sourcing alliances and a two-stage methodology, our empirical results indicate that partner capabilities and the relative technical distance between firm and partner capabilities have distinct effects on small and large firms’ alliance performance.

The Determinants Of The Alliance Strategies Of New Technology-Based Firms
Massimo G Colombo, Polytechnic of Milan
Luca Grilli, Polytechnic of Milan
Evila Piva, Polytechnic of Milan

The aim of this paper is to identify empirically the characteristics that lead new technology-based firms (NTBFs) to establish collaborative agreements with other firms and institutions. We claim that the need for complementary assets and the ability of NTBFs to have access to them has considerable explanatory power of the likelihood of these firms establishing alliances with third parties. In the empirical section of the paper, we analyze the determinants of alliance formation through the estimates of several econometric models (survival data analysis models, competing risk models and discrete choice panel data models) using longitudinal data relating to a sample composed of 550 Italian young independent firms that operate in high-tech sectors, in manufacturing and services and are observed during the period 1994-2003.

How Entrepreneurial Firms Govern Exchanges With Dominant Exchange Partners
Douglas A Bosse, University of Richmond
Sharon Alvarez, Ohio State University

Entrepreneurial firms often establish relationships with dominant exchange partners to access critical resources. While these relationships can support the growth and even survival of the entrepreneurial firm, they can also present great risk if the dominant partner behaves in a purely self-interested manner. Entrepreneurial firm managers must decide how to govern these relationships so that the potential benefits can be realized and the risks minimized. This empirical paper develops and tests a model derived from linking the resource-based view and transaction cost economics to provide simultaneous consideration of the benefits and costs associated with how entrepreneurial firms govern exchanges with dominant partners.

Encouraging Entrepreneurial Behavior: Attitudes, Cognition, and Structures

Session Chair: Erik Monsen, Max Planck Institute of Economics

Entrepreneurial Orientation And Strategy: The Moderating Effects Of Strategy On SMS's Performance
Isabel Gutiérrez, University of Carlos III-Madrid
Ester Martinez-Ros, University of Carlos III-Madrid
Julio O De Castro, Institute of Empresa-Madrid

Entrepreneurial Orientation (EO) of a firm, its predisposition to engage in behaviors that lead to change in the organization of marketplace, has become an important focus of research, yet previous research on the relationship between EO and firm performance provides conflicting evidence. This paper examines the role that strategy plays in the relationship between EO and performance and contributes by helping clarify the nature of the relationship between EO and firm performance, with a sample of 138 SME’s of the Chemical Sector in Spain, and both survey and financial accounting records data. Our results indicate that EO interacts significantly with generic, technological and cooperative strategies for both Sales and ROA Growth, and the need to examine EO in concert with firm strategy.
Monday Sessions 10:30 - 11:45

**Commit Or Abandon: The Role Of Experience, Expectations, And Performance Feedback In Innovation Strategy**

**Session Chair: Carlo Salvato, Bocconi University**

**Abandoning Innovation In Emerging Industries**
Rajshree Agarwal, University of Illinois-Urbana Champaign
Barry L Bayus, University of North Carolina-Chapel Hill
Mary Tripas, Harvard University

Existing models of industry evolution describe a smooth inverted U pattern of the number of firms over time. We examine the pervasiveness of an alternative pattern of evolution in which a 'mini-shakeout' occurs during the emergent stage of an industry. Using panel data across multiple product innovations introduced in the 20th century, we examine why some industries are more likely to experience a mini shakeout. Using detailed quantitative and qualitative data on the emergence of handheld computers and digital cameras, we investigate the why some firms abandon innovation before the industry even takes-off, while others stay committed. We propose a conceptual model that highlights the role of unmet expectations and the degree of importance of the emerging industry to the focal firm in determining its likelihood of exit from the industry.

**Performance Ambiguity And Product Innovation: Rethinking The Role Of Success And Failure In Organizational Learning**
Claus Rerup, University of Western Ontario
Carlo Salvato, Bocconi University

Conventional models of learning do not account for how organizations learn from outcomes, especially near-successes, in the 'gray zone' between success and failure. In this study, we use a unique combination of qualitative and quantitative product development data-and analytical techniques-from one of the world leaders in household design objects, to further rethink the role of success and failure in organizational learning. We explore the complex learning task faced by this firm over twelve years by analyzing a database recording sales aspirations and actual performance for 1,897 products. Our empirical evidence suggests multiple implications for models of learning from experience. We show how multiple interpretations of 'success' and 'failure' generate an ecology of learning wherein stakeholders learn different lessons from the same data.

**Which Subfield To Enter First? The Role Of A Firm's Pre-Entry Experiences**
Hun Lee, George Mason University
Hyung-Deok Shin, George Mason University

In this study, we argue that the type and age of organizational experiences predict which subfield a firm chooses to enter first when facing two distinct market entry opportunities simultaneously. Using a sample of biotechnology firms, we identify each firm's pre-entry experience before entry either into the therapeutic monoclonal antibodies subfield with higher growth/risk or the diagnostic monoclonal antibodies subfield with lower growth/risk. We find that general experience rather than specialized experience increases the likelihood of a firm entering first the subfield with higher growth/risk as opposed to entering first the subfield with lower growth/ risk. In summary, we provide further empirical evidence on the significant influence of general experience on market entry when facing two distinct market entry opportunities simultaneously.

**Determinants Of Market Exits: Empirical Evidence For Bankruptcies And Voluntary Liquidations**
Christian Kaiser, University of St Gallen
Andreas Herrmann, University of St Gallen
Mark Heitmann, University of St Gallen

This paper examines the determinants of bankruptcies and voluntary liquidations using firm level data from Switzerland. Based on a sample of more than 68,000 firms from all major sectors, we find considerable differences in the determinants of bankruptcies and voluntary liquidations depending on firm and industry characteristics as well as the macro-economic situation. Our findings support the notion that bankruptcies often result from delayed voluntary liquidations.

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**Executive Compensation: Agency And Power Considerations**

**Session Chair: Albert Widjaja, University of Indonesia**

**Upward Ratcheting Of CEO Compensation: A Behaviorally-Based Explanation**
Shamsud D Chowdhury, Dalhousie University
Elizabeth Kelley, Dalhousie University

In this proposal, we argue that one hitherto unexplored behavioral determinant of CEO compensation-adherence to group norms-may provide insight into the full scope of upward ratcheting of CEO compensation in large North American corporations. We argue that the two tenets of the managerial power perspective-camouflage and outrage-lend themselves to be blended with two key attributes of group norms-internalization and non-internalization-for the creation of a unique set of four contexts where CEO pay stays either in equilibrium (which is rare in reality) or moves upward. Given the complex nature of the process of CEO pay setting, exploring the interactions of group norms with other established theoretical lenses has important theoretical and practical ramifications.

**Managerial Power Worldwide: How Legal Institutions Affect Top Executive Pay**
Steffen Brenner, Humboldt University-Berlin
Joachim Schwalbach, Humboldt University-Berlin

The paper examines whether cross-country differences in the power of CEOs relative to firm owners can be linked to variation in legal institutions. We study whether measures of investor protection and the quality of legal enforcement are associated with the power of top executives to influence their own pay package. Consistent with the power hypothesis, we find that managers from countries affording investors a higher degree of protection also obtain a higher level of pay, while there is no significant increase in their performance pay component that could explain the higher remuneration level. Our estimations regarding the impact of the quality of legal enforcement and the emergence of cross-national legal institutions associated with cross-listing of shares on relative CEO power is inconclusive.

**Motivational Properties Of Compensation Types And Their Impact On Executive Behaviour**
Katarina Sikavica, University of St Gallen
Esther Kessler, University of Nottingham

This paper provides empirical evidence on the relationship between compensation types (salary, bonus, stock options, and shares) and the propensity of top executives to leave the organization in high and low discretion contexts. Drawing on the behavioural decision theory and behavioural economics it is hypothesized that agents due to 'loss aversion' attribute greater importance to fixed pay than to variable pay and that, therefore, changes in fixed pay have a greater impact on executive turnover. In the same vein, the paper provides empirical evidence on the 'crowding out' of intrinsic motivation and reciprocity by changes in extrinsic incentives. Finally, the paper explores whether the 'crowding out' - effect is contingent on the discretion context and company performance.

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**Corporate Venture Capital**

**Session Chair: William S Schulze, University of Utah**

**Corporate Venture Capital: A Multi-Level Analysis Of The Wave Hypothesis**
Vadake K Narayanan, Drexel University
Yi Yang, Drexel University

In this paper, we examine a key presumption present in the corporate venture capital (CVC) literature - the cyclic pattern of historic CVC activity (Gompers, 2002; Chesbrough, 2000, 2002; Birkintshaw & Hill, 2005). Using time series data, we examine wave hypotheses at multiple levels of analysis. At the macro level, we examine if the wave hypothesis is a plausible explanation of the pattern of CVC investments. At the micro-level, we examine if the pattern of investments...
can be explained by firm-level factors based on event history analysis. The study results may shed light on potential reasons for the instability of CVC activity, and thus help firms instituting CVC programs to reduce the instability and enhance their CVC performance.

Do CVC Children Make Better CVC Parents?
Sergey Anokhin, Kent State University
This study demonstrates that path dependency applies in the context of Corporate Venture Capital (CVC). CVC children (corporations started with the help of corporate venture capital) are more likely to become CVC parents (initiate CVC programs of their own) than corporations with no prior history of accepting CVC funding. They also make better CVC parents in terms of their ability to absorb the know-how of the new venture, which all else equal, reflects in higher than average rates of realized corporate innovation exhibited by such companies.

Leveraging Corporate Venture Capital Investments For Learning: Knowledge Brokering, Relationship Quality, And Knowledge Transfer
Artur Baldauf, University of Bern
Behrend Freese, Deutsche Telekom AG Laboratories
Large corporations increasingly use corporate venture capital investments to tap new knowledge and innovations in start-ups. However, how knowledge flows in these relationships occurs is still understood. Our study focuses on factors facilitating knowledge transfer in corporate venture capital investments. Drawing on a sample of 100 matched pairs of corporate investors and ventures we find that several relationship characteristics reflecting relationship quality positively affect knowledge acquisition by both the corporation and the venture. This relationship is moderated by the type of knowledge brokering taking place in the relationship and by the fit between corporation and venture.

MOVED TO TUESDAY, 14:00-15:15, ZWEIG (see page T-61)
Building Relationships Or Controlling Behavior? Two Perspectives Explaining The Level Of Investment In CVC
Sandip Basu, University of Washington
Anu Wadhwa, Swiss Federal Institute of Technology
We evaluate the determinants of the level of Corporate Venture Capital (CVC) investment in smaller ventures. Corporations might want to raise their level of investment in a portfolio firm for two reasons: to support the venture with critical resources and build a long-term relationship, or to control the venture effectively so that it does not behave opportunistically. A corporation adopts a supporting attitude when the venture is young and when the corporation seeks exploration. It adopts a controlling attitude when the venture is old and it seeks exploitation. Under both these conditions, corporations would make a relatively high level of investment. We test our hypotheses using a sample of firms in the telecommunications, semiconductor and computer industries that made CVC investments during 1996-2000.

Predicting Director Exit: Firm Stigma, Insider Status, And Social Capital
Christine Shropshire, Arizona State University
Robert E White, Arizona State University
While there has been significant research into the consequences of board composition, less attention has been paid to the formative processes by which board composition evolves over time. In this paper we study one such process: director turnover. We hypothesize that both organizational attributes (e.g., firm stigma) and individual characteristics such as social capital and insider status have important implications for director exit. We measure stigma using computer-assisted text analysis of Wall Street Journal articles on sample firms over a five-year period. Utilizing a longitudinal design, we model director exit for the directors in a sample of large firms from 1999-2001.

Getting Them To Think Outside The Circle: Corporate Governance, CEO Advice Networks, And Firm Performance
Michael McDonald, University of Central Florida
Poonam Khanna, University of Texas-Austin
James D Westphal, University of Michigan
This paper contributes to the literature on top managers’ social networks and their firm-level performance consequences by considering how corporate governance factors influence firm managers’ 1) willingness to solicit advice from social contacts likely to offer perspectives on strategic issues that are different from their own (e.g., non-friends), and 2) capacities to benefit from the novel views that these network contacts provide. Our theory predicts that 1) high levels of CEO stock ownership and performance-contingent compensation, and 2) intense board monitoring of CEO decisions will have positive effects on both outcomes. Our empirical results consistently support our theoretical predictions.

Board Decision Comprehensiveness: Understanding The Effectiveness Of The Board's Oversight Role
Ann C Mooney, Stevens Institute of Technology
Jens Grundei, Technical University of Berlin
Axel von Werder, Technical University of Berlin
Recent corporate scandals like Enron have begged the question of why the board doesn’t always oversee management effectively. The problem is that little consensus exists about how boards can fulfill this critical role. Some researchers propose structural factors considered to improve a board’s independence and vigilance (Johnson, et al. 1996), while others oppose these structural solutions and focus on board processes (Finkelstein & Mooney, 2003). In this paper, we reconcile these perspectives in a new model of board oversight that shows both board structure and process matter because they encourage board comprehensiveness (the extent to which a board’s evaluation of management’s decisions is broad, deep, and involves pro/contra debate). Important implications for practice and future research are discussed.

CEO Advice Networks, And Firm Performance
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Monday Sessions 13:30 - 14:45

**Strategic Positioning In Innovation Ecosystems**

**Session Chair:** Theodora C Welch, University of Massachusetts-Boston

**BEST CONFERENCE PAPER PRIZE FINALIST**  **HONORABLE MENTION**

**Strategic Organization In Traditional Industries: Boundary Architecture As A Source Of Competitive Advantage**

Filipe Santos, INSEAD
Ana Maria Pereira Abrunhosa, University of Coimbra
Inês dos Santos Costa, Technical University of Lisbon

This paper explores the concept of boundary architecture as a combination of firm-level decisions about the scope, permeability, and modularity of a firm’s activities. We develop a new analytical tool to track boundary changes over time and use it to study how boundary architecture impacts long-term performance in medium-sized firms operating in traditional industries facing strong competition. The findings suggest that a boundary architecture that involves extending the scope of activities, increasing their permeability to markets, and improving the modularity of units leads to high performance. We discuss the advantages and limitations of these three processes and their implication for the strategic organization of firms.

**When Do Technology Punctuations Create Early Mover Advantages? The Effect Of Innovation Ecosystems**

Ron Adner, INSEAD
Rahul Kapoor, INSEAD

We examine the co-evolution of technologies and their ecosystems. We focus on how ecosystem challenges in the provision of upstream components and downstream complements impact firm performance in new technology generations. We examine these issues across nine technology transitions in the semiconductor lithography equipment industry from its emergence in 1962 to 2004. We find that ecosystem challenges have an important effect. However, because of opposing effects of complexity in components and complexity in complements on the existence of early mover advantages, the impact of ecosystems on firm performance can only be uncovered by separating the roles of these underlying elements.

**The Microdynamics Of Resource Partitioning: Technological Licensing In The Security Software Industry**

Andrea Fosfuri, University of Carlos III-Madrid
Marco S Giarratana, University of Carlos III-Madrid
Szabolcs Szilárd Seberek, University of Carlos III-Madrid

This paper explores how the firm licensing strategy interacts with its product strategy. Following the resource partitioning approach, product strategies are distinguished as specialist and generalist. Our findings predict that a specialist strategy is supported by an active role as a seller (licensor) in the market for technology. On the other hand, firms that pursue a generalist approach benefit from being active buyers (licensee) in the market for technology. Following the resource partitioning approach, product strategies are distinguished as specialist and generalist. Our findings predict that a specialist strategy is supported by an active role as a seller (licensor) in the market for technology. On the other hand, firms that pursue a generalist approach benefit from being active buyers (licensee) in the market for technology.

**Do Innovators Live Longer? A Contingency Approach**

Yang Fan, London Business School

The paper examines the impacts of innovation development on organizational survival under different levels of market competitions. We find that incremental innovations, in general, have positive impacts on organizational survival, whereas radical innovations have negative impacts. Such negative impacts can be neutralized by joint development. However, the benefits of joint development recede as market competition intensifies, and independent development, particularly radical innovation is preferred under high market competition.

**Ownership Structure And Firm Performance**

**Session Chair:** Zied Guedri, EM Lyon

**Does Ownership Structure Shape Performance Outcomes? Evidence From An Emerging Economy**

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

This paper analyses the effect of ownership structure on performance. The ownership structure is summarized in terms of three dimensions: 1) the ownership concentration; 2) the affiliation to a business group; and 3) family ownership. Our empirical analysis is conducted in a cross-section data set of publicly traded Chilean firms in the year 2000. We find evidence that the effects on performance depend on ownership concentration in a non-linear way, showing the changing balance of two opposing economic forces: value creation and value expropriation by the controlling shareholder. Social ties that link firms within a business group (family ties and interlocking directorates) do affect performance. Family control also has a significant effect in-group and non-group firms.

**The Effect Of Founding Family Influence And Insider Holding On Firm Value: A Non-Anglo-American Perspective**

Sanjay Goel, University of Minnesota-Duluth
Trond Randøy, Agder University College
Virginia Blanco Mazagatos, University of Burgos

Founding family ownership and control is the norm among public firms outside the Anglo-American countries. However, whether founding family influence ultimately enhances firm performance remains an open question (Villalonga and Amit, 2005). We empirically test for a firm value effect of descendant board membership and insider holding by using a sample of Swedish, Norwegian and Spanish publicly traded companies. The corporate governance system in these countries allows family owners more discretion - and a greater potential for expropriation from minority shareholders - than in Anglo-American countries (Franks, Major and Rossi, 2004). Grounded in the theory of altruism and agency theory, our key finding is that descendant influence has a significant and positive effect on firm value, even when the firm uses takeover defenses.

**PHD FELLOWSHIP FINALIST**  **RUNNER-UP**

**Ownership Form And Acquisition Strategy: Do Family-Firms Make Better Acquisitions?**

Manisha Singal, Virginia Polytechnic Institute & State University
Donald E Hatfield, Virginia Polytechnic Institute & State University

Previous research has shown that, on average, mergers and acquisitions fail to enhance an acquiring firm’s value. Yet, firms continue to merge with and acquire other firms on a massive scale. Does ownership form confer a competitive advantage in mergers or acquisitions? In this paper, using the theoretical base of agency costs, we combine two active streams of strategy research, namely firm-ownership and M&A activity, to empirically examine a set of hypotheses that test whether family-owned firms in the S&P 500 make better (value-enhancing) acquisitions than their peer non-family-owned firms. We contribute to the extant literature on firm ownership and governance and on mergers and acquisitions, outlining lessons for practicing managers, and listing avenues for future research.

**Curvilinearity In The Employee Stock Ownership-Performance Linkage: An Empirical Examination**

Xavier Hollandts, EM Lyon/French Corporate Governance Institute
Zied Guedri, EM Lyon
Pierre-Yves Gomez, EM Lyon

This paper contributes to the current debate on the firm-level performance implications of employee stock ownership by empirically investigating two possible explanations to the mixed empirical results found so far in the literature. First, we suggest that previous conflicting findings might be explained by the fact the relationship between employee stock ownership and...
firms over time. We propose that divergent forces, arising from firms’ particular
investigated. This study intends to look at firms’ increasing embeddedness
on heterogeneity among firms, the role of cooperation has seldom been
into the influence such networks have on competition within industries not
incidence of collaborative linkage between organizations. The term ‘strategic
have experienced significant change in recent decades. Practically, one of
prominent examples of this phenomenon has been the increased
scale alliances allow weaker firms to close the competitive
gap with stronger rivals but entail specific collaboration costs. We test our
predictions on a sample of 334 new aircraft projects worldwide during 1949-
Rivalry And Strategic Networks: Do Network Configurations
Influence Competitive Behaviour?
Jennifer A Davies, University of Melbourne
Prakash Singh, University of Melbourne
Peter Galvin, Curtin University of Technology
Interest in interorganizational relationships and networks of strategic linkages
represents a growing recognition that the traditional boundaries of the firm have experienced significant change in recent decades. Practically, one of
the most prominent examples of this phenomenon has been the increased
incidence of collaborative linkage between organizations. The term ‘strategic
network’ denotes a complex network of reciprocal relationships between
legally independent firms that are interdependent. An investigation
into the influence such networks have on competition within industries not
dominated by technological or regulatory imperatives, is yet to be undertaken.
In response, this paper examines the United States Light Vehicles Industry over
the period 1993-1999. Through the application of network and quantitative
data analysis this paper concludes that the proposition of network rivalry is
premature.

The Impact Of Organizational Embeddedness On Inter-Firm
Difference: A Road Towards Homogeneity Or Heterogeneity
Haibin Yang, City University of Hong Kong
James A Robins, Singapore Management University
While majority of existing research examines the impact of competition
on heterogeneity among firms, the role of cooperation has seldom been
investigated. This study intends to look at firms’ increasing embeddedness in
their alliance network and analyze how this increasing embeddedness in
cooperative relationships will lead to homogeneity or heterogeneity among
firms over time. We propose that divergent forces, arising from firms’ particular
characteristics, may override convergent forces, arising from both inter-firm imitation and resource exchange. Data from U.S. computer industry over a
span of seven years lend support to our central thesis.

Managing Triads In A Network: A Case Study Of The Military
Avionics Maintenance Industry In Taiwan
Nan-Juh Lin, Aerospace Industrial Development Corporation
Tzu-Ju Peng, Providence University/Cranfield University
Chwo-Ming Yu, National Chengchi University
Alliance and network is one of the major streams in strategic management
field. The majority of network studies have focused on analysis at intra-
organizational level, firm level, and dyadic level. Less attention has been
paid to the triad level. The purpose of this study is to address the issue of
managing triads in a network. By examining thirteen triads within a network in
Taiwan military avionics maintenance industry, we unpack how different
types of triad structure affect cooperative performance and what are the
management mechanisms adopted by the focal company to generate better
performance. Our findings demonstrate that different triad structure did
influence cooperative performance. In addition, management mechanisms
employed by focal company for managing different triads may lead to
different performance. We discuss the results and propose implications for
future research and managerial practices.

MANAGING INNOVATION: BALANCING MULTIPLE ANTECEDENTS AT MULTIPLE
LEVELS
Paper Track J  Klimt Ballroom 1
Session Chair: Daniel Tzabbar, University of Central Florida
The Antecedents And Performance Consequences Of Management
Innovation
Michael J Mol, University of Reading/London Business School
Julian Birkinshaw, London Business School
Management innovation is an important driver of economic progress and a
central part of managerial agendas. Yet our understanding of this phenomenon
is limited. We propose a model in which management innovation is created
in the presence of sets of organisational problems, sets of possible solutions,
and decision-makers bringing them together, following the classical garbage
can model. We test and find support for this model for a large sample of U.K.
firms. We also show that there are trade-offs among solutions and decision-
makers and that management innovation has a positive impact on the future
productivity growth of firms.

Innovating Within A New Technological Paradigm: The Role
Of Individual, Firm, And Network-Level Effects In Building
Capabilities
Frank T Rothaermel, Georgia Institute of Technology
Andrew M Hess, Georgia Institute of Technology
Our overarching research question is how do firms build capabilities when
confronted with a new technological paradigm? Following the dynamic
capabilities perspective, we suggest that antecedents to innovation can be
found at the individual, firm, and network level. Accordingly, we advance
a set of hypotheses to assess the effect of individual, firm, and network-
level antecedents on innovation output. We then investigate whether a
firm’s antecedents to innovation lie across different levels. We juxtapose
the propositions that the individual, firm, and network-level antecedents
to innovation are substitutes versus complements. We test our multi-level
theoretical model using an unusually comprehensive and detailed panel
dataset that documents the innovation attempts of global pharmaceutical
companies within the new biotechnology paradigm over a 23-year time
period.

Unravelling Firm Innovativeness: Insights From An Empirical
Investigation
Giulia Calabretta, ESADE
Boris Durisin, Bocconi University
Although innovation is a major field of research, contributions on the concept
of firm innovativeness are still limited. Specifically, there is no accordance on
cultural and behavioural factors stimulating the propensity to innovate and
enabling the development successful new products. Our paper suggests that
higher firm innovativeness is achieved through making appropriate decisions
across multiple innovation variables, which should be mutually reinforcing
in producing success. According to our framework, including new product development decisions, which capture the effects of product characteristics, organizational structure, strategic approach to new product development and environmental turbulence, is essential for an overall assessment of firm innovativeness. Structural equation modeling has been used for testing our hypotheses with a sample of Italian small-medium size firms. The results of this analysis and the validation of the framework enable us to discuss managerial implications and avenues for future research.

Striking A Balance: Examining The Effects Of Knowledge Stocks And Flows On Innovative Success
Barak S Aharonyson, University of Toronto
Daniel Tzabbar, University of Central Florida

Drawing on arguments from the knowledge-based view, this research examines how different stocks and flow of knowledge interact to form the basis of a firm’s distinctiveness. Contrary to the conventional wisdom assuming that stocks and flows have an independent and direct effect on innovative success, we argue and demonstrate that prior models excluded the interaction effects between stocks and stocks, and stocks and flows were probably misspecified. Moreover, we establish the moderating effect of external knowledge flow on the relationship between internal knowledge stocks and the focal firm propensity to patent. The study findings call on managers to strike a balance between exploiting existing knowledge and accessing external knowledge. The implications of this study for the knowledge-based view and learning theories are discussed.

Knowledge Sources Of Entrepreneurship

Panel Track L Klimt Ballroom 2
Rajshree Agarwal, University of Illinois-Urbana Champaign
David B Audretsch, Indiana University/Max Planck Institute of Economics
Janet E Bercovitz, University of Illinois-Urbana Champaign
Aaron K Chatterji, University of California-Berkeley
Maryann Feldman, University of Georgia
Sonali Shah, University of Illinois-Urbana Champaign

The creation of new firms and new industries has been a focus of entrepreneurship research dating back to Schumpeter (1934). In the last two decades, scholars have increasing focused on the role of entrepreneurship in value creation and appropriation (Shane and Venkataraman, 2000). In particular, recent research has begun to question the assumption that knowledge spills-over passively, and highlights the role of entrepreneurs as important vehicles of knowledge transfer, technological progress and growth (Audretsch, 2005). Further, literature streams related to academic (Audretsch and Feldman, 1996; Feldman, Francis and Bercovitz, 2005), employee (Agarwal, Echambadi, Franco and Sarkar, 2004; Klepper, 2001), and user entrepreneurship (Shah, 2004; Shah and Tripsas, 2004) have developed independently of each other, but have a common underpinning—each focuses on a knowledge source that motivate the creation of the entrepreneurial firm, and may result in superior capabilities and performance.

Organizational Adaptive Processes

Paper Track 1 Klimt Ballroom 3

Managing For Ambidexterity: Are Patching And Restructuring Substitute Adaptive Processes, Really?
Stéphane JG Girod, University of Oxford
Richard C Whittington, University of Oxford

This paper addresses two fundamental questions. First, are organizational restructurings still an important part of corporate life or have they been substituted by more fluid organizational change processes, such as ‘patching’ (Eisenhardt & Brown, 1999). Second, to what extent has any such substitution been driven by increasing environmental dynamism as in hyper-competition? We explore these questions by means of a large-scale longitudinal study of the evolution of the restructuring and patching rates among the fifty largest American industrial firms between 1985 and 2004. We find that firms have kept the ‘old’ restructuring adaptive process and combined it with patching.

For reasons we begin to account for, firms have sought to reconcile radical transformation with incremental transformation, a feature of ambidexterity.

How Much Does History Matter? Traditions As Imprinted Dynamic Capabilities Of Strategic Transformation
Manuel Hensmans, University of Strathclyde
Gerry N Johnson, University of Strathclyde/AIM
George S Yip, Capgemini Consulting

Most of the literature on managed strategic change discusses historical inertia and financial trauma induced transformation processes. We argue for a focus on companies that, historically, have been superior financial performers, but still engaged in strategic transformation. We find that such excellent companies foster organizational traditions, going back forty or more years, which greatly facilitate strategic transformation in the contemporary period. We identify four such ‘excellent’ traditions: traditions of continuity, anticipation, rivalry and mobility. All four traditions are the result of the historical imprinting of specific dynamic capabilities. Together, these traditions transform contradictions between power and learning logics into complementarities by allowing for a fit between, on the one hand, changing industry archetypes, and, on the other hand, changing corporate and business models.

Strategic Processes For Developing And Adapting Heterogeneous Resources In An Evolving Environment
Roy H Glenn, Boise State University

If, as the resource-base view of the firm attests, sustainable competitive advantage is achieved through distinctive, heterogeneous resources that are both valuable and inimitable, how can managers shape strategic processes to ensure that such resources are developed and adapted to meet the challenges posed by the shifting basis of competition over an industries life cycle? The author addresses these questions with the help of a twelve year, longitudinal case study of a firm’s strategic processes, and documents both how heterogeneous resources emerged and how they were adapted in response to changing competitive challenges. The paper concludes by affirming the utility of viewing strategy-making as guided evolution and makes recommendations for how strategic processes can be modified to facilitate that objective.

Trying To Become A Different Type Of Company: Strategic Reorientation At Smith Corona
Erwin Danneels, Worcester Polytechnic Institute

Smith Corona, the former leading typewriter company, is a salient example of a company that failed to reorient itself in the face of the dissipation of its main product category. Detailed archival and interview data on the last two decades of the life of the company (1980-2001) were analyzed to address the research question: how does the legacy of resources of a firm impact strategic reorientation? To successfully reorient itself, a company needs to be able to develop an understanding of the strength and fungibility of its resources and competences, and needs to consider whether and how these resources can be re-applied to other product categories. In addition, it needs to be able to access or build new resources and competences.

Mimetic and Social Influences On FDI Decisions

Paper Track H Mahler

Session Chair: Dawn A Harris, Loyola University-Chicago

When You Leave, Should I Go Too? Trait-Based And Location-Based Imitation By Host-Country Multinationals
Stewart R Miller, University of Texas-Austin
Lorraine Eden, Texas A&M University
Douglas E Thomas, University of New Mexico
L Paige Fields, Texas A&M University
Hong Zhu, Texas A&M University

Scholars have examined interorganizational imitation, especially under conditions of uncertainty. Challenges encountered by multinational enterprises (MNEs) raise concerns about the generalizability of existing theories of mimetic behavior. Drawing on institutional and density dependence literatures, we develop a framework to explain location-based
imagination whereby the MNE is responsive to the behaviors of local competitors regardless of their ethnicity and trait-based imagination where the MNE is responsive to the behaviors of ethnically similar competitors regardless of the group overlap. We also theorize that ethnic similarity and home-market uncertainty moderate trait-based and location-based imagination. To test our hypotheses by using a sample of Asian bank subunits in the U.S. and focusing on imagination with respect to market exit.

BEST CONFERENCE PAPER PRIZE FINALIST

Social Learning And Foreign Investment Location Choice: Japanese Electronics Firms In China, 1980-2000

René A Belderbos, Catholic University-Leuven
Wooody Van Olffen, University of Maastricht
Jianglei Zou, Catholic University-Leuven

We forward a broad social learning conceptualization of investment location choice that integrates explanations based on economic theories (agglomeration externalities) and institutional theories (mimetic isomorphism). Prospective investors learn about the relative attractiveness of alternative locations by observing the actions of previous investors (‘models’). Learning can be directed at improving the assessment of the economic feasibility of investment by observing broad sets of models (assessment mode), or at reducing firm-level uncertainties and increasing legitimacy by following specific models over others (bandwagon mode). We test hypotheses on a dataset of 615 first manufacturing entries in China’s provinces during 1980-2000 by 439 Japanese electronics firms. Preliminary results show that both modes contribute to the explanation of location choices, while smaller firms are more likely to follow bandwagon models.

How Do Network Ties Affect Firms’ Decisions To Enter Emerging Foreign Markets?

Anja Tuschke, University of Passau
William Gerard Sanders, Brigham Young University
Ezechiel Hernandez, Brigham Young University
Susanne Krenn, KSB Corporation

We study the effects of large German firms’ board network ties on decisions to enter Warsaw Pact countries after the fall of the Iron Curtain. We disintangle the various types of network ties (e.g., received, sent, and neutral ties) and argue that received ties are particularly useful in mitigating risk in strategic situations that are characterized by high degrees of uncertainty. We find that all three types of network ties are influential in firms’ new market entry decisions, but that received ties are most influential and neutral ties least influential. Prior firm experience reduces the utility of received ties, but received ties are particularly efficacious in entry to more distant markets.

Advisor Influence In Strategic Choice

Kevin Boeh, University of Western Ontario

This paper concerns the role that investment bankers and management consultants play in the strategy process of the firm. Using the strategic decision to internationalize, I show that advisors are influenced by management, and that advisors recommend strategies that are aligned with their own incentive structures and not necessarily aligned with the interests of the stakeholders and executives to whom they are advising. I also find that certain managers may not willingly be influenced by their advisors, and that these managers take the counsel of advisors who may be conflicted by their incentive structure. An understanding of these misalignments may lead to a rethinking of appropriate roles, incentives, and control mechanisms when using advisors.

MANAGING VERTICAL RELATIONS: INTEGRATION, OUTSOURCING, AND BARGAINING POWER

Paper Track F/A Schnitzler

Session Chair: Andrea Orlandini, Bocconi University

Direct And Indirect Effects Of Inter-Organizational Trust On Vertical Integration

Werner H Hoffmann, Vienna University of Economics & Business Administration
Kerstin Neumann, Vienna University of Economics & Business Administration
Gerhard Speckbacher, Vienna University of Economics & Business Administration

The paper investigates the direct and indirect effects of inter-organizational trust on vertical integration. Based on transaction cost economics (TCE) and inter-organizational trust literature we developed a set of hypotheses that was tested using hierarchical moderated logistic regression on a sample of 154 integration/collaboration decisions by Austrian and German automotive supply companies. The results confirm both the direct and the indirect effects of goodwill trust on the decision ‘make-or-buy’. The higher the degree of goodwill trust between the focal firm and the (potential) exchange partner, the lower the propensity of the firm to integrate an economic activity. In addition, goodwill trust also attenuates the positive relationships between the TCE variables transaction-specific investments and vertical integration and between measurement difficulties and vertical integration respectively.

And The Strategic Challenges For Differentiating Firms: Evidence From The Automotive Industry

Heike Proff, Zeppelin University

Modularization, defined as the breaking down of a complex system into individual elements, is gaining ground in several industries. Modularization and the associated outsourcing of value addition activities can result in lowering costs in the short term. In the long term, the shifting of competencies, and hence boundaries, between the OEM and the supplier can threaten the OEM’s ability to differentiate. The question of the strategic challenges for differentiating firms posed by increased modularization is therefore best addressed by the discussion on the efficient boundaries of firms, which is based on arguments from transaction cost theory and the competence approach. Seven hypotheses are deduced and empirically verified based on interviews and a content analysis using the car industry as an example. Insourcing of key competences/components appears to be the most important strategic response.

Vertical Relationships And Performance Of Brazilian Companies In The Electricity Distribution Supplier Sector (2001-2003)

Claudio Malki, Mackenzie Presbyterian University
Leonardo Fernando Cruz Basso, Mackenzie Presbyterian University
Diogenes Manoel Leiva Martin, Mackenzie Presbyterian University

Competition and competitive advantages have stimulated companies to change the profile of relationships established with customers and suppliers, targeting a format based more on cooperation and trust, instead of the bargaining power. Based on the constructs of Durand (1999), this survey investigated the connection between the possibility of substituting relationships with suppliers and buyers, seen as resources, of companies from the sectors of generators, transformers, electric motors and equipment for the control and distribution of electrical power companies, and the financial and market performance of these firms, founded on the resource-based view. The results demonstrated that the less substitutable the relationships with customers, the worse the financial performance. Inversely, the less substitutable the relationship with key suppliers, the better the financial performance of these companies.
In spite of the growing diffusion of e-procurement among firms, there is only anecdotal evidence of the effect of such solutions on performance. According to the premises of the 'Strategic Necessity Hypothesis' the paper tests a model where the direct effect of e-procurement solutions on performance should be negligible, while the indirect effects through the enhancement of two key resources (transaction capability and supply-chain integration capability) should be significant. The model is tested through a Structural Equation Model technique in a sample of 377 manufacturing firms. Outcomes sustain the irrelevance of the direct effect, but it only partially confirm the existence of indirect effects, which depend on how much Information Technologies are at the centre of firm's strategy.

Managing Innovation-Driven Acquisitions: Contingent Effects Of Integration Strategies On Performance

Saikat Chaudhuri, University of Pennsylvania

This paper investigates the operational drivers of performance in innovation-targeted acquisitions. M&A and product development research indicates that complexity around the assimilation of products and organizations as well as uncertainty surrounding technologies and markets comprises inherent challenges in these endeavors. Moreover, these streams highlight trade-offs associated with various integration strategies, but do not resolve them. The results of a multi-method empirical investigation of the past acquisitions of leading high-technology companies show that the integration strategy moderates the effect of the integrative complexity and product and environmental uncertainty on the financial and time to market performance of these acquisitions. This suggests that each of the inherent acquisition challenges can be managed with aligned integration strategies, in terms of organizational integration, process adoption, and product knowledge sharing.

Resource Allocation In Acquisitions: Tradeoffs Between Integration And Operations

Saikat Chaudhuri, University of Pennsylvania
Abhijit Mandal, University of Warwick

In mergers and acquisitions, a tension arises between devoting resources to activities relating to the integration of the merging firms at the expense of assigning them to ongoing business operations of the target and acquirer. Although numerous scholars have identified this resource tradeoff as being critical, the dynamics and implications thereof remain unexplored. In this paper, we examine such resource allocation decisions, by investigating the impact of integration and operational resource allocation decisions on the post-acquisition product development process in innovation-targeted acquisitions. These aspects are explored through an empirical investigation and a simulation analysis drawing on the acquisitions conducted by leading firms in the telecom networking and software industries. The findings contribute to our understanding of resource allocation processes, acquisition implementation, and innovation management.

The Effect Of M&A On Inventions Quality: An Exploratory Study

Giovanni Valentini, Bocconi University
Maria Chiara Di Guardo, University of Cagliari

This paper deals with the relationship between M&A and technological innovation. We shed some light on the determinants of post-acquisition changes in inventions quality. We consider three dimensions of inventions quality: usefulness, originality, and generality. We then look for the factors that explain the potential variation along these three dimensions in the inventions patented by the combined entity after the deal with respect to those patented independently and jointly by the two merging firms before the deal. We argue that two distinct broad results of M&A concur in influencing inventions quality: changes in size and complementary profiles between acquirers and targets. We find that changes in size have ambiguous effects and that downstream (i.e., product market) complementary profiles enhance innovation quality.
Divestiture Effectiveness: A Meta-Analysis Of Performance Effects

Miriam N Flickinger, University of Passau

Are divestitures good news? Although some research has been done concerning the performance effects of divestitures, our understanding of their full impact on the performance of the firm regarding its short-term and long-term aspects as well as its most influential drivers is limited. By conducting a series of meta-analysis, my paper aims to clarify the relationship between divestiture and its subsequent performance. The findings are remarkable. Contrary to what has been widely proposed in the literature, results suggest only a small positive influence of an increase in focus on the performance of the parent firm. I also find that this effect is much stronger for long-term operating performance than it is for the stock market performance surrounding the announcement date.

Strategic Choice Of Divesting Modes

Caterina Moschieri, IESE Business School-University of Navarra
Johanna Maier, IESE Business School-University of Navarra

Divestitures are complex events of which we have an incomplete understanding. This paper contributes to existing literature by providing a systematic way to differentiate among various divesting modes depending on how they enable innovation. It argues that a company’s choice of how to divest is related to the ability to innovate of each divesting mode. After performing a thorough analysis of the relative benefits and downsides of spin-offs, buyouts, and carve-outs, the paper introduces a framework that matches the organizational features enabling innovation with these divesting modes. This framework clarifies how organizational features, such as the enablers of innovation, and the governance costs specific of each divesting mode, may influence the choice of a parent about how it organizes for innovation.

Do Outsourcing Decisions Impact Firms’ Market Value?

François Duhamel, HEC-Paris
Bertrand V Quélin, HEC-Paris

The impact of outsourcing operations on firms’ stock market returns, both for outsourcers and providers, has not met a consensus so far in the academic literature, and has been very seldom studied for service providers. Based on an event study of 45 outsourcing operations for outsourcers and 113 operations for providers over the period 1999-2004, we show that delegating in-house support functions to external providers on a long-term contractual basis results in a significant increase in firms’ market value for both partners. This paper shows the relevance of the event study methodology to devise effective resource allocations for firms support functions between outsourcers and service providers.

Vertical Disintegration And Performance In United Kingdom Manufacturing Firms

Panayotis Dessyllas, University of Oxford

It has been suggested that since the 1990s many firms divest vertically related units and outsource operations to suppliers. This paper investigates the relationship between vertical disintegration and operating performance and poses three questions: 1) Is there a higher tendency for the more integrated firms to disintegrate? 2) Is vertical disintegration primarily proactive or reactive? and 3) Do firms that disintegrate improve performance? Using a sample of U.K. manufacturing firms that reduced vertical integration though divestment from 1993 to 2003, we find that the disintegration likelihood is higher for more integrated firms, that vertical disintegration is primarily proactive in nature, that despite a short-lived negative performance reaction - the effect of disintegration on performance is positive, and that performance improvements are primarily driven by reactive disintegration.
Balancing Culture In A Global Context
Katty Marmenout, McGill University/University of Geneva
Gilbert JB Probst, University of Geneva

Following research on ambidextrous and balanced organizations, the present study investigates how organizational culture adapts over time in order to cope with competing demands in a global context. We hypothesize that in order to be able to maintain sustainable growth over an extended period of time, organizations actively seek to maintain a balance as to their culture's strength and content. The study examines a regional bank's strategy to expand into the global market extending over a ten-year period and allows to uncover patterns of cultural dynamics and conscious attempts by management to balance the culture according to competing demands. Results reveal an awareness of the need to strike a balance between competing requirements and indicate how this balancing act is actively managed over time.

The Effects Of Linguistic Distance On Knowledge Flows Within The MNE
Margaret S Schomaker, University of Minnesota
Srilata A Zaheer, University of Minnesota

In this paper, we develop a model explicating the effects of linguistic distance within the knowledge and innovation capabilities framework developed by Doz, Santos, and Williamson (2001). We explain why language differences matter to the flow of knowledge, despite the prevalence of what is known today as 'international English'. We develop the idea of 'linguistic distance', a construct that incorporates the premise that the specific languages of the MNE home country and international context matter - that the effects of language vary in accordance with how different the languages are and that merely distinguishing between 'same' and 'different' languages is not enough.

Minority Foreign Ownership In Chinese Banks: Implications For Governance And EU/US Competition
Johannes Bolzana, Vienna University of Economics & Business Administration
Peter Haiss, Bank Austria Creditanstalt/Vienna University of Economics & Business Administration

The strong foreign investment growth in the Chinese financial sector has raised a lot of doubt recently. This paper analyzes the difficult situation of western investors that are currently only offered minority stakes in mostly desolate Chinese banks. The main question that arises is, whether the benefits of an early mover strategy can offset the vast financial costs involved in the acquisitions. Agreeing with the importance of an early market entry in general, the downsides of hasty investment decisions are lined out. Finally the thorough comparison of the different aspects shows that the short-term financial focus of western banks can result in a considerable destruction of value and that patient participants in the bidding race can indeed profit from the mistakes of their competitors.

Knowledge Transfer Between East And West: Culture And Its Influence On Sharing Marketing Knowledge Within Multinational Corporations
Parissa Haghirian, Sophia University
Akhiro Inoue, Keio University

One main concern of organizations when transferring knowledge is the fact that knowledge is sent from one environment to another, which is geographically different. The question arises in what way cultural differences between company units affect knowledge transfer processes within multinational corporations. This paper presents results of a survey in 136 companies (83 German and 73 Austrian). The aim of the survey was to find out whether marketing knowledge received from a company unit of a similar cultural background is perceived differently from knowledge received from a culturally distant culture. Results of the investigation show that satisfaction with marketing knowledge received from a culturally close sending unit is higher than with marketing knowledge from a culturally distant unit, whereas the actual usage of knowledge received from foreign company units is not affected by the cultural background of the sender.

Internationalizing Chinese Management
Nicholas O'Regan, Middlesex University
Alex Mackinnon, Middlesex University

The entry of China into the World Trade Organization signaled an acceptance of China's role in the global economy. Chinese managers are increasing their interaction with international business yet little is known of their changing behavior in the global marketplace. The findings of this study indicate that both the national values and characteristics of Chinese managers are adapting. We found a pattern of increasing heterogeneity in problem solving techniques, reflecting an integration of Western management techniques while retaining domestic Chinese responsiveness. This pattern we have named transvergence. The implications for Chinese multinational enterprises are discussed in terms of managerial adaptability.

The Performance Of Entrepreneurial Ventures: Role Of The Entrepreneurs, Teams, And Governance Condition

Common Ground Track L

Brahms

Session Facilitator: Michael A Hitt, Texas A&M University

Remembering The Entrepreneur In Entrepreneurial Studies: Can We Predict New Venture Success?
Donald E Hatfield, Virginia Polytechnic Institute & State University
Mary L Connerley, Virginia Polytechnic Institute & State University
Theresa M Welbourne, University of Michigan/ePulse Inc

This study focuses on the characteristics of the entrepreneur and new venture strategy. By examining the relationship between the entrepreneur’s personality and demographic characteristics with factors associated with the new venture and the venture capitalist, we predict that the entrepreneur’s personality plays a role in the development of the new venture. We track the performance of over 300 IPOs for 8 years, examining patenting behavior, joint venture activity, and new venture financial performance.

"Is This An Opportunity For Me?" An Investigation Of Entrepreneurs’ Opportunity Evaluations
James M Haynie, Syracuse University
Dean A Shepherd, Indiana University

We develop and test a framework of entrepreneurial opportunity evaluation grounded in the Resource-Based View. We propose opportunities are evaluated as a means to realizing a sustained competitive advantage in the context of the existing resource endowments of the entrepreneur. The criteria employed in this evaluation are those central to both achieving and maintaining resource heterogeneity. We find that the relationship between opportunity attributes, and the entrepreneurs’ evaluation of the attractiveness of a given opportunity, is moderated by the extent to which that opportunity is related to entrepreneurs’ existing human capital - specifically the entrepreneur’s existing knowledge, skills, and abilities.

Venture Team Characteristics And Business Models In The Biotechnology Industry: An Upper Echelon Perspective
Holger Patzelt, Max Planck Institute of Economics
Dodo zu Knyphausen-Aufsess, University of Bamberg
Petra Nikol, University of Bamberg

We draw on upper echelon theory to analyze how the characteristics of the venture team influence the choice of a firm's business model. Data on 147 German biotechnology ventures show that teams which are larger, involve members with formal management and medical education, show higher functional heterogeneity, and have collected more experience in the pharmaceutical industry are more likely to pursue a product- or hybrid-oriented than a service-oriented business model. Moreover, teams including the company's founders more likely follow a hybrid or service model than a product model. Our results extend the literature on business models and venture teams and suggest that the choice of the business model is an important and so far neglected variable in upper echelon research.
Governance Blueprints Of Entrepreneurial Ventures: The Case For Friendship Firms
Zipora Shperling, Tel Aviv University
Michael Lubatkin, University of Connecticut/EM Lyon
Denise M Rousseau, Carnegie Mellon University

Drawing an explanation from organizational sociology and the theory of psychological contracts, we suggest an overarching explanation for why some new ventures are more able to successfully hurdle newness barriers than others. We reason that the nexus of a venture’s founding contractual agreements constitute its governance ‘blueprint’, a programmed penchant onto which later contractual paths are dependent. We address how founders’ blueprints align with particular business strategies and the early influence of important external constituents such as venture capitalists. We argue that these contractual blueprints serve to shape how a venture evolves administratively and strategically, as it attempts to govern the economic and social exchanges between its various stakeholder groups during its nascent stage.

An Engagement Theory Of Governance: Leadership, Structure, And Strategy In High Growth, High Potential Ventures
Teresa Nelson, Simmons College
Huseyin Leblebici, University of Illinois-Urbana Champaign

We present and test a theory of governance for new, high growth ventures that incorporates elements of leadership, structure, and strategy in a dynamic, organizational systems view. Our objective is to look beyond the valuable, though limited theoretical and empirical findings of the principal/agent and stakeholder paradigms; lens that are ill fitting for examining new ventures, particularly those high potential ventures that may justifiably aspire to Fortune 500 status in 15-25 years. Findings from case studies of four new ventures that achieved some success are used to design an empirical test on a larger sample of 200 firms. Our goal is to ascertain the extent to which path dependent governance engagement, and its relationship to structure and strategy, can be reliably patterned.

Theory Building In Entrepreneurship Research: A Comprehensive Framework For New Ventures
Mario Sorrentino, Second University of Naples

The issue of performance of new independent ventures has attracted considerable attention since the very first studies in entrepreneurship. We know that many new ventures fail, a lot just survive and few achieve success. All attempts to predict subsequent performance of de novo start-ups have reached very unsatisfactory results. Thus, there is a strong need for a deeper understanding of what happens to ventures after birth - that is how they behave, why they perform so unpredictably. In this paper I develop a comprehensive framework for interpreting new venture post-entry behavior, which is based on theoretical integration of three parallel theories and a limited number of well-defined concepts. I argue that the framework could be used to promote theory-driven empirical research on new ventures.

Failure Of New Ventures: A Survival Analysis Of The Telecommunications Industry
Berna Polat, California State University-East Bay
Charles W Hill, University of Washington

This study is designed to overcome the bias inherent in previous work by examining data on both surviving and failed companies. Using RBV and upper echelon theory, we identify factors influencing new venture survival and failure. We argue that the resources firms control and the characteristics and composition of their top management teams (TMTs) play a major role in firms' likelihood of failure. We test our hypotheses on 145 telecommunications start-ups that issued IPOs in 1996-2000. Consistent with earlier literature, results indicate that firms entering the market earlier, patenting their innovations, and those with a scale advantage have a higher likelihood of survival. In contrast to prior research, TMT characteristics do not significantly differ among survivors and non-survivors and TMT composition does not impact firm failure.

INNOVATION COMMUNITIES AND REGIONAL CLUSTERS: EMERGENCE, GOVERNANCE, AND COMPETITION

Common Ground
Track A/L
Bruckner

Session Facilitator: David B Audretsch, Indiana University/Max Planck Institute of Economics

Collective Strategy To Redefine An Industry Setting
Gianni Lorenzoni, University of Bologna
Marco Visentin, University of Bologna

In this paper we analyze the wine industry in Italy between 1980 and 2002. The industry suffered a big crisis in production but was characterized by a consistent increase in export values. This process has resulted in a convergence of isomorphic organizational behaviours shaping the structure of the current wine industry. We hypothesize that knowledge was stored but a limited number of actors were aware and could access to reach significant outcomes. Data used in this study come from interviews and questionnaires and from time series obtained from several institutional sources. We combine these data to identify time slice for the emergence of tipping point, to exploit information about the institutional process, and to identify four main factors influenced the change within the industry.

No Place Like Home? High-Tech Agglomeration Processes
Luca Berchicchi, Swiss Federal Institute of Technology
Andrew A King, Dartmouth College
Christopher L Tucci, Swiss Federal Institute of Technology

Scholars have proposed differing explanations for why firms in the same industry may locate in close proximity. One explanation emphasizes the role of managerial choice in determining a location that maximizes returns. Another explanation emphasizes the role of historical accidents and evolutionary advantages. In this paper, we extend previous studies by separately analyzing firms that chose to locate far from their source of origin from those that located close by. In doing so, we untangle the effect of evolutionary processes and purposeful location decisions in agglomeration processes.

PHD FELLOWSHIP FINALIST FELLOW

Understanding The Emergence Of Organizational Communities: Nanotechnology In The United States
Jennifer Woolley, University of California-Irvine

Strategy and organization researchers have long since recognized the need for an understanding of organizational community level processes, but little research has addressed community emergence. This research examines the emergence of a nascent organizational community, grounded in the theories of community ecology and institutional theory. I focus on the emergence of the nanotechnology community using archival and interview data. Findings indicate that the creation and emergence of an organizational community is based on basic technology and technological innovations to develop legitimacy and infrastructure for commercial opportunities.

Relationship Dynamics And Governance In Urban Cultural Cluster
Luciana Lazzeretti, University of Florence
Tommaso Cinti, University of Florence

This paper studies infra-cluster networking dynamics in Florence museums cluster for exhibition activities, and implications in terms of cluster governance. According to the cultural district/cluster approach, and in the local system governance perspective, we propose a multilevel governance model (infra-cluster, inter-cluster and cluster to cluster) for High Cultural Local System. The model can be adopted to develop cultural clustering strategies based on cluster-specific factors and governance-specific factors. Our empirical analysis is focused on one of the most important museum activities, the organization of exhibitions, and it applies Network Analysis in order to identify relationships and to pinpoint the factors that affect the cluster governance. A database was created ad hoc, including 166 exhibitions organized by 52 Florentine museums during the period 2000-2005, and involving 1135 actors.
Governments are increasingly activating themselves as facilitators and nurturers of innovation. Some countries have been considered to have been more successful than others in this respect. One such country is Finland. This paper looks into how the governance structure of the Finnish Innovation System has influenced the evolution of three industrial networks: the ICT-sector, the boating industry, and the emergent cluster of elderly care services. By using a four stage model to describe the evolution of the network it is suggested that different governance structures are needed at different stages of the network evolution.

Competition Under Institutional Turbulence: The Case Of Cinema (1895-1920)
Michel Ghertman, Xi'an Jiaotong University/University of Nice
Allègre Hadida, University of Cambridge
This article develops an original framework combining the theory of institutions and institutional change and Industrial Organization, the Resource-based View and Transaction Costs. It uses it to explore the initial European (mainly French) competitive advantage in cinema from 1895 to 1910 and the change to Hollywood domination from 1910 to 1920. We argue that industry-specific institutions contribute to a better understanding of institutional environments. They divide U.S. cinema into two distinct institutional and competing spaces from 1895 to 1920. As Hollywood institutions and firms became dominant, their East Coast counterparts fell into oblivion. French institutions contributed first to the creation of the initial French advantage, then to a worsening of the competitive position of French producers.

Overcoming The Disadvantage Of Lying Outside Of Geographic Clusters
Timothy B Folta, Purdue University
Barton M Sharp, Purdue University
Received wisdom suggests that firms are motivated to locate next to one another because of economies of agglomeration - the net benefits to being in a location together with other firms increase with the number of firms in the location (Arthur 1990). It is unfortunate that in most industries a majority of firms lie outside major clusters of geographic activity. We investigate how firms outside of major clusters offset the competitive disadvantage to which their region subjects them. Specifically, we test whether the disadvantage to having firm headquarters in smaller geographic clusters will be mitigated when it builds an establishment in a clustered region. We test our hypothesis on a sample of 35,000 medical device establishments that have registered with the FDA since 1978.

Collaborate Or Co-Locate? Effects Of Inter-Firm Network And Cluster On Firm Innovation
Manish K Srivastava, Virginia Polytechnic Institute & State University
Devi R Gnyawali, Virginia Polytechnic Institute & State University
We develop a conceptual model of how two key factors external to a firm-inter-firm network and cluster-influence the firm’s ability to innovate on a sustained basis. We identify key network and cluster mechanisms and suggest how they may both independently and jointly influence firm innovativeness. We also suggest key conditions in which these mechanisms are likely to be effective. The coherent framework we develop by combining the network and cluster perspectives is likely to advance our understanding of the role of external factors on innovation and provide guidelines for managers in dealing with the dilemma of collaboration and co-location.

When Do Firms Engage In Exploratory Activities? Influence Of Own And Peer Performance On Product Development
Ha Thi Hoang, INSEAD
Hakan Ener, INSEAD
Venturing into new technological areas is an important strategic decision, especially when firms possess very limited information to assess their chance of success in these new areas. This study draws on insights from performance feedback and organizational learning research to identify the drivers of exploratory activity. We utilize project-level data from a stratified sample of biotechnology firms to show that pursuit of new activities is influenced by firms’ performance relative their own historical performance and relative to the performance of other firms that pursue similar activities. In addition, we hypothesize that firms respond differentially to ambiguity associated with more complex failures and to greater uncertainty.

Does Imitation Pay Off? Analyzing Investment Bank Choice And American Depository Receipt Performance
Stewart R Miller, University of Texas-Austin
Malika Richards, Penn State University-Berks
Daniel C Indro, Penn State University-Great Valley
Previous studies have examined the factors related to interorganizational imitation. However, questions remain unanswered regarding the performance implications of mimetic behavior. This study attempts to answer the following questions: What types of imitation lead to higher firm performance? To what extent does uncertainty moderate the relationship between imitation and firm performance? We develop a theoretical framework and test it using a sample of 332 American Depository Receipt (ADR) equity offerings during the period 1994-2001. We then examine the performance implications of mimetic behavior with respect to foreign firms’ choice of investment bank. Our paper contributes to the literature by providing an answer to the imitation-performance question of whether imitation-and the moderating effect of uncertainty-lead to higher or lower performance, or perhaps, no impact.

Using History In The Strategy Process: How Managers Establish Continuity By Purposeful Reference To History
Olof Brunninge, Jönköping University
The proposed paper is going to examine how managers purposefully refer to their organization’s history in order to influence ongoing strategy processes. Drawing upon in-depth case studies at two large Swedish enterprises, Handelsbanken and Scania, the paper will show how history is used to legitimate and to delegitimise specific courses of action. In doing so, managers can evoke a sense of strategic continuity in times of change.

Learning While Innovating? The Abandonment Of Corporate Venture Capital Program
Vibha Gaba, INSEAD
This study investigates the abandonment of an administrative innovation-corporate venture capital (CVC) programs - by technology corporations. We propose that firms’ ability to retain or abandon the innovation largely depends upon the knowledge acquired about the innovation. We distinguish among four types of learning - congenital, experiential, vicarious, and contextual - and examine how each one of them contributes to the abandonment decision of the firms. Our results suggest that both experiential and vicarious learning contribute to the abandonment of innovations and that contextual knowledge is essential for organizations’ to retain new innovations.

Innovation And Entry Into New Markets: Evidence From The Cardiovascular Medical Device Industry
Gregory B Kruse, University of Pennsylvania
Xun Wu, University of Pennsylvania
Theory on entry suggests two competing hypotheses for explaining the effects of experience on new product market entry and innovation - prior experience either encourages or hinders entry. This paper attempts to
resolve these competing hypotheses by disentangling different types of innovative experience. The empirical analysis involves studying all the firms in the cardiovascular medical device industry from 1976-2004. We find that firms with greater radical innovation experience and imitation experience are more likely to enter new markets, while firms with greater incremental innovation experience are less likely to enter. Moreover, firms with greater radical innovative experience are more likely to enter by radical innovation, but conditional on entry smaller firms with less innovative experience are more likely to introduce radical innovations.

**Multi-Unit Ownership And Geographic Proximity: The Diffusion Of A New Strategy in A Franchising Chain**

Xiaoli Yin, San Francisco State University

In this study, I investigate how multi-unit ownership and geographic proximity affect the diffusion of a new strategy among subunits in a franchising chain. I propose that stores are more likely to imitate the strategic moves of other stores of the same owner and those stores in the same local market. Meanwhile, the performance and prestige of early adopters moderates the effect of ownership structures and geographic proximity on the diffusion of a new strategy. I propose that the relative importance of geographic proximity over ownership structures increases as the number of stores owned by a franchisee increases. I test the hypotheses using longitudinal data from over 2,000 stores owned by 133 franchisees within one of the biggest U.S. restaurant chains from 1991 to 1997.

**The Role Of Financial Stakeholders In Firm Performance: Ownership Structure, Concentration, And Owner Type**

Common Ground, Track A/G, Klimt Ballroom 1

Session Facilitator: Robert E. Hoskisson, Arizona State University

**The ‘Renaissance’ Of Ownership Concentration And Control: Firms In Transition, Institutional Investors, And The Role Of Domestic Governance Systems**

Rosario F Faraci, University of Catania

This paper raises several theoretical questions about the ownership of firms in transition - those categories of firms that, after a long period of stability, change quickly and continuously their ownership, governance and control structures and devices and, consequently, such transformations affect their strategic and organizational processes, and a range of important firm outcomes as well. For instance, in many countries state owned enterprises and family businesses are examples of firms in transition since they change their traditional ownership configuration based on a sole proprietor (the State and the family) toward new ownership patterns that, however, are not dispersed among several shareholders. The paper hypothesizes that the legal context of a country is among the main determinants of such ownership transitions.

**Recent Developments In Italian Corporate Governance And Financing: How To Enhance Firms’ Competitiveness**

Giorgia Profumo, Parthenope University of Naples

The proposal provides an overview of the recent evolution of Italian corporate governance system, focusing mainly on the ownership and financing structure of Italian firms and on the changes in the legal and institutional framework.

The traditional characteristics of the Italian governance system are currently under debate in Italy. Some literature, has, in fact, underlined how these traditional features represent a constraint on firms’ growth. In order to overcome a possible lack of firms’ competitive advantage, a solution could be the development of a more efficient capital market able to foster firms’ growth. Italy has been recently characterised by many changes in the legal and institutional environment, but whether this process will lead towards a more market-oriented system remains unclear.

**Effect Of Ownership Structure On Company Survival: Analysis Of The Clothes Manufacturing Sector In Spanish**

Maria José Pinillos Costa, University of Rey Juan Carlos
Luisa E Reyes Recio, University of Rey Juan Carlos

The purpose of this study is to provide an explicit analysis of how a company’s ownership structure and degree of concentration influence its survival. Basing our hypotheses on network theory contributions, 399 clothes manufacturing companies in Spanish Autonomous Communities of Madrid and Catalonia are analysed. Results provide empirical evidence to support that ownership structure affects survival. Types of shareholder and relationships with other shareholders have repercussions on a company’s average lifespan.

**Ownership Structure, Diversification Strategy, And Firm Performance: An Investigation Of Japanese Firms**

Tori Yoshikawa, McMaster University
Parthiban David, University of Oklahoma
Andrew K Delios, National University of Singapore

Heterogeneous owners differ in their effects on firm strategy and performance due to their different investment objectives. In this paper, we focus on the interaction effects of ownership structure with diversification strategy on firm performance in the Japanese context, especially firm growth and stock market performance. We found that stable domestic owners promote firm growth when their investee firms expand their product line and overseas markets. This is consistent with the view that Japanese firms prefer growth over profitability. However, our findings show that they still prefer growth, at least when their investee firms diversify. At the same time, we show that foreign owners play a role to enhance stock performance of their investee firms when they diversify.

**Corporate Governance In Labor-Managed Cooperatives: A Longitudinal Case Study**

Alessandro Zattoni, Bocconi University/Parthenope University of Naples

Management literature on cooperatives uncovered several contradictory observations. Agency scholars suggest employee-owned companies have lower individual incentives and thus lower productivity respect to capitalists companies. Organizational scholars believe that employee-ownership can encourage the interiorization of companies’ objectives and thus firm’s productivity. Empirical studies present also contradictory results. We made a longitudinal study aimed at clarifying issues of causality between employee ownership, corporate governance and firm performance in the long run. The case shows that the cooperative changed many times its by-law in order to be able to induce an appropriate behavior and attitude in cooperative members. Three elements seem particularly relevant influencing the desired behavior: the diffusion of relevant information, the active involvement in strategic decision-making, and the use of economic incentives.

**The Link Between Dividend Policy And Foreign Ownership**

Dominic Chai, London School of Economics

The paper investigates the relatively unexplored link between dividend policy and ownership structure. I use a well-established dividend payout model to examine the potential association between different types of investors and dividend policy. The paper explores the effects of a rise in foreign ownership in Korea after the full market liberalization in 1998. Using a unique Korean panel data set, the role of different types of investors in association to dividend payout is analyzed within the context of the most widely applied dividend models ofLintner, Waud, and Fama and Babia. The analysis reveals that a strong positive association exists between foreign institutional ownership and dividend payout policy. In addition, I find negative associations between dividend payout policy and ownerships of domestic financial institutions, corporate, and individual investors.

**Upper Echelons: Top Management Teams, Boards, And Governance Practices**

Common Ground, Track G, Klimt Ballroom 1

Session Facilitator: Sydney Finkelstein, Dartmouth College

**Boards Behaving Strategically: It’s Process That Matters**

Kevin P Hendry, University of Queensland
Gavin J Nicholson, University of Queensland
Geoffrey C Kiel, University of Western Australia

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 active-passive continuum approach provide valuable insights into the board’s strategy role, none adequately explains it. We outline a new theory based on organizational control theory.
that also draws on the literature on environmental stability, on relative power between board and management and on information asymmetry between board and management. We argue that a board’s involvement in strategy may be measured according to two dimensions of board process - strategic control and financial control. The extent to which either is favored depends on firm and board context. We present qualitative and quantitative research in support of this theory.

Certifiably Bad: The Responses Of Boards And Individual Directors To Being Labeled A Bad Board
Karen A Schnatterly, University of Missouri
Andrew J Ward, University of Georgia

Is external pressure applied to a board through being certified as being a bad board effective in producing substantive change or does it just result in window dressing? We investigate a number of contexts where boards are assessed by reputable external parties as worthy of a worst board designation. In assessing the impact of this negative certification, we explore whether boards respond in a substantive or merely symbolic way and the consequences of these responses for individual directors.

Are Anti-Takeover Provisions Effective Deterrers To Takeovers? An Interaction With Internal Governance Mechanisms
Manisha Singal, Virginia Polytechnic Institute & State University
Vijay Singal, Virginia Polytechnic Institute & State University

Generally, takeovers are an effective disciplining mechanism that forces the TMT to work towards firm value maximization. However, if boards are able to erect defenses against takeovers using state laws and corporate charters, the role of external governance mechanisms is greatly diminished. There is evidence to suggest that weak shareholder rights may lead to erosion of firm value. Therefore, it is important for academics, practitioners, and regulators to gauge how effective takeover defenses are in thwarting potential acquirers. In this paper, we examine takeover provisions by estimating differences in takeover probabilities of firms with/without strong anti-takeover provisions. Preliminary results show lower takeover probabilities for firms with strong takeover defenses. However, the strength of internal governance systems is the primary determinant of takeover probabilities.

Social Capital Relationships And The Likelihood Of Violating Federal Regulations
Jamie D Collins, Baylor University

Whereas much existing social capital literature emphasizes the numerous benefits associated with social capital, this specifically investigate the conditions under which a firm’s social capital (firm-to-firm relationships or the social capital held by key executives) can become detrimental. This dark side of social capital is argued to exist whenever the behavioral expectations accompanying social capital limit a firm’s strategic options and may eventually lead to undesirable behaviors on behalf of the firm. Several hypotheses are tested in the context of joint ventures among S&P 500 firms. More specifically, the likelihood of a joint venture firm being sanctioned by regulatory agencies is predicted to be curvilinearly related to various social capital measures.

TMT Pay, Uncertainty, And Risky Choice: The Influence Of Pay Comparison On Firm Behavior
Tim R Holcomb, Texas A&M University
Cynthia E Devers, University of Wisconsin-Madison
R Michael Holmes, Texas A&M University
Albert A Cannella Jr, Arizona State University

We draw on social comparison and prospect theories, and research, examining referents to determine how different comparison contexts pursued by Top Management Teams (TMT) influence firm behavior. Applying these perspectives leads us to suggest that TMTs evaluate the value of their pay against internal and external referents. While most compensation research operationalizes pay in absolute terms, we empirically examine how relative comparisons of the value of current TMT pay with the value of TMT pay in previous years or with the value of TMT pay at industry rivals affect risk taking. This study shifts focus from the effects of absolute pay levels on risky choice to examining the conditional effects of pay comparisons with referents, and also importantly examines the moderating effect of uncertainty.

Division Director Versus CEO Compensation: A New Test Of Agency Theory Implications
Juan Santaló, Institute of Empresa-Madrid
Carl Joachim Kock, Institute of Empresa-Madrid

Using a standard model of tradeoffs between different elements of corporate governance we develop and test hypotheses concerning differences in the salary level and structure between CEOs of independent non-diversified companies and managers of strategic business units in larger corporations, who, by construction, are subject to an additional layer of monitoring. We find that independent CEOs have systematically larger total compensation, and higher intensity of equity-based financial incentives, while the pay-performance intensity for non-equity-based incentives is higher for divisional managers. Furthermore, we find that the importance pay-per-performance for division directors increases with the level of corporate diversification. These results add to our understanding of the implications of agency theory, particularly as the chosen setting eliminates other effects like those suggested by tournament theory.

Performance Measurement And Analysis: Decomposing Performance Drivers
Common Ground
Track A/F
Klimt Ballroom 2

Session Facilitator: Anita M McGahan, Boston University

Strategic Appraisal Of United States Business Productivity And Manufacturing Profitability Over 55 Years
Richard H Franke, Loyola College-Maryland

Real-value measures of productivity and profitability are provided in tables and figures for U.S. business and manufacturing from 1950 to 2005, with description of an accounting system to produce figures comparable from one year to another and from one company or industry to another. Environmental explanations are suggested and tested for their effects on major aggregate performance changes over time. Industry performance histories are provided to support strategic managers’ quantitative evaluations of their own firms’ performance histories and to suggest steps for improvement.

Toward A Neutral Theory Of Competitive Dominance: Introducing Fisher’s Log Series
Ingo Reinhardt, University of Cologne

In this paper we build on prior work by Powell and Lloyd on the concept of competitive dominance and winning as performance measure. We introduce Fisher’s log series and argue that it is a more natural explanation for performance distributions and also better fits empirical data than the Pareto distribution, which was favored by Powell. Fisher’s log series follows as an equilibrium distribution from a neutral process, by which a fixed number of winners is assigned to a random distribution of firms independent of their specific differences but with probabilities for gaining and loosing wins proportional to the number of wins held. We compare the fit of the two distributions in 20 industries using Fortune 500 data from 1980 to 2004.

How Much Does Size Matter?
Luiz Arthur L Brito, Getulio Vargas Foundation

This paper investigated the relationship between firm size and performance. This relationship, although ubiquitously explored theoretically, related to economies of scale and scope, was not found to be significant in previous empirical studies that showed mixed results. The application of a multilevel analysis, using hierarchical linear models, identified a statistically and practically significant positive relationship. Size was able to explain more than 18% of the variance performance at firm level. The research used Compustat data with more than 73,000 observations, 12,500 firms, and 427 industries. The multilevel method to treat longitudinal data is a much sounder approach that recognizes the dependency between observations and the several hierarchical levels offering opportunities for exploring the influence of other firm and industry variables in firm performance.
The Dynamics Of What Matters After A Competitive Shock: The Case Of Chile
Pedro Silva, University del Desarrollo
Patricio del Sol, Catholic University-Chile

We analyze the dynamics of the profit determinants of Chilean businesses that experienced a competitive shock during Chile's liberalization reforms of the 1970s and 1980s. We show that the importance of strategy grew relative to environment as an explanatory factor of profits over the 1986-2001 period. We also demonstrate that the sustainability of profits decreases as reform completion recedes in time, making it more difficult to maintain a firm's high-performer positioning but easier to lift it out of low-performer status. This paper expands the source-of-profitability literature with new panel data on Chilean companies. We test our hypotheses using an analysis of variance of accounting profitability and OLS regression to determine profit sustainability. Our empirical analysis is consistent with previous findings in the literature.

How Much Does Industry Matter (In Brazil)?
Edmilson A Moraes, University of FEI
Flávio Vasconcelos, Getulio Vargas Foundation

This paper is aligned with researches in quantifying the importance of factors which could explain the differences among the performance of a set of firms through the decomposition of factors variance using variance components. In this paper there was developed an empirical research whose main purpose was to quantify the importance of factors as industrial sector, year, corporate affiliation and idiosyncratic issues in explaining the Brazilians firms' performance. It was analyzed 132,601 records of 14,279 Brazilian firms of 505 different industries during fourteen years, representing the broadest database ever analyzed. The results showed consistence with previous researches conducted in firms all over the world, where firm factors presented as the most important one, and the corporate factor sometimes more important than industry factor.

The Hand Of Management In Capital Allocations
David Bardole Urgelles, University of California - Los Angeles
Dan Lovullo, University of Western Australia
Richard P Rumelt, University of California - Los Angeles

Few strategic decisions are as important as capital budgeting. This paper describes firm capital allocation behavior. The study goal is to provide stylized facts that can lead to future theoretical and empirical studies. Thus our analysis uncovers patterns and anomalies that help managers allocate capital internally. We focus on the comparison between multi-business and single-business firms and we ask the question of how multi-business firms allocate capital as a collection of businesses versus single-business firms or is there something essentially different in their investment behavior? Our analysis shows that context within a firm (the number and type of businesses it contains, the way they are organized, their relative performance, the way they are perceived by the managers, etc) has a critical impact in the final investment decisions.

The Competitive Advantage Of Intangibles: Building And Exploiting Reputation And Status
Common Ground

Session Facilitator: Catherine A Maritan, Syracuse University

Stakeholder Theory And The Resource-Based View Of Competitiveness
Jeffrey S Harrison, University of Richmond

This paper provides a thorough integration of the resource-based and stakeholder perspectives of competitive performance. The two perspectives offer different ways of viewing the firm, but they are complementary rather than contradictory. The conceptual fit is strengthened because of resource dependence and resource inimitability. The integrated view provides a more complete explanation of a firm’s ability to create or obtain resources leading to sustainable competitive advantage. In addition, merging stakeholder reasoning into the resource-based view provides a logical rationale for why firms will be better served if they act responsibly with regard to their multiple stakeholders, including distribution of economic rents in a manner that satisfies both moral and fiduciary obligations of firm executives.

Linking CSR To Competitive Advantage In Reputation
David B Allen, Institute of Empresa-Madrid
Bryan W Husted, ITESM

We look at relationship of firm CSR objectives and competitive advantage to study possible motivations for CSR. We explore the links between CSR objectives and one potential competitive advantage: improved corporate reputation. We set out and test the following hypotheses using data gathered from a survey instrument implemented in 110 of Spain’s 500 largest firms:
1) Top management perceives CSR activities to be positively related to competitive advantage in reputation; 2) Top management perceives CSR activities to be negatively correlated with competitive advantage in cost and differentiation; and 3) the greater the firm commitment to social strategy, the more likely the firm is to pursue competitive advantage in reputation. We present the results of the study and implication for future research.

The Indirect And Direct Effects Between Financial Performance And Two Intangible Resources: Corporate Culture And Reputation
Sylvia Flatt, University of San Francisco
Stanley J Kowalczyk, San Francisco State University

Corporate reputation is an intangible asset firms use to create a competitive strategic advantage to distinguish themselves from other firms. Prior research has identified financial performance as a major predictor of reputation, but less is known empirically about the intangible predictors of reputation. Numerous articles cite how corporate culture may be an important intangible predictor of reputation, but only a few researchers have empirically tested the relationship between culture and reputation. Using a sample of 104 firms, we find that culture not only enhances financial performance (as indicated by prior research), but also positively related to reputation. Furthermore, our findings suggest that reputation acts as a mediating variable between culture and financial performance.

Does Corporate Governance Lead To Corporate Reputation? Empirical Evidence On Spanish Quoted Companies
Esther de Quevedo Puente, University of Burgos
Juan B Delgado Garcia, University of Burgos
Virginia Blanco Mazzagatos, University of Burgos

The influence of corporate governance on firm resources is assumed because of the ample evidence of the effect of corporate governance on financial performance. However, few researchers have tried to go deeply to find evidence of this intermediate relation between corporate governance and firm resources that will finally influence on financial performance. In this sense, our research tries to analyze the effect of corporate governance on one strategic firm resource, its corporate reputation. Our aim is twofold. On the one hand, building on Agency Theory we intend to justify this relation. On the other hand, we have tested this link in a sample of Spanish firms. Results obtained show that corporate governance mechanisms influence on corporate reputation.

How Can New Ventures Build Reputation? An Exploratory Study
Antoaneta P Petkova, San Francisco State University
Violina P Rindova, University of Texas-Austin

In this study we use a grounded theory-building approach to explore the processes and mechanisms of reputation-building by new ventures. Specifically, we focus on the factors that determine variations among NVs in their reputation-building efforts and outcomes. Based on exploratory interviews with experienced entrepreneurs, supplemented by secondary data on 25 NVs, we identify four types of activities that play the role of investments in NV reputations. We further identify two paths to reputation accumulation by NVs, which lead to different levels and aspects of reputation. Which path a NV would take appears to be related to its target product market.

Status Salience And Status Differentials: Reconciling Response To Negative Deviance
Benjamin M Cole, University of Michigan

I propose a reconciliation of conflicting theories of response to negative deviance by bringing attention to two important concepts: status salience and status differentials. Status salience identifies when negative deviance should elicit response, while status differentials identify who would respond. Using
the stratification of firms by role inherent in the U.S. underwriting industry from 1997 to 2004, I find evidence that these concepts can help explain how previous findings of both response and non-response to deviance can coexist.

**CREATING VALUE THROUGH MERGERS AND ACQUISITIONS: TARGET SELECTION AND INTEGRATION CAPABILITIES**

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**Session Facilitator: Margarethe F Wiersema, Rice University**

**The Performance Of Acquirers: A Strategic Renewal Perspective**
Luís Vives de Prada, ESADE
Silviya Svejneva, ESADE

Previous studies examining the impact of acquisitions on performance have found mixed results. This paper seeks to advance the theoretical and empirical understanding of acquisitions’ impact on performance by providing a strategic renewal perspective. The strategic renewal perspective integrates firm divestitures and the ratio between acquisitions and divestitures in the analysis to better understand the performance impact of a firm’s acquisition activities.

**Learning To Acquire: The Relation Between Acquisition Scope And Performance In High Technology Industries**
Nir N. Brueller, Tel Aviv University

This research examines M&A performance in a specific strategic context where established high technology firms acquire small technology-based firms, mainly to complement their internal innovation efforts. An organizational learning lens is used to explore the effects of acquisition strategy’s scope in terms of target choice, on acquirer’s performance. Empirical analysis of 101 acquisitions carried out by the 20 most active serial acquirers in high technology industries between 1996 and 1999 confirms theoretical expectations that acquirers’ performance positively relates to the similarity in target size and age between the focal acquisition and the other acquisitions performed by the same acquirer. These results imply that in the strategic context of technology-grafting acquisitions firms benefit from the choice of a specialized acquisition strategy over a broad one.

**PHD FELLOWSHIP FINALIST RUNNER-UP**

**Routine Compatibility, Tacit Knowledge, And M&A Implementation Success**
David L. Souder, University of Minnesota
Akbar Zaheer, University of Minnesota

Quality of implementation is crucial in mergers and acquisitions (M&As). We argue that M&A implementation occurs at a sub-organizational level, with success attributable to the compatibility of routines between an acquirer and its target. Because functional areas differ, the type of compatibility associated with implementation quality in each will also differ. Using data from 88 M&As, we find support for our prediction that implementation success for operations is associated with systems compatibility but not stylistic compatibility, while the reverse is true for sales. We explain this by observing that stylistic compatibility facilitates the cross-transfer of tacit knowledge, which plays a greater role in sales than in operations. Thus, we offer a relatively rare empirically based distinction between tacit and explicit knowledge at an organizational level of analysis.

**Can Better Organizational Learning Improve The Chances For The Successful Merging Of Organizations?**
James Haley, Point Park University
Mohammed Sidky, Point Park University

This paper examines the role organizational learning in the merger process. It will be demonstrated that a properly constructed learning structures and processes can improve the chances for merger success. Effective organizational learning can help to integrate the past experiences of both organizations, as well as synergetically combining shared knowledge of existing and future conditions facing the newly merged organizations. Our research reviews the history of successful mergers that created Standard Oil as an interesting case example of organizational learning. Rockefeller knew the importance of organizing learning teams of managers and other knowledge workers, which eventually led to the creation of the first global vertically integrated oil company and his company’s control of 95% of the oil business after the Civil War. We propose to explain how today’s corporations can successfully control this integration of resources and proprietary knowledge.

**The Impact Of Causal Ambiguity On Post-Acquisition Performance In Knowledge-Motivated Acquisitions**
Inga Voss, University of St Gallen

Assuming a knowledge-based view of the firm, this paper examines the moderating role of causal ambiguity on the relationship between M&A activity and post-acquisition performance in biotech firms. We argue that the relationship is negative for knowledge-motivated acquisitions with high levels of causal ambiguity inherent to the acquired knowledge, positive for firms with low levels. Based on prior research we assume that high levels of causal ambiguity impede or at least substantially hamper the transferability of knowledge following an acquisition, thereby negatively influencing post-acquisition performance. We use a causal ambiguity model to analyze this relationship. Employing a twofold research design we plan to test our model on a sample of biotech firms active in the market for corporate control.

**The National Culture - A Forgotten Factor In Post - Acquisition Integration In Biotechnological And Pharmaceutical Industry**
Ehud Menipaz, Ben-Gurion University of the Negev
Yaakov Weber, College of Management - Israel
Shlomo Y Tarba, Open University - Israel

Empirical findings from the last 15 years suggest that the influence of culture on the integration process is critical to M&A implementation. However, the interrelationships between corporate and national cultures, and their influence on merger success are contradictory. The objective of this paper is to provide a framework that addresses the effects of national and corporate cultural differences on various integration approaches in biotechnological industry. Specifically, it suggests that not only cultural differences should be incorporated in such framework, but also the specific national culture dimensions of the acquirer should be considered for the choice of both the integration approach and its specific level of integration. Finally, the suggested framework can assist managers involved in domestic and international mergers within pharmaceutical and biotechnological industries in analyzing, evaluating, and planning before the merger and in implementing the chosen integration approach after the merger.

**DIVERSIFICATION AND DIVESTITURES: THE SEARCH FOR ECONOMIES OF SCOPE**

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**Session Facilitator: Richard A Bettis, University of North Carolina Chapel Hill**

**Related Diversification: Cultural Competitiveness As A Core Competence?**
Artur Baldauf, University of Bern
Christian Bischof, University of Bern

To justify firm diversification, potential synergies need to be identified and implemented. Drawing on the resource-based view, we conceptualize six intangible relatedness dimensions (i.e., technology, marketing, management, production, human resources, and geography) and propose a positive relationship with firm performance. To implement synergies there is a need for coordination among business units. We investigate if certain firm-wide cultural values and behaviors (i.e., market orientation, innovativeness, entrepreneurship, and organizational learning) act as an informal coordinative mechanism that turns potential synergies into actual performance outcomes. In the long run, these cultural values may further act as a core competence, which enables firms to adapt to changing environments. Cross-validated survey data from top-managers of large European firms mostly confirm these effects on both subjective and objective performance measures.
The Burden Of Reach: Exploring Trends And Implications Of Multi-Site Firm Geography
Linda M Cohen, University of Pennsylvania

This paper explores how multi-site firms structure their activities across space, and asks whether patterns changed after the mainstream adoption of information and communication technologies (ICTs). Multiple methods, including regression, visualization and point pattern analysis, are employed to detect significant differences in service firm domestic geography: contrary to conventional wisdom, there is an overall trend of increased concentration within firms, with nuanced effects at different scales of analysis. Firm-level data confirm a managerial burden associated with firm dispersion and reveal physical structuring heterogeneity. Together, these results suggest uneven capabilities for managing dispersed activities and firm geography, which could be exploited for competitive advantage. This analysis also highlights the difference between functional and economic costs, and reveals limitations of basing inferences solely on regression results.

Economies Of Connectedness: Illustrated By The Salim Group Of Indonesia
Marleen Dieleman, Leiden University
Wladimir Sachs, CERAM Sophia Antipolis

The paper, based on an original empirical study of Indonesia’s Salim Group, shows the interplay of conventional economies of scope with "economies of connectedness", a novel concept complementing corruption and crony capitalism, denoting personal relationships of the owners, in particular within ethnic Chinese and political circles. Economies of connectedness decrease as the group evolves.

Social Capital And The Cross-Selling Within The Financial Holding Companies: An Empirical Study
Cheng-Min Chuang, National Taiwan University
Chih-Pin Lin, Aletheia University

After the Gramm-Leach-Bliley Act of 1999, many financial holding companies were established to create synergies. Though cross-selling is believed an important way to synergies of the FHCs, the study of this synergy creation process is still largely ignored. Drawing on the theories of the social capital and embeddedness, we propose that social capital is the key for FHCs to cross-sell. Using data from Taiwan, we will study the transfer of customer relationships among commercial banking, underwriting, and asset management subsidiaries within financial holding companies. We argue that only commercial banks could transfer their customer relationships to underwriting subsidiaries, whereas other cross-selling will be ineffective. We also argue that only customers’ main banks could transfer these customer relationships to their associate underwriters. Finally, we argue that the network status of a subsidiary is also helpful for other subsidiaries to attract customers.

The Sequence Between Corporate Strategy And Organizational Structure In Spain
Jose I Galan, University of Salamanca
Maria J Sanchez-Bueno, University of Salamanca

This study analyzes whether a diversification strategy facilitates subsequent divisionalization (and hence that 'strategy follows structure'), and/or whether the multidivisional structure leads to a diversification strategy (and hence that 'structure follows strategy'). Using a sample of 100 of Spain's largest corporations, during the recent time period 1993-2003, we found support for the hypothesis that corporations with a multidivisional structure are more likely to diversify in subsequent periods than those with no multidivisional structures. Furthermore, in the Spanish context and in this recent period time 'strategy follows structure'.

Resource Abandonment And Value Creation: An Analysis Of Market Value Creation Of Divestiture
Sali Li, University of Utah

This paper proposes that besides asset seeking and capability building there exists another value creation mechanism-resource abandonment. Extending the existing resource-based view, we argue that resource abandonment services as an important link in a firm's resource/capability evolutionary cycle and can potentially increase firm value. We hypothesize that the effects of resource abandonment on value creation are contingent upon the firm's resource portfolio and allocation strategy. Our hypotheses will be tested in the context of U.S. corporate divestiture.

ADVANCING THE RBV: RESOURCE ACCUMULATION AND CAPABILITY DEVELOPMENT

Session Facilitator: Nicolaj Siggelkow, University of Pennsylvania

Unveiling The Modal Capability Lifecycle: The Coevolutionary Foundations Of Firm’s Effectiveness In Capturing Strategic Opportunities
Marcello M Mariani, University of Bologna
Giovanni Battista Dagnino, University of Catania

Moving from the assumption that firm strategy is a fundamentally dynamic process of coevolutionary gap bridging between capability space and opportunity space, this paper links the aging process of firm’s capabilities to the strength of the strategy gap bridging process (i.e., the degree in the reduction of the gap between the capability space and the opportunity space). Drawing on the concept of Capability Lifecycles (Helfat & Peteraf, 2003), it introduces the Modal Capability Lifecycle (MCLC). The MCLC is defined as the statistical prevalence, for a generic firm 'F' in a given time period, of capabilities that are in a particular stage of the lifecycle (i.e., 80% of the capabilities of the firm 'F' could be in a founding stage rather than in the maturity one).

Intangible Investments, Life Cycle, And Value Creation
Eduardo K Kayo, Mackenzie Presbyterian University
Joan D Penner-Hahn, Wayne State University
Leonardo Fernando Cruz Basso, Mackenzie Presbyterian University

Building on Resource-Based View (RBV) by combining it with the agency theory, the purpose of this paper is to analyze the relationship between the investments in intangible capabilities (innovation and brand creation) and value creation, taking into account the different phases of firm lifecycle. We found that when the firms are in the growth phase, both intangible capabilities are value creating. This result suggests that firms avoid the under-investment problem, so common when the firms have several profitable investment options. Results for firm in the maturity phase also show that firm properly addresses another very common issue in this phase, the over-investment problem. This is especially evidenced by the fact that brand creation capability is not significant to explain the value creation in the maturity phase.

Nature And Sources Of Sustainable Competitive Advantage In Static And Dynamic Settings
Oliver F Gottschalg, HEC-Paris

Existing approaches to the identification of sources of sustainable competitive advantage tend to focus on either a ‘static’ or a ‘dynamic’ state of the world. This looks at the nature and sources of competitive advantage in a number of scenarios with an increasing degree of heterogeneity and variability of firm attributes and a decreasing level of environmental stability. This analysis leads to the identification of five different sets of conditions for the generation and sustainability of competitive advantage. It further provides insights into the multifaceted nature of the construct of dynamic capabilities and highlights the conundrum at the same attributes that make firm characteristics desirable in a static setting turn into a competitive liability in a more dynamic setting.

Ruling The Airwaves: Untangling The Effect Of Resources On The Performance Of Commercial Radio Stations
Jamal Shamsie, Michigan State University
Michael J Mannor II, Michigan State University
Alan B Eisner, Pace University
Helaine J Korn, City University of New York

This paper examines the different types of contribution that can be made by a resource pool to the performance of individual radio stations in their particular markets. On the one hand, each radio station differs in its access to a resource pool that it shares with all of other stations that are also owned
by the same parent firm. On the other hand, each radio station must deploy this resource pool to compete effectively with a specific programming format within its local market. Based on data from over 5,000 radio stations over five years, our preliminary results indicate that the strategic choice that is made by each station of a particular format can be as important as its access to different types of resources.

**Beyond Competitive Advantage: Why Resources And Positioning Are Not Enough**

J W Stoelhorst, University of Amsterdam

This paper develops four ways to explain performance differentials between firms by distinguishing between two dependent variables (profit and survival), and two types of explanation (cross-sectional and longitudinal). It is shown that the mainstream theories of competitive advantage based on I/O and the RBV have only developed one of these four modes of explanation, while the dynamic capabilities view has begun to develop a second. This leads to the conclusion that there is ample room for additional theory development in strategy beyond mainstream arguments based on competitive advantage, resources and positioning. Theoretical notions that may allow us to develop the four different modes of explanation are discussed and it is shown how their underlying explanatory logic both differs from and complements the logic of I/O and the RBV.

**ICTs As A Strategic Lever For Italian SMEs: Going Beyond Statistics**

Andrea Rangone, Polytechnic of Milan

Raffaello Balocco, Polytechnic of Milan

Giuseppe Sardone, Polytechnic of Milan

The research focuses on a principal objective: to pragmatically and critically evaluate the Information and Communication Technology (ICT) related issues faced by Small and Medium size Enterprises (SMEs) in Italy. The research uses a qualitative approach and is based on nearly 120 face-to-face interviews with entrepreneurs and IT managers of particular SMEs in Italy and on a survey that has involved over 500 other companies. We present the conditions that seem to be necessary for a truly strategic use of ICT by SMEs; furthermore we identify the principal behavioural models used by SMEs in Italy and how these relate to the extent of ICT maturity; finally we try to identify the determinants for the ICT maturity of Italian SMEs.

**Developing A Resource-Market Matrix Framework: An Exploratory And Empirical Study**

Kuo-Feng Huang, National Chengchi University

Romano Dyerson, University of London

G Harindranath, University of London

In this paper we develop and test a synthesized framework, the Resource-Market Matrix, for analyzing a firm competitive advantage. The Resource-Market Matrix not only provides a systematic approach to analyzing a firm's competence on the basis of an integrated resource-based and market-based perspective, but also provides a foundation for exploratory empirical research. Results from a survey of 165 firms within the Taiwanese ICT industry indicate that the Resource-Market Matrix model helps to identify four distinct types of competitive advantage enjoyed by firms and helps to explain their technological and market performance. Results show that sustainable competitive advantage firms, which possess superior technological capabilities and strong market power simultaneously, outperform other three types of firm in terms of technology performance, and market performance.

**Diversification And M&A In A Competitive Context: Bridging The Gap Between Competitive And Corporate Strategy**

Common Ground

Track G/F

Mahler

**Session Facilitator:** Jay B Barney, Ohio State University

**Diversification And Performance: Linking Relatedness, Market Structure, And The Decision To Diversify**

Ron Adner, INSEAD

Peter B Zemsky, INSEAD

An extensive empirical literature in strategy and finance studies the performance implications of diversification. Two core debates concern the existence of a diversification discount and the relative importance of market relatedness and market structure. We address these debates by building a formal model where the extent of diversification is endogenous. Our model elucidates the interdependent impact of structure and relatedness on performance. We find a non-monotonic effect of relatedness on performance: while greater relatedness increases the competitiveness of diversifiers, it can spur additional diversification, thereby eroding market structure and firm performance. We use the model to generate data and show how the negative effect of relatedness on market structure can lead to a spurious inference of a diversification discount in cross-sectional regressions.

**The Structure Of Competitive Environment And Mimetic Market Entries**

Kai-Yu Hsieh, London Business School

Freek Vermeulen, London Business School

This study combines literature on inter-firm imitation and on competitive dynamics to explain diversified market entries. Extant literature suggests that firms follow their competitors diversifying into adjacent markets. We argue instead that firms follow their competitors into new markets only if such mimetic entries reduce competitive pressure. Whether mimetic entries reduce competitive pressure depends on the patterns of inter-firm competitive relationships around a firm. Accordingly, firms facing competitive environment of different structural properties have individualistic chances of responding to and imitating competitors’ past entry decisions. Hypotheses derived from this perspective were tested with data on pharmaceutical drug manufactures. Preliminary results show that direct market encounter between a firm’s competitors promotes mimetic entry, while equivalence between a firm’s competitors in terms of product-market profiles discourages mimicry.

**Resource Redeployment Following Horizontal Mergers And Acquisitions: The Case Of Supplier-Buyer Ties And Relation-Specific Assets**

Youtha K Cuypers, Tilburg University

Xavier Martin, Tilburg University

This study distinguishes between three different stages of the redeployment decision process, i.e. the decision on whether or not to redeploy resources, the choice between unilateral and bilateral redeployment and the direction of redeployment. We look at the role of redeployability in the first decision, and the role of relative strength of the resources throughout the process. By introducing the concept of redeployability, i.e. the transferability of the resource and its underlying knowledge, we go beyond the contention that the relative strength of the resource drives the redeployment decision. Furthermore, we challenge the implicit assumption that the strongest resource can in fact be redeployed. In addition, we recognize the effects of inertia and negative acquirer biases towards the target on redeployment decisions.

**Returns To Mergers And Acquisitions: A Competitive Dynamics Perspective**

Klaus T Uhlenbruck, University of Montana

We suggest that explanations for the weak returns to mergers have been limited largely to factors internal to the merger and the merging firms whereas the competitive environment has not been sufficiently considered. If firms gain competitive advantage via mergers, reactions by rival firms are likely. Building on research on competitive dynamics, we propose certain conditions related to the ability and motivation of rivals of merging firms-which raise the likelihood of a competitive response to merger, harming the performance of the merging firms. We conclude that in a competitive, dynamic environment a broader conceptualization of the costs and benefits associated with mergers is needed that incorporates competitive conditions.

**The Impact Of Mergers On Outside Rivals: A Boon Not A Loss**

Joseph A Clougherty, WZB-Berlin/CEPR-London

Tomaso Duso, WZB-Berlin

It is commonly understood that managers should be careful with regard to mergers, as acquirers often destroy value by engaging in mergers. It is also commonly perceived that firms do not want to be outsiders to a merger between competitor firms. We detect logical inconsistency in these two 'received wisdoms' and argue it is actually beneficial to be a rival firm outside...
a merger. Using a sample of large-mergers and the stock-price event-study method, we find that rivals generally experience positive abnormal returns. Accordingly, it appears that mergers tend to generate positive externalities to non-merging rivals; hence, rival firms should generally consider the occurrence of a merger between competitors as a gift not a threat.

The Competitive Impact Of Supplier Expertise And Client-Based Economies Of Scope

Olivier Chatain, INSEAD

I empirically examine two drivers of suppliers’ value capture in a vertical chain. The first is the distinctiveness of suppliers’ expertise compared to what their clients can get from competitors. The second is the realization of client-based scope economies by a focal supplier and by its competitors. I investigate the performance impact of these drivers with a unique longitudinal data set from the U.K. corporate legal market. The theorizing and measurement is based on the value-based framework proposed by Brandenburger and Stuart (1996). I find evidence linking the profitability of law firms to measures of their added value within their client relationships. This research has implications for our understanding of competition in vertical relationships and supports the empirical relevance of formal models of strategy.

Competitive Strategy And Competitive Dynamics

Common Ground Track F Schnitzler

Session Facilitator: Avi Fiegenbaum, Technion-Israel Institute of Technology

Behavior-Eliciting Options: Testing The Waters Prior To Launching A Competitive Attack On Rivals

Walter J Ferrier, University of Kentucky
Goce Andrevski, University of Kentucky

Real Options Reasoning (ROR) is rapidly gaining traction in both strategy research and practice. It has proven useful in the examination of strategic choice under conditions of uncertainty. One potentially fruitful application of ROR is in assisting firms to anticipate the reactions of rivals following their own competitive maneuvers carried out in relevant strategic space. By integrating the core ideas from competitive dynamics and ROR, we develop the concept of a behavior-elicitng option - an incremental, sequential investment (competitive action) carried out by a firm to resolve the uncertainty associated with the response profiles (competitive response) of its rivals - and suggest a framework with testable propositions about how the perceived aggressiveness of the focal firm’s competitive attack is related to the aggressiveness of rivals’ competitive responses.

Patents And Patenting As Competitive Tactics

Richard Reed, Washington State University
Susan F Storrud-Barnes, Cleveland State University
Richard A Johnson, University of Missouri

As we move toward a knowledge-based economy, more patents are being filed and the costs of filing, maintaining, and defending them are non-trivial. Patenting is recognized as a valuable competitive weapon but, to be valuable, it has to be used in the right way. We use competitive thrusts, feints, and gambits to predict the optimal actions for capitalizing on intellectual property under the contingencies of technological sophistication and industry competition.

Entry Strategy And Survival Of ‘De Novo’ New Ventures

Tereence Fan, Singapore Management University
Phillip H Phan, Rensselaer Polytechnic Institute

In spite of decades of empirical research on new ventures, the normative implications for the inaugural market entry for ‘de novo’ ventures still lack coherence. In this paper, we examine how the success of new ventures can be systematically affected by their target market and initial product offering choices, each associated with a host of market uncertainties and competitive interaction that might ensue. We propose to draw our inferences from the integrated and recently deregulated scheduled passenger airline industry in the European Union, which has a reasonably exhaustive account of new entrants as well as a standardized technology choice (in terms of aircraft and computer systems) for all players.

Do Stable Strategic Time Periods Exist? New Methodological And Theoretical Insights

Juan M Fuente Sabaté, University of Burgos
Julio Rodríguez-Puerta, Polytechnical University-Madrid
José David Vicente-Lorente, University of Salamanca
José Ángel Zúñiga-Vicente, University of Rey Juan Carlos

This paper investigates a fundamental issue in the current research on strategic groups: the existence of the so-called ‘Stable Strategic Time Periods’ (SSTPs). Our study provides new evidence by adding a novel methodological and theoretical insights. The research setting is the Spanish banking industry over a 15-year period, 1983-1997. Unlike prior research that found SSTPs, the multi-method procedure that we used in the study (i.e. equality of variance and covariance matrix and by means of strategic variables and a subsequent grouping analysis performed through the MCLUST) has led us to reject the existence of SSTPs in the industry under study. Based on these findings, we conclude by suggesting a proposition, which should be corroborated in future empirical studies on strategic groups.

The Oxymoron Of Generic Strategies: The Case Of Discount Strategies

Michael M Andersen, Andersen Advisory Group A/S
Flemming Poullfelt, Copenhagen Business School

The development and execution of strategy has a high priority in theory as well as in practice. The paper explores some fundamental approaches to generic strategies with the purpose of examining if various strategic rationalities can be integrated into a new strategic approach i.e. pursuing mixed strategies. The paper shows that the oxymoron of existing strategies can be overcome by a prudent discount strategy and the paper aspires to exemplify this by empirical cases. It also indicates that conventional focus on stakeholders is gone with a discount strategy, which is far more customer-centric than is usually the case in strategic literature. The implication of this leads to a change in the governance structure.

Choosing The Game To Play Using The Strategic Games Matrix: An Illustrative Business Application

Eliezer Arantes da Costa, University of Campinas
Celso P Bottura, University of Campinas
Joao Mauricio Boaventura, Paulista University-UNIP
Adalberto Fischmann, University of San Paulo

Many concepts in business strategy came from game theory and several papers present the use of classic games in business situations. However, as there are distinct mathematical models for classic games, in one hand - as Minimax, Nash, Pareto and Stackelberg-, and, there are different real conflict of interest business situation to deal with, in the other hand, managers intending to apply game theory to real business situation always face a problem: what is the right game to play? For helping managers to choose the right game to play, the Strategic Games Matrix -SGM- was proposed. It indicates what games should be played at each particular business situation. In this paper, the SGM is applied to the Intel Corporation’s case study presented in Ghemawat (1999).

Competition In The Spanish Bank Loans Market: Does The Firm Size Matter?

Felipe Ruiz-Moreno, University of Alicante
Antonio Ladrón de Guevara-Martínez, Pompeu Fabra University
Francisco José Mas-Ruiz, University of Alicante

This work proposes a conjunctural variation model which incorporates product differentiation. This model allows for the detection of the competitive behavior patterns in terms of the output of all the financial entities with respect to three strategic groups defined in terms of size. The model is tested with a sample of 100 firms in the Spanish bank loans market between 1992 and 1994. This period of time is characterized by the end of a long process of deregulation and the integration of the Spanish Banking System. The findings evidence a stronger aggressiveness from the medium-size group to the biggest one than vice versa. Besides, results reflect a more aggressive attitude from the largest entities towards the smallest ones than vice versa.
You Just Don't Understand: Translation And The Impact Of Strategic Management Research On Practice
Hugh G Courtney, University of Maryland
We currently have very poor mechanisms to translate strategic management research results into business practice. One of the barriers to effective application is the fact that many of our research results are highly context-specific and not generalizable without contingencies, and thus hard to transmit through traditional business school programs and practitioner-oriented business journals and books. As a result, organizations that want to get the most out of academic research require professional translators who are both schooled in the research methods and language of academic research and who work full-time and thus fully understand the organization’s business context. This paper develops explanations for why our current research ‘translation’ mechanisms so often fail and why the ‘translator’ role might help overcome these failures.

When Rigor Meets Relevance: Strategy-As-Practice At The Board Level
Robert P Wright, Hong Kong Polytechnic University
How do board members see, interpret and make sense of their critical board activities? We reviewed the extant board literature and identified key directions for future research from which we conceptualized our theoretical framework incorporating the importance of eliciting Board Cognitions as a means to better understand how work at this contextual level is experienced and interpreted using board members’ own theories in use. Using a mapping technique, we were able to visualize how these board activities were being experienced and hence suggest recommendations for improvement employing the maps as powerful decision-making tools. We advocate that research of this kind, where rigor meets relevance, is the way forward in meeting the needs of theory, practice and the classroom in the true spirit of strategy-as-practice.

Managerial Constraint: The Intersection Of Managerial Discretion And Organizational Task Environment
Brian K Boyd, Arizona State University
Steve Gove, University of Dayton
Managerial constraint is a central theme in strategic management research. Although discussed using a variety of labels and theoretical perspectives, the common question is the degree to which executives have choices or options when making decisions. Two of the most commonly used approaches for discussing constraint are organizational task environments (Dess & Beard, 1984) and managerial discretion (Hambrick & Finkelstein, 1987). These two papers share substantial commonalities in both their theoretical background and operationalization, raising the question of whether discretion and task environment are indeed separate constructs. Drawing on a content analysis of citations to these two papers and original data analysis, we explore the overlap between constructs, and offer suggestions for future studies. Next, we use Hrebiniak and Joyce (1985) to integrate these two perspectives.

Resilience And Summit Fever: Recognising Our Limits
Susan Tempest, University of Nottingham
Ken P Starkey, University of Nottingham
Keith Harrison, University of Nottingham
What is missing in the strategy field has been a compelling debate about the nature of limits - how far should and can we push ourselves and those who manage? This paper develops this by exploring how by analysing a case of a major mountaineering disaster going beyond limits can be destructive. It builds on the idea of limits focused on stretch goals, competence, organization and the challenge itself. It concludes with thoughts on how we can manage the stretch of limits - too limited a sense of what we are capable of can limit our ambition but too much ambition can extend us beyond what we are capable of - to build a more resilient organization.

Beyond The Matrix: A New Organizational Structure Framework For Enhancing Strategy In Practice
Duncan N Angwin, University of Warwick
Stephen Cummings, Victoria University of Wellington
Recent theoretical developments have enabled us to see that strategy is not just about the rational foresight and planning of top executives and their implementation of best practice. In practice, many people contribute to the development of a firm’s strategy, confronting unique situations that require activities toward achieving ‘strategic balance’. While strategy development and structure are intertwined, little has been done to develop structural frameworks that aid developing strategies to steer an effective course. We propose a new framework, the Value Chimera, which enables fruitful discussion about how the organization wrestles with conflicting tensions and balancing demands such as addressing the market versus playing to existing capabilities; individual responsiveness versus achieving synergy; coordination and economies of scale; and business level independence versus corporate control.

The Practice Of Strategizing: Interpreting Micro-Strategy Dynamics Through Four Theoretical Lenses
Mattias Nordqvist, Jönköping University
Leif Melin, Jönköping University
Annika Hall, Jönköping University
We report a study of the practice of strategizing through four theoretical lenses - values, role, arena and legitimacy. The empirical study is based on interpretive, in-depth case studies. Applying the lens of value gives meaning to how strategy practices are based in deep-seated values and how challenging these lead to decreased efficiency in strategizing. The role lens emphasizes strategizing as based in identity, where it is difficult to change role as a result of organizational change. The arena lens highlights platforms for communication and mutual understanding as crucial for efficient strategizing. The legitimacy lens helps to understand the adoption of certain strategic practices and the outcome of their implementation. These lenses are interrelated and jointly constitute a coherent framework for understanding the practice of strategizing.

Adapting To National Differences On Regulation And Governance Institutions
Common Ground
Track A
Werfel
Session Facilitator: Anna Grandori, Bocconi University

Capabilities Or Institutional Opportunities? An Investigation On How Capitalist Regimes Impact Exploration And Exploitation Strategies
Constanta Denisa Mindruta, University of Illinois-Urbana Champaign
Glenn P Hoetker, University of Illinois-Urbana Champaign
We explore the impact of macro-institutional infrastructure on firms’ innovation strategies (exploration-exploitation) across a sample of 20 countries during the 1963-1999 timeframe. In line with March’s (1991) model of organizational learning, we identify various institutional factors that foster, or conversely, constrain organizational investment in exploratory and exploitative strategies. Drawing upon a parallel and related literature on varieties of capitalism, we relate March’s factors with the institutional attributes of existing political economies. We then argue that liberal-market economies tend to adapt to national differences on regulation and governance, whereas coordinated-market economies foster exploration more than exploitation. The empirical findings are consistent with our theoretical predictions.

The Influence Of National Systems On Global Competitive Dynamics: An Integrative Framework
Craig Crossland, Penn State University
Charles C Snow, Penn State University
How do inter-firm competitive dynamics differ due to the national context within which they occur? To answer this question, we develop a theoretical framework based on the nature of a society’s formal and informal institutions. We focus in particular on the formal institution of firm ownership structure and the informal institution of cultural values. We argue that national institutions...
will differentially affect the level of managerial discretion in decision-making available to senior corporate executives from different countries. Variance in national-level managerial discretion in turn results in systematic variance in global competitive dynamics. We offer several testable propositions concerning inter-firm competitive dynamics in low-discretion versus high-discretion settings.

**Market Size, Legal Institutions, And Corporate Diversification Strategies: Implications For Performance Of Multinational Firms**

Jiatao Li, Hong Kong University of Science & Technology
Deborah R Yue, Stanford University

This paper explains country patterns in firm-level strategies by examining the domestic environments within which business firms are embedded. By embracing insights from both institutional economics and resource-based view, we identify two country-level environmental constituents—domestic market size and legal institutions—to examine how these resources influence corporate international expansion and product diversification strategies. We further explore the moderating role of country-level resources in the link between two types of diversification strategies and firm performance. The theory is tested using empirical data on 435 firms from thirteen industrial countries, and the results generally corroborate our theoretical framework.

**Managing Strategic Government Relationships: Legitimacy, Capabilities, And Governance Of Foreign MNCs In China**

Xueyuan Zhang, Erasmus University-Rotterdam
Patrick Reinmoeller, Erasmus University-Rotterdam

This paper explores the dialectical nature of strategic relationships of MNCs with host governments. Seeking to understand what kind of relationships MNCs develop, why and how do they develop them in emerging economies this paper utilizes institutional theory, resource dependence theory, transaction cost theory and the capabilities view in strategic management. We examine the MNC-host government relationship in China by a multiple-case study. Interviews are conducted with both foreign subsidiaries and local government officials. Our findings show that legitimacy, capabilities and governance all play an important role in managing strategic relationships in emerging countries. A cooperative relationship with the government is driven by institutional incentives and MNCs’ intention to reduce uncertainty. The most successful firms integrate their need for informal relationships with effective relationship management.

**Towards Coherent Business Behavior In Conflict Areas: PPP As Governance Form**

Esa Stenberg, Turku School of Economics & Business Administration

Public Private Partnership (PPP) has been suggested as potentially the most useful strategy for promoting private-sector involvement in post-conflict reconstruction. The concept is used to describe a wide array of different arrangements between the public and private sectors. It is important to recognize that PPPs are inherently complex operational models, which are challenging to put together even in OECD economies, and much more difficult in those emerging from conflict. Hussels and Switzer (2004) claim that international efforts to engage the financial sector in the peace agenda lag behind the ‘partnering rhetoric’, and 'that moving from policy statements towards implementation of effective PPPs remains a major challenge'.

**Nonmarket Strategies In Regulated Industries**

Carlos R Rufin, Babson College

Privatization and deregulation in many sectors throughout the world have created opportunities for internationalization and foreign market entry by companies with a purely domestic scope. These same processes, however, have also entailed or exacerbated institutional instability in potential host countries, enhancing the risk of indirect expropriation through adverse regulatory measures. This paper examines the development and nature of the strategies followed by several U.S. and Spanish utilities that have entered Latin American utility markets during the 1990s. Using both secondary data and interviews with company executives, we find a wide variation in the nonmarket strategies followed by foreign entrants that cannot be explained by the national origin of the companies. We also find some evidence of convergence of nonmarket strategies around a multidimensional pattern.

**Enacting Regulated Strategic Environments: A Process Study**

Morgan Potter, Aston University
Paula A Jarzabkowski, Aston University

This paper proposes that regulated environments are enacted through a process of sense-making and sense-giving between the regulator and key industry competitors. We build a theoretical framework at three levels of analysis spanning the broad process of enacting the environment, the sense-making and sense-giving interactions between participants during this process, and the boundary objects that different parties construct to influence the process. Drawing on this framework, we analyse a longitudinal real-time qualitative study of establishing a new regulatory environment in a utilities industry. The study focuses primarily on the activities of and interactions between the two main players, the regulator, (OFREG) and the incumbent (ULTICO). The findings provide a fine-grained illustration of how environments are enacted to meet the interests of different players.

**Managing Resources For Flexibility And Renewal**

Common Ground
Track F/L
Zweig

Session Facilitator: Tammy L Madsen, Santa Clara University

**Competitive Business Strategy: The Importance Of Strategic Fit And Strategic Flexibility**

Vladimir Antikarov, Overseas Shipholding Group Inc
Tatiana S Manolova, Bentley College

This article presents a theoretical framework for thinking about the relationship between strategic fit, strategic flexibility, and sustainable competitive advantage, when a firm is confronted with business environment uncertainty. We take a system dynamics approach to argue that a self-reinforcing system of activities that forms a strong strategic fit by supporting a company’s competitive advantage under certain market conditions may become a major force to destroy this same advantage under different market conditions. We propose that sustainable competitive advantage under conditions of business environment uncertainty can be achieved if business strategy is built simultaneously along the strategic fit and strategic flexibility dimensions. Implications for theory and managerial practice are discussed.

**Management Of Uncertain Ventures By Redirecting: An Exploratory Analysis**

Taina Tukkainen, Helsinki Polytechnic Stadia
Rita Gunther McGrath, Columbia University

We examine how the redirection takes place in corporate venture between initial conditions and final outcomes. Through a longitudinal case study of a portfolio of 37 ventures in Nokia, a framework was developed to analyze the redirection process in ventures. Successful all ventures were highly evolutionary and went through a sequence of interactive redirections. Redirections were either inside or outside the venture born. Failing ventures were highly inertial with little learning or directions. We believe analyzing the evolution of corporate ventures helps transcend too simple representation’s of inertia and adaptation, in particular by suggesting that initial conditions may lead to a stable fixed processes that make ventures highly inertial and evolutionary processes like redirections that make them highly adaptive, depending on how they are set.

**Strategic Purity And Firm Survival: Risk And Return Revisited**

Stewart Thornhill, University of Western Ontario
Roderick E White, University of Western Ontario
Michael E Raynor, Deloitte Consulting LLP

Risk and return are largely inseparable in finance research, and they are positively correlated. Strategic management, however, has generally posited a negative correlation between risk and return, on the assumption that the risk of failure increases as performance deteriorates. We propose and find that superior operating performance is associated with pure strategic positions in two-dimensional strategy space and that lower profits in the center of strategic space are associated with lower exit rates. This proposition is consistent with a positive risk-return relationship, yet counter to widely accepted structural, resource-based and population ecology models in strategic management.
Distinguishing Blue Oceans From Abyss: Market Discourse Assessments Of The Appropriateness Of Entrepreneurial Actions

Dante D Di Gregorio, University of New Mexico
Ken G Smith, University of Maryland

Entrepreneurial actions are novel actions that drive the market process by moving markets toward or away from equilibrium. Participants including customers, complementors and competitors engage in market discourse through actions, reactions and expressions of opinion regarding the appropriateness of novel action. Disequilibrating actions precipitate divergent opinions among participants regarding the actions’ appropriateness. We propose a theoretical framework of market responses to entrepreneurial actions, particularly actions that are disequilibrating in nature. This framework is useful to help distinguish between disequilibrating actions that entail moving away from known market space and into uncontested fertile ground (i.e., blue oceans), versus actions that entail abandoning known market space for a desolate abyss.

Strategic Renewal Through Leveraging Existing Technology Into New Applications: Impact On Entrepreneurial Firm Longevity

Preeta M Banerjee, University of Illinois-Urbana Champaign

This paper identifies a source of strategic renewal for high-tech entrepreneurial firms: leveraging existing technology into new applications. Most literature on strategic renewal focuses on the top-down choice of new business models in large established firms (Pascale, 1999; Wieland, Elfring and Volberda, 2000). By focusing on younger firms in very turbulent environments where resources are scarce and ‘big’ strategic options are less relevant, the question becomes fundamentally bottom-up. In particular, I find that innovation improvements are a significant mechanism for potential firm transformation and increase firm longevity significantly.

Do Inter-Company Networks Support Firm’s Dynamic Capabilities? Evidence From High Tech Industry

Ellen Enkel, University of St Gallen

Companies started building up inter-unit networks to connect knowledge owners more closely and support knowledge transfer and creation. Networks are often described as flexible organizational structure easy to adapt to company’s strategy or changing market environment. In high technology markets the need for building up dynamic capabilities is even more crucial because of the fast technological change. This paper investigates if networks in high technology markets are supporting company’s dynamic capabilities. By comparing 210 networks within three experienced companies, all acting in high technology markets, it is possible to examine how flexible or static networks can be according to factors like corporate strategy, culture and organizational structure.

18:30 – 21:30 SMS EVENING EVENT AT THE KURSALON
Do Values Create Value?
Gregor Vogelsang, Booz Allen Hamilton

Whether they like it or not – today’s businesses are perceived as moral entities and judged accordingly. The debates that we have seen over Mannesmann and the like were about values and how business elites do behave themselves. Many companies have recognized and acknowledged this and are acting by looking at their values and how they are faring. And the results of their review do not look good: many realize that they do not live their values at all. In a survey that we conducted two years ago amongst the 150 leading companies in Germany, Switzerland and Austria only 2% found that they really lived their values. Whilst there are many indications that values oriented companies fare better than others, there is no final proof. There is even less proof that specific values do actually create value. But one thing is clear: if companies decide to deal with their values they better get it right. Because if they don’t, values definitely do not create value but rather the opposite – broken promises, cynicism and higher transaction costs. Three questions need to be answered if values are really to create value: 1) Which values should we choose and why? Can values be really differentiating or do values agendas tend to be the same just because we all follow the same values? 2) What is the role of management in defining, disseminating and in living the values agenda? and 3) How to deal with values in day to day business interactions and what happens if there are conflicts? These points will be at the centre of this presentation which is based on a variety of work and research that Booz Allen Hamilton has conducted around the issue of values and value creation.

Managing Growth
Horst J Kayser, Siemens
Christopher Lechner, University of St Gallen
Jens Schaedler, Booz Allen Hamilton

In this panel we intend to shed light on the generation and management of (bundles of) strategic initiatives with particular focus on BIG (Bundles of Initiatives for Growth). This topic entails an under-researched set of phenomena, where most of the evidence remains anecdotal. The panel will discuss how companies are managing their bundle of strategic initiatives (process and/or content coordination) and which approach is best in which situation. We will elaborate on the factors influencing the choice of a particular management approach and discuss differences among the management of cost versus growth initiatives. A particular focus will be on examples of companies that transition from a cost reduction towards a growth orientation - especially on how they are changing their strategy process modes to drive this transformation. In this panel Dr. Kayser will present the Siemens case example and demonstrate how Siemens has changed its focus towards profitable growth by launching the “Fit4More” initiative. The panel will be complemented by insights from Dr. Jens Schaedler (Vice President of Booz Allen Hamilton, Switzerland) and Prof. Christoph Lechner (Chair of Strategy, University of St. Gallen) who currently conduct a joint research project on the management of bundles of strategic initiatives.
on its network configuration along the following dimensions: quality of relationships, quantity of relationships and partner diversity; 2) the way these dimensions impact firm performance is contingent on the firm’s strategic orientation; and 3) the better the alignment of network configuration (along the three dimensions) with the firm’s strategic orientation, the better the performance.

**Strategies for Structuring Networks of Partners and Customers**

**Paper**  Track F/J  **Brahms**

**Session Chair:** Frank T. Piller, Massachusetts Institute of Technology/Technical University-Munich

**Exploration and Exploitation in Alliance Networks: The Balance Hypothesis**

Dovew Lavie, Technion-Israel Institute of Technology/University of Texas-Austin

Lori Rosenkopf, University of Pennsylvania

Do firms balance exploration and exploitation in their alliance formation decisions, and if so, why and how? We argue that absorptive capacity and organizational inertia impose conflicting pressures for exploration and exploitation with respect to the value chain function of alliances, the attributes of partners, and partners’ network positions. Although path dependencies reinforce either exploration or exploitation within each of these domains, we propose that firms balance their tendencies to explore and exploit over time and across domains. The analysis of 337 alliance networks in the U.S. software industry during 1990-2001 provides empirical support for our theory. We conclude that managers have more discretion in coordinating exploration and exploitation activities than previously assumed.

**Looking Inside Alliance Performance: Reconciling Conflicting Explanations of the Value of Alliance Network Structure**

Federico Aime, Oklahoma State University

Robert W. Wiseman, Michigan State University

Stephen E. Humphrey, Florida State University

Previous research has alternately suggested that either network closure or structural holes are most beneficial for alliance performance. In this study, we suggest that these two perspectives are not mutually exclusive. Instead, we suggest that there exists a fundamental difference in the mechanisms through which each creates advantages for network members. Specifically, we suggest that closure promotes overall network fulfillment of ex-ante commitments that may result in alliance value creation, whereas structural holes affect the bargaining power of partners resulting in differential distribution or appropriation of value created between alliance partners. We test this idea longitudinally, with 364 marketing alliances, utilizing cross- squared random effects models to specifically deal with the interdependencies in alliances data previously unaddressed in the literature.

**Brokerage, Group Characteristics, and The Formation of Multi-Partner Alliances**

Xiaoli Yin, San Francisco State University

Jianfeng Wu, Peking University

Wenpin Tsai, Penn State University

Under what conditions can a firm occupying a brokerage position facilitate the formation of multi-partner alliances among a group of firms? Previous studies tend to focus on the instrumental benefits of occupying a brokerage position from a focal firm’s perspective but ignore about group considerations capturing the interests of other firms that allow the brokerage to happen. By studying different group conditions of multi-partner alliances, we suggest that only in those group conditions where the individual and group interests are closely aligned can an individual broker firm exert its greatest influence on alliance formation. We test our hypothesis using data collected from 189 firms that form 19 multi-partner alliances through industry-sponsored e-marketplaces (ISMs) in four different industries.
In this study we theoretically and empirically untangle a process by which certification contests inform and influence actor’s overall reputation over time. We find that, in the context of voting for Major League Baseball’s Hall of Fame, even when controlling for a player’s performance over the course of their entire career, certifications are positively associated with the likelihood of a player’s induction into the Hall of Fame. Further, we find that these certifications positively influence a sense-making process that influence an actor’s overall reputation over time.

**Competing On Capabilities: Studies Of Innovative Business Practices**

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**Management Innovation And Dynamic Institutionalization: Evidence From The Global Automobile Industry**

Patrick Reinmoeller, Erasmus University-Rotterdam

Management innovations can disrupt industries and offer considerable advantages to the innovators. Companies worldwide have developed many principles and systems endogenously and adopted more management innovations of other firms. However most of the exogenous innovations were dropped quickly. This paper describes the dynamic of (de)institutionalization of management innovation in the global automobile industry and explains superior performance with differences in how companies manage their administrative innovations. Analyzing the creation and adoption of management innovation by ten leaders in automobile manufacturing between 1984 and 2004 this paper offers the first longitudinal, comparative study of management innovation’s dynamics in Japan, Europe and the U.S. Difference in performance is explained with enhancement of endogenous management innovations and pragmatic realism in face of exogenous innovations.

**Customization And Problem Solving: Strategic Consequences From A Competence Perspective**

Magnus Johansson, Lund University

The paper deals with the changes to the competence set of manufacturing organizations moving towards offerings with a high degree of customization and problem solving efforts. Preliminary findings are presented that imply that firms with the above strategic focus integrate in-depth technical competences and sales related competences in their customer interaction interfaces. Furthermore, customer projects in these organizations draw from a wide array of internal competence sets and also utilize craftsmanship in manufacturing in order to enable customization. These organizational characteristics make it possible to create new valuable delivery concepts through the technical competence and problem solving ability within the available flexibility of the organization.

**Overcoming The Service Competition Trap: How Successful Service Provider Compete On Innovation**

Guido Siebiera, ESADE
Juan Ramis-Pujol, ESADE
Luk van Wassenhove, INSEAD

Most of the top executives would agree that innovation is one of the most critical challenges of service management today. Although the necessity to introduce a systematic innovation approach for services is understood, a lot of companies are still struggling to do so. In order to support service provider in one of the most difficult and at the same time one of the most crucial steps in service innovation: the generation of new service ideas, we have analyzed more than 150 successful examples of service innovation. Results of this investigation are five basic patterns of successful service innovation, which can help the companies to unleash their full service potential and out-innovate their competition.

**Games Of Innovation**

Roger Miller, École Polytechnique-Montreal
Serghei Floricel, University of Quebec-Montreal

Many see innovation activities as unmanageable because of the high uncertainties involved in predicting buyers’ responses as well as the tendencies toward optimism in market forecasts. Innovation appears as a lottery where the odds are compared to Las Vegas. The research we conducted with V.P. R&D’s and CTO’s around the world in all industrial sectors and in collaboration with the Industrial Research Institute, is leading us to the contrary view. Innovation is an uncertain but manageable process once managers recognize that distinct rules and practices apply. The ‘Games of Innovation’ perspective proposed in this paper recognizes that heterogenous patterns exist, that specific conditions call for distinct and persistent rules of actions and that meso level of analysis between macro and micro perspectives is more appropriate.

**Corporate Strategy, Analyst Coverage, And The Uniqueness Discount**

Patrick Moreton, Washington University-St Louis
Todd R Zenger, Washington University-St Louis

In this paper we argue theoretically and empirically that capital markets systematically discount uniqueness in the strategy choices of firms. Uniqueness in strategy heightens the cost of collecting and analyzing information to evaluate a firm’s future value. These greater costs in strategy evaluation discourage the collection and analysis of information regarding the firm and result in a valuation discount. If empirically true, this result is rather troubling since uniqueness or scarcity as defined in economics and in strategy is a necessary condition for creating economic rents and increasing firm value. We find empirical support for this proposition using a ten-year panel dataset linking approximately 14,000 firms from Compustat’s Industrial and Segment files between 1990 and 2000 with their corresponding analysts who appear in the I/B/E/S Detail History file.

**Earnings Management And Corporate Social Performance**

Josep Antoni Tribo, University of Carlos III-Madrid
Jordi Surroca Aguilar, University of Carlos III-Madrid
Diego Prior, Autonomous University-Barcelona

We explore the relationship between discretionary accounting accruals and corporate social performance using stakeholder theory and the earnings management framework. Our hypothesis is the existence of a positive connection between corporate social performance and earnings management. We argue that managers may satisfy the interest of stakeholders as an entrenchment strategy once these managers have followed earnings management practices damaging the long-term interests of shareholders. Consistently with these, we expect a negative effect on financial performance, even in the short-term, of good corporate social practices if they are combined with earnings management ones. We empirically demonstrate this theoretical contention making use of a database comprising of 599 firms of 28 different nations for the period 2002-2004.

**The Competitive Effect Of Going Private: Evidence From Competitors’ Stock Price Reactions To Transaction Announcements**

Yu Zhang, INSEAD

In this paper I examine the effect of going private on maximizing its effect on the firm’s competitive behavior and market performance. I argue that the changes in incentive alignment, monitoring quality and information disclosure requirement after going private will help the firm to focus more on the long-term, strategic value of the business. This enables the firm to compete more aggressively in the product market and might have a negative impact on the competitors’ performance. I test these hypotheses with competitors’ stock price reactions to the going private announcements between 1997
and 2004. The result shows that the competitors’ stock prices react differently according to the buyer type and financing structure of the transaction.

Mergers, Acquisitions, And Trading In A Synthetic Environment With Heterogeneous Investors
Shailendra R Mehta, Duke University
Raghavendra Rau, Purdue University/University of California-Los Angeles
We create an agent-based model of heterogeneous firms and investors. In the model, firms consist of projects of varying qualities and employ managers with different abilities. The true value of the firm depends on both the quality of the manager and the project. Mergers are triggered when more able managers take on projects from less able managers. There are three kinds of investors in the model. Informed investors who act rationally, momentum traders who act on past information and noise traders who trade randomly. With and without trading constraints we analyze what triggers firm liquidations? What triggers merger waves? Does the composition of investors affect trading profits? Can irrational investors make money? What is the role of merger fees in promoting efficiency?

REGAINING STRATEGIC AGILITY: A ‘NEW DEAL’ AT THE TOP
Panel
Joseph L Bowman, Harvard University
Yves Doz, INSEAD
Mikko Kosonen, Nokia Corporation
As they grow and mature companies tend to develop a stable configuration of cognition, organization, top management interaction patterns and culture and emotions that tends to lock them into a particular strategic trajectory. Through a series of clinical longitudinal studies, our research has considered how newly-appointed CEOs can break, or not, such a stable configuration. We observed new CEOs re-energizing their company -turning inertia into renewed momentum, we also observed CEOs achieving strategic redirection, and others building into strategic agility in their organization, i.e. gaining the ability to make a series of strategic turns over time. Our presentation describes, analyzes and conceptualizes the sequences of action they took to break inertia and foster strategic agility.

UNDERSTANDING ACQUISITION STRATEGY
Paper
Session Chair: Esther Solomon, Fordham University
Momentum, Industry Uncertainty, And Firm Behavior: A Multilevel Examination Of Acquisition Activity
S Trevis Certo, Texas A&M University
Tim R Holcomb, Texas A&M University
In this paper, we examine the role of strategic momentum in the strategic decision-making process. We distinguish between two components of momentum: the magnitude and trajectory of firm behavior. We examine the acquisition behavior of firms using a longitudinal dataset of S&P 500 firms between 1998 and 2002, and we find that both components of momentum influence acquisition activity. Relying on a multi-level theoretical and methodological approach, we investigate the relative influence of firm- and industry-level factors on acquisition behavior. We apply random coefficients modeling, a technique also referred to as hierarchical linear modeling (HLM) or multilevel modeling, to examine cross-level interactions and find that industry uncertainty moderates the relationship between momentum and behavior. Our results link theoretical perspectives involving momentum and path dependence and show that industry uncertainty weakens the effects of momentum on acquisition behavior.

For Better Or Worse? Mergers And Status Outcomes In The Investment Banking Industry
Amanda Paige Cowen, Harvard University
Status is an important strategic asset linked to a firm’s economic rewards and competitive opportunities. Previous studies of status dynamics show that firm affiliations are associated with changes in status. This research has been limited to affiliations in which both firms continue to maintain independent identities in the marketplace; firm combinations, or mergers, have been overlooked. The present study examines the status consequences of merger activity. It extends the strategic management literature on mergers by exploring the reputational consequences of these transactions; outcomes highly relevant to a firm’s future opportunities and rewards, but incompletely captured by traditional performance metrics. The findings also offer a more robust understanding of status dynamics that encompass market relationships untreated by prior work in economic sociology.

Incomplete Acquisitions: The Role Of Capabilities, Objectives, And Geographic Distance
Abhinup Chakrabarti, Duke University
Will G Mitchell, Duke University
Many announced acquisitions never reach completion. We examine how acquirer capabilities and acquisition objectives affect the risk of incomplete acquisition for firms implementing geographically distant acquisitions. Using U.S. chemical industry acquisitions (1980-2003), we found that young, small, focused, single unit, and inexperienced firms that are ‘less capable’ of acquiring distant targets were not more sensitive to the distance factor than acquirers that were established and experienced. Instead, distant acquisitions were more likely to be incomplete when they involved related targets or backward integration, which require greater effort in post acquisition integration and target monitoring. While the results do not support some of the expectations derived from the existing literature on acquisitions, they clearly highlight the importance of cognitive factors underlying the acquisition decision-making process.

A Comparison Of Strategic And Organizational Fit In Domestic And Foreign Acquisitions
Rikka Sarala, Swedish School of Economics & Business Administration
The evidence of how domestic and foreign acquisitions differ remains fragmented and inconclusive. However, such comparisons are needed to justify the increasing research interest in foreign acquisitions and to evaluate the applicability of general acquisition theories in foreign acquisitions. Considering the importance of strategic and organizational fit in previous research, it is important to understand how these two aspects differ across domestic and foreign deals. Such understanding is also crucial for managers involved in foreign acquisitions. Therefore, in this paper we explore the differences in strategic and organizational fit in domestic and foreign acquisitions. With MANCOVA analysis, we examine this on a survey data from 105 domestic and 85 foreign acquisitions of Finnish companies and find significant differences in both strategic and organizational fit.

MANAGING EFFECTIVE GLOBAL R&D TEAMS
Paper
Session Chair: Björn Ambos, Vienna University of Economics & Business Administration
Social Capital: Conceptualization And Impact On Knowledge Sharing In Global R&D Teams
Tatiana Kostova, University of South Carolina
Kendall Roth, University of South Carolina
This paper examines the determinants of social capital and its role for knowledge sharing between global R&D teams. Social capital is conceptualized as quality of a dyadic relationship between two teams, vertically or horizontally situated in the organization. Knowledge sharing is examined as both receiving and providing knowledge by a focal team to another team. The model is tested with survey data from 55 global teams (total of 165 dyads). Social capital is found to be affected by ease of communication, communication systems, information awareness. The effects of social capital on knowledge sharing are complex curvilinear, and varying under different cultural conditions and directions of knowledge sharing. Additional analysis shows that direct measurement of social capital has advantages over previous operationalizations as a latent construct.
Generating Competitive Advantage On A Global Basis: A New Empirical Look On International R&D
Marcus Matthias Keupp, University of St Gallen
Oliver Gassmann, University of St Gallen

Institutional liberalisation of the world economy has led to the emergence of an increasingly international and competitive environment for firms. This imposes new challenges for a firm’s research and development (R&D), the most important generator of competitive advantage, in becoming an international R&D function. However, despite this importance, our understanding of international R&D is theoretically incomplete. An explanatory connection between the firm’s characteristics and the extent of its international R&D is still missing. We address this gap by using data from a survey conducted by us to model a set of firm characteristics that determine scope and extent of the firm’s international R&D activities. Our findings present important implications for both academicians and practitioners.

Sources Of Competitive Advantage In Global Innovation Networks: Centers Of Excellence Versus Global Teams
Björn Ambos, Vienna University of Economics & Business Administration
Bodo B Schlegelmilch, Vienna University of Economics & Business Administration

How do firms organize their dispersed innovation networks to gain a competitive advantage? In this paper we examine qualitative evidence from twelve large European MNC to shed light on this question. Using a grounded theory approach, we find that firms are applying two broad strategies to transform their dispersed innovative activities into sustainable competitive advantage. One set of firms, establishes competitive advantage through specialization and the localization of knowledge creation within clearly defined Centers of Excellence and only later transfers the knowledge back to other units. The other set of firms we studied, generates innovations globally through Global Teams, which then transfer knowledge back to the respective home markets. The advantages and drawbacks of each of these two strategies are outlined as well as implications for further research.

RESOURCE ACQUISITION AND DEVELOPMENT IN ENTREPRENEURIAL FIRMS

Session Chair: Warren D Miller, Beckmill Research

Dynamic Resource-Based View Of Entrepreneurial Firm Growth: An Integrative Framework For Sustainable Growth
Dominic S K Lim, University of Western Ontario
Eric A Morse, University of Western Ontario

This paper is an initial step toward a theory of the sustainable growth of entrepreneurial firms. We present a three-dimensional resource pyramid with four vertices (forces): a concept built on the resource-based view and the multi-perspective entrepreneurship literature. The four forces represent the resource bundles that are particularly relevant to the early growth of entrepreneurial ventures: strategic resources, financial resources, human resources, and organizational resources. Using this resource pyramid model, we describe the growth of entrepreneurial firms as virtuous/vicious spirals along the interacting dimensions of these four forces. In the final paper, we illustrate the concept with several case examples and argue that the sustainability of entrepreneurial growth depends on the dynamic balance and fit among these forces.

Resource Acquisition During Ventures First Year
Marie Löwegren, Lund University

A critical aspect of the exploitation of a business idea is the entrepreneur’s ability to build a platform of resources. There are several models illustrating the management needs in different stages of a growing firm. These models, however, pay little attention to the struggles of the firm in its first year of existence. We still don’t know which resources are necessary to obtain in which stages of the firm’s early development, and how the young entrepreneurs acquire these resources. This paper will describe resource acquisition processes of five new ventures, identify how and in which stages resources are obtained, discuss how we can understand resource acquisition during the ventures first year, and finally discuss the implications of the findings for policy makers supporting start-up ventures.

The Effects Of Resource Dependence And Status On Reciprocity In Venture Capital Firms
Mikko Jääskeläinen, Helsinki University of Technology

In this paper, we develop an argument that organizations use reciprocity as a strategy in response to their dependence on resources acquired through inter-organizational relationships. Reciprocated and concentrated co-operation reduces the risk of failure in accessing crucial resources. However, a strong position in the status ordering of an industry increases the attractiveness of the organization as a partner, thus reducing the need to engage in reciprocal relationships to secure the access to required resources. We test our argument using data from the population of U.S. venture capitalists during years 1990-2005. Our results indicate that the venture capitalists aim to manage their dependence by invoking reciprocity and concentrating their co-operation relationships. Status moderates negatively the relationship between dependence and reciprocity.

Joy M Godesiabo, University of Colorado-Boulder

Scholars posit that a firm must consider its internal resources and external environment when defining and evaluating firm strategy. Entrepreneurship researchers have expanded the traditional definition of resources to include those not controlled by the firm (Gulati et al., 1999; Krackhardt, 1995; Stevenson et al., 1990; Zaheer et al., 2005). In fact, entrepreneurship has been defined as exploiting opportunities regardless of control over necessary resources (Stevenson et al., 1990). In this paper I study the influence of social capital on the performance of start-up venture capital firms. Using longitudinal data, I examine how the structural and relational dimensions of social networks affect the rate of portfolio companies completing an IPO.

ABSORPTIVE CAPACITY AND INTER-ORGANIZATIONAL LEARNING

Session Chair: Anupama Phene, University of Utah

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Eric A Morse, University of Western Ontario

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of professional service firms’ (PSF) experiences with their clients serve as a source of innovation in the empirical setting of 4428 credit unions and 55 PSFs from 2000-2004. Findings indicate a curvilinear relationship between PSF’s experiential diversity and focal firm innovation that is enhanced by a focal firm’s absorptive capacity and external knowledge receptivity.

**Competitive Absorptive Capacity, Industry-Technology Contingencies, And Performance**

Sara Lev, INSEAD
Avi Fiegenbaum, Technion-Israel Institute of Technology

We extend absorptive capacity (ACAP) to include competitive processes, contingent upon industry-technology characteristics, and examined their impact on performance. Examination of 141 Israeli global organizations reveals: First, digital technology and industry uncertainty but not heterogeneity and munificence, enhance potential and realized ACAP. Second, more developed realized ACAP enhances short- and long-term performance, however potential ACAP did not affect long-term performance. Finally, both industry-technology characteristics and ACAP affect performance, but the impact of ACAP is more significant.

**Formalism, Absorptive Capacity, And Innovation Performance: An Empirical Investigation In Small Firms’ Settings**

Francois Therin, Grenoble School of Management

If the link between learning and innovation performance has recently received some empirical validations (Calantone et al., 2002; Therin, 2002), research still needs to be done to understand the criteria favouring or impeding this relationship (Damanpour, 1991), particularly in high-tech small firms. Based on a sample of 62 Australian small companies, this article explores the link between the four dimensions of absorptive capacity; the degree of formalism and innovation performance. It shows to what extent these dimensions are linked and gives first insights on how to integrate the findings in the general literature on innovation and absorptive capacity.

**The Value Of Common Beginnings: Examination Of Alliances And Knowledge Flows In Biotechnology Start-Up Firms**

Lindy Archambeau, University of Utah
Anupama Phene, University of Utah

Start-up firms face limitations in accessing external resources. Our research focuses on the role of common beginnings in enabling start-up firms to overcome these limitations. We posit the existence of a common context developed through multiple routes - shared VC funding sources, similar academic background and proximity of location - will lead to a shared architectural context. This in turn facilitates alliance formation and the exchange of knowledge. We test our hypotheses in sample of start-up firms in the U.S. Biotechnology Industry. Our study highlights the importance of common beginnings and suggests that their impact extends beyond sharing a common context and may be an antecedent to the formation of social networks.

**STAKEHOLDER ORIENTATION AND SHAREHOLDER VALUE: ARE THEY COMPATIBLE?**

**INTRODUCING NON-INVESTOR STAKEHOLDERS INTO CORPORATE RISK MANAGEMENT: IMPLICATIONS FOR CORPORATE PERFORMANCE**

Gregor Gossy, Vienna University of Economics & Business Administration

The essence of the stakeholder rationale for risk management is that total risk is negatively associated with firm cash-flows once a contractual view of the firm is assumed. This cash-flow effect is independent on proximity to bankruptcy because firms may default on implicit stakeholder contracts before they default on explicit contracts. Non-investor stakeholders bear the risk of losing their quasi-rents because of opportunistic firm behaviour. Nevertheless, it is possible that financial distress intensifies this effect. Therefore, conservative financial policies are central to a stakeholder theory of risk management. Applying this risk management concept might promote value generation through non-investor stakeholders and lead to superior firm performance. Empirical evidence for Austrian and German non-financial companies will be provided to validate the stakeholder theory of risk management.

**MAXIMISING STAKEHOLDERS INTEREST: AN EMPIRICAL ANALYSIS OF THE STAKEHOLDER APPROACH TO CORPORATE GOVERNANCE**

Silvia Ayuso, IESE Business School-University of Navarra
Miguel Angel Ariño, IESE Business School-University of Navarra
Roberto G Garcia-Castro, IESE Business School-University of Navarra
Miguel Á Rodríguez Badal, IESE Business School-University of Navarra

The purpose of the present paper is to examine the relationship between conformance to the stakeholder model of corporate governance and firm financial performance and test it with an international sample of large companies. We argue for the relevance of three dimensions of a pro-stakeholder stance to corporate governance: board responsibility for CSR, board diversity and stakeholder engagement. Based on an empirical study of a company sample from 31 different countries we found board responsibility for CSR to be a key factor for promoting engagement with primary and secondary stakeholders of the firm, and to have positive effect on long-term value of the company. Consistent with previous conducted studies, board diversity and stakeholder engagement were also positively related with firm financial performance.

**CEOS ATTITUDE TOWARDS SHAREHOLDER AND STAKEHOLDER VALUE: THE CONTINENTAL EUROPEAN AND ANGLO-SAXON PERSPECTIVE**

Christian Stadler, University of Innsbruck
Kurt Matzler, University of Linz
Hans H Hinterhuber, University of Innsbruck/Hinterhuber & Partners
Birgit Renzl, University of Innsbruck

The debate on shareholder value versus stakeholder orientation is more than ever an issue, particularly, since the bubble burst and corporate scandals in the U.S. have scrutinized prevalent management practices. There are also some arguments that the shareholder model will prevail due to the globalization of capital markets and the growing power of institutional investors. This paper addresses the issue of shareholder value versus stakeholder orientation in firms. It provides new evidence of CEOs’ preferred orientation across countries. The findings of our study indicate that U.S. American and British CEOs favor maximizing shareholder value and European CEOs focus on engaging with the stakeholders.

**LOCAL AGGLOMERRATION AND SPOILLOVERS: EFFECTS ON ENTRY AND PERFORMANCE**

**UNTangling AGglomeration Effects On The Performance Of New And Incumbent Firms**

Göran Lindqvist, Stockholm School of Economics
Timothy B Folta, Purdue University
Karl J Wennberg, Stockholm School of Economics

This paper seeks to disentangle the effects of agglomeration on firm survival and performance. We argue that the inconsistent findings of current empirical literature are due to excessive methodological diversity and a
Universities, Public R&D Institutions, And The Location Of New Firms

Lawrence A Plummer, University of Colorado-Boulder/Max Planck Institute of Economics
David B Audretsch, Indiana University/Max Planck Institute of Economics

The purpose of this paper is to examine the extent to which the link between university research and regional rates of new firm formation is a function of: (1) the presence of the university itself as well as; (2) the magnitude; and (3) distribution of R&D expenditures within the institution. We use county-level data of new firm formation and public R&D institutions including universities, federal labs, FFDRCs, and nonprofit organizations. Our research goals include providing some closer as to the causality of the university-entrepreneurship linkage as well as yielding evidence as to why some universities seem to stimulate local entrepreneurship while others do not. In addition, we strive to provide some meaningful comparison between research universities and other R&D institutions as generators of local entrepreneurship.

The Influence Of Capabilities And Initial Resource Endowments On The Location Choices Of 'De Novo' Enterprises

Aviad A Pe’er, Dartmouth College
Ilan B Vertinsky, University of British Columbia

Using data about all de novo entrants into the Canadian manufacturing sectors during 1984-1998, we studied location choices as a function of firms’ initial resources and capabilities. Employing nested logit estimation, we examined the impact of various location traits such as: agglomeration, competition, deterrence, and sunk costs, on location choices. Findings reveal that the probability of entry to a location with high agglomeration economies increases with increases in resources and capabilities and then declines. Very large de novo entrants may prefer isolated locations. Stronger entrants are more detracted by local competition and incumbents’ deterrence strategies. Weaker firms are attracted to places with lower entry barriers and sunk costs.

Firm Exits As A Determinant Of New Entry: Is There Evidence Of Local Creative Destruction?

Aviad A Pe’er, Dartmouth College
Ilan B Vertinsky, University of British Columbia

This study posits that the causal links between entrepreneurial entry and exit in a location also flow from exit to entry. We argue that exits increase the intensity of the search for opportunities and enhance the opportunity landscape facing entrepreneurs. We hypothesize that exits of old firms increase entry and that on average new entrants are more productive. Persistent local rate of exit, however, deter entry. We test our hypotheses using a unique longitudinal database encompassing the entry and exit of Canadian manufacturing enterprises between 1984 and 1998. The results support our hypotheses.

Evolution Of Subsidiary Competences: Extending The Diamond Network Model

Christian G Asmussen, Copenhagen Business School
Charles Dhanaraj, Indiana University
Torben Pedersen, Copenhagen Business School

Over the past decade, the literature on MNC subsidiary evolution has grown rapidly, enhancing our understanding of the determinants of subsidiary competences. We extend the "center of excellence" concept to address the diversity and the multidimensionality of subsidiary competence and link such diversity to the host country environment. Using Rugman and Verbeke’s (1993) diamond network model of competitive advantage of nations, we hypothesize the contingencies under which host environment heterogeneity leads to a specialized subsidiary competence configuration. We test our theoretical model with data from more than 2000 subsidiaries in seven Western European countries. Our results provide new insights on the evolution of subsidiary competence and how MNCs can overcome "imbalance" national diamonds by acquiring complementary capabilities across borders.

Is Your Subsidiary On The Radar Screen? Strategies For Managing Attention In The Multinational Corporation

Cyril D Bouquet, York University
Tina Claudia Ambos, University of Edinburgh

This study develops hypotheses to investigate the determinants and performance implications of the attention that national subsidiaries receive from corporate headquarters (HQ). These hypotheses are tested using data on 323 subsidiaries of multinational firms in four different countries. Results indicate that the actions of subsidiary leadership -namely their initiatives and profile-building efforts-can significantly influence the process of attention allocation, even after controlling for indicators of economic salience. In addition, the study found support for the idea that some conditions must exist before attention can improve subsidiary performance.

Coordination In Distributed Organizations

Kannan Srikanth, London Business School
Phanish Puranam, London Business School

How is innovative work coordinated across geographic distance? We studied 40 distributed projects in global software service organizations. Our findings indicate that neither coordination by plan nor coordination by feedback play a large role in achieving coordination in distributed software services. Instead, we find that global software firms primarily coordinate action by generating common ground. Coordinated action in distributed settings is achieved by generating three types of common ground: Procedural, Cross-contextual and Inter-personal. We also find that firms rely on pre-existing common ground within their boundaries, but are more likely to have to rely on pre-planned coordination (eg. modularity) and ad-hoc coordination via rich face-to-face communication when working with other firms.

How Much Do Parent Companies Learn From Their Foreign Subsidiaries?

Larissa Rabbiosi, Polytechnic of Milan
Lucia Piscitello, Polytechnic of Milan/University of Reading

This paper aims at providing further evidence on the two following research questions: 1) Does the occurrence of knowledge transfer (KT) from foreign subsidiaries to parent companies affect the receiving units’ innovativeness? and 2) How and to what extent does the use of different KT mechanisms affect the receiving units’ innovativeness? For this purpose, we resort to econometric analyses on the dataset RITMO that gathers primary data relating to 84 Italian MNCs and to their relevant 350 foreign subsidiaries. Empirical findings confirm...
that KT positively affects the parent company's innovativeness. As far as the mechanisms employed are concerned, person-based mechanisms exhibit a positive impact on the parent company's competitive advantage, especially when they are jointly employed with ICT.

**Strategy In Markets With Complementors And 'Critical Mass': Effects: Can The Winner Take All?**

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**Beating Winners Of Winner-Take-All Battles: When And How**

Karel O Cool, INSEAD
Petros Paranikas, The Boston Consulting Group

Market leaders in winner-take-all (WTA) battles have enviable market positions. Propelled by consumer behavior, they extend their market reach. Critical mass dynamics cement their positions. Rivalry over profits fund investments in brand equity and economies to scale, filling chasms for ongoing and subsequent wars. And yet a number of incumbents were overrun by latercomers. Markets with network effects ought to be different, however, as pioneering leaders lock in customers and pre-empt latecomers. The success of Visa in credit cards, Google in search, Apple in digital downloads, Sony in video gaming, and others however shows that latecomers in WTA markets can upset leaders and grab monopoly profits. How did they do it? What are the strategies to dislodge the likes of eBay, Microsoft, and NewsCorp?

**Start-Ups In Nascent Markets: Building A Strong Alliance Portfolio From A Low-Power Position**

Pinar Ozcan, IESE Business School-University of Navarra
Kathleen M Eisenhardt, Stanford University

The purpose of this study is to uncover how executives of firms can form a strong alliance portfolio. With a multiple-case inductive design, we traced the six entrepreneurial firms in the nascent market of wireless gaming over a span of twelve months. The emerging framework explains that executives form a strong alliance portfolio by approaching prominent partners early, approaching complementary partners simultaneously, maintaining redundant ties, and avoiding competitor ties. Findings suggest that in a nascent market where the roles are blurred and connections are scarce, entrepreneurial firms can use strategies to benefit from the characteristics of the market while managing the dangers that are embedded in it. These firms can achieve a strong portfolio, which can lead to a central position in the market network.

**Determinants Of Performance In Technological De Facto Standards: A Historical Analysis Of Leaders And Challengers**

Hideo Yamada, Waseda University
Susumu Kurokawa, Drexel University

This paper discusses strategic issues related with technological de facto standards. Based on our literature review, we construct the following four hypotheses: 1) the higher (stand-alone) technological advantage a platform and its complement has, the higher intrinsic benefits it is likely to provide to users; 2) the higher the technological openness a platform has, the higher direct/indirect benefits and network effects it is likely to have; and 3) the higher the horizontal/vertical technological compatibilities a platform has, the higher the gain when their selection of a public or private target fits the theory? Using an event study and survey data, we find that: 1) Acquirers favor private targets in familiar industries and turn to public targets to enter new business domains; and 2) Acquirers of public targets perform better than acquirers of public targets on merger announcement; 3) Acquirers of private firms perform better than if they had acquired a public firm, and vice-versa.

**How Does The Market Cope With Uncertainty About The Value Of Newly Public Firms?**

Asli Musaoglu Arikan, Georgia State University
Laurence Capron, INSEAD

How does the market cope with uncertainty associated with newly public firms (NPFs) and respond to investment decisions made by NPF? Evaluating investment decisions of NPF is challenging because investors face two main difficulties compared to more established public firms: 1) paucity of information on NPF, and 2) high level of insiders' control on NPF. Drawing on a database of 3,530 acquisitions, we find that 1) acquirers' returns are partly conditioned on the use of reputable lead underwriter and the insiders' commitment to a long lockup period during the IPO process, which both represent quality and commitment signals, and 2) underwriter reputation and even more so length of the lockup period has stronger and positive effects on returns of acquirers whose value is highly uncertain.

**The Sources Of Potential Value Creation From Business Diversification, Business Cycles, And Shareholder Value Generation**

Xavier Castañer, HEC-Paris
Guilhem Bascle, HEC-Paris

We assess in this paper the value consequences of business diversification for shareholders. More precisely, we investigate whether economic and financial synergies lead diversified firms to trade at a premium or discount during bull and bear periods. We build on the shoulders of recent strategy and finance studies to: 1) put forward our arguments; 2) create appropriate metrics to measure economic and financial synergies as well as firms’ value; and 3) adequately address the statistical challenges of measuring performance. We
plan to test our arguments, and the hypotheses which derive from them, in a sample of U.S. diversified and publicly traded companies in the 1996–2004 period.

ALIGNING MANAGEMENT TEAMS: THE ROLE OF ATTITUDES, COGNITION, AND EMOTION

Paper: Track I/K
Kafka

Session Chair: Luis Almeida-Costa, Nova University of Lisbon

The Relationship Between Senior Managers And Middle Managers In The Middle-Up-Down Organizational Learning Process
Wei Yang, University of Southampton
Mirela Schwarz, University of Southampton

This research will explore how senior and middle managers’ relationship facilitates the ‘upgrade’ of individual’s and organizational learning by middle managers during the introduction of a novel model production in a Chinese state-owned car manufacturing firm. The empirical data is based on interviews, observation, and document reviews. The fieldwork was carried out from June to October 2005 and from July to September 2005. This research aims to provide a theoretical model of the impact of senior and middle managers’ relationship on the link between individual learning and organizational learning in a strategic context.

Performance Consequences Of A Strategy-Manager Co-Alignment: An Empirical Investigation In Large German Companies
Torsten Wulf, ENPC School of International Management
Volker Brinkmann, The Boston Consulting Group
Harald Hungenberg, University of Erlangen-Nuremberg
Tawfik Jelassi, ENPC School of International Management/MIB Development

This study analyzes the performance effects of a co-alignment between corporate strategy and demographic characteristics of CEOs in large German companies. An empirical investigation of a sample of 66 CEOs in 50 of Germany’s largest publicly listed companies over a period of four years reveals positive performance effects of an overall fit between four demographic characteristics of the CEO and the firm’s diversification posture over the first three years of the tenure of the CEO. In the fourth year, however, these performance effects vanish. Additionally, the investigation of the fit between single demographic characteristics of the CEO and the firm’s diversification posture did not yield significant results, adding empirical evidence to Van de Ven and Drazin’s (1985) discussion of various notions of fit.

How Emotions Can Enhance Competitive Advantage
Quy N Huy, INSEAD

I propose specific emotion management action routines that elicit contrasting emotional states to facilitate the realization of strategic processes that enhance competitive advantage: reducing the cost of strategic change and organizational creativity. These processes allow the firm to adapt to changing environments. The latter is illustrated by showing how organization members’ contrasting emotional states such as fear of organization decline and pride in contributing to organizational success can reduce their resistance to strategic change, and how frustration at slow progress in developing innovative offerings and deep enjoyment in challenging work can enhance organizational creativity that enables the firms to offer distinctive offerings on a continuous basis.

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.

GOVERNANCE PRESSURES AND EXECUTIVE TURNOVER: CEO DISMISSALS AND CEO ENTRENCHMENT

Paper: Track G/A
Klimt Ballroom 1

Session Chair: Fabrizio Ferraro, IESE Business School-University of Navarra

Opportunist or Steward? The Influence Of The Board Chairman On CEO Dismissals And Replacements
Rudi KF Bresser, Free University-Berlin
Reynaldo Valle Thiele, Free University-Berlin
Annette Biedermann, Free University-Berlin
Holger Luedeke, Touro College-Berlin

Based on a sample of large, publicly traded German companies, we study performance implications of CEO duality for executive succession events. We find that CEO dismissals are more frequent at low levels of pre-succession market-based performance and CEO duality. Post-succession sales growth and operating earnings are higher for firms with CEO dismissals and CEO duality. Our results provide partial support to stewardship theory and no support to agency theory.

Investment Analysts And Their Impact On CEO Dismissal
Margarethe F Wiersema, Rice University
Mark W Washburn, University of California-Irvine

CEO dismissal has become prevalent during the past decade. While prior research has highlighted that poorly performing firms have higher rates of CEO turnover, financial performance alone cannot explain what precipitates the board of directors to dismiss the CEO. Following market signaling theory, this study examines the antecedents of CEO dismissal versus routine succession. Investment analysts provide expert opinions about firms through ratings of firms’ stock and decisions to provide coverage of specific firms. We propose that analysts convey signals to the investment community that precipitate the board of directors to take action. Evidence from a sample of large, public U.S. firms suggests downgrades in analysts’ ratings and drops in analyst coverage in conjunction with poor prior performance significantly increase the likelihood of CEO dismissal.

Drivers Of Independence: Information Asymmetry And CEO Entrenchment
Scott G Johnson, Oklahoma State University
Karen A Schnatterly, University of Missouri
Richard A Johnson, University of Missouri

As a result of recent corporate scandals, many have called for increasing outsider representation on boards to better monitor management. However, we believe it is important first to better understand the nature of drivers of board composition. Without this understanding independent outside directors may not help to resolve problems the firms’ faces. In this paper, we test a model of board composition in which firm characteristics associated with information asymmetry increase board independence and CEO characteristics consistent with entrenchment decrease board independence. We find that both information asymmetry and CEO characteristics are important predictors of board composition.

CEOs’ Entrenchment And CEOs’ Social Capital
Erica Helena Salvaj, IESE Business School-University of Navarra
Fabrizio Ferraro, IESE Business School-University of Navarra

This study examines how board characteristics and the social structure of corporate elites in which CEOs are embedded affects CEO-board relation and the outcomes of corporate governance processes among Standard & Poor’s 500 U.S. corporations for the year 2001. Specifically, this study explores the effect of boards’ characteristics measures and CEOs’ structural holes on CEO’s entrenchment within the context of corporate provisions. Implications of the study for corporate governance and social networks will be presented.

T-57
This paper addresses a crucial question: How should innovative firms manage the protection of their inventions and innovations from imitation when having to choose between various intellectual property (IP) protection mechanisms? Data on innovative behaviour of manufacturing SMEs are used to investigate complementarities and independence between various forms of legal and non-legal IP protection mechanisms in order to see how SMEs mix IP protection mechanisms to protect their technological innovations. The paper also explores heterogeneities in the determinants of SMEs to choose between six legal and non-legal IP protection mechanisms. The results of the study show that firms devise IP protection strategies that are based on various mixes of mechanisms in order to protect their inventions and innovations. Moreover, the results also show that there are many important differences in the determinants of the different methods of IP protection.

The Impact To Cumulative Innovation Of Entrepreneurial Firms In Enhancing Commercial Value Versus Scientific Value
Preeta M Banerjee, University of Illinois-Urbana Champaign

In this paper, I investigate the impact of entrepreneurial firms in enhancing commercial value versus scientific value (Stokes, 1997) in continued firm innovation. Namely, I take a different perspective to innovative impact (usually focused on new venture creation and initial innovation) to look at how enhancing scientific value (i.e., technological improvements) versus enhancing commercial value (i.e., finding new application) impacts cumulative innovation. In this paper, I I characterize innovative impact as diversity versus number alone; 2) discuss a mechanism whereby ‘general-purpose technologies’ (Bresnahan and Trajtenberg, 1995) evolve through entrepreneurial activity; and 3) redirect entrepreneurial focus to innovations that create overall impact, i.e., to the firm and the technological community.

The quest to uncover stable principles of good strategy-making has attracted much interest over the years. Yet practitioners in search for applicable advice had to rely on speculative prescriptions of uneven quality. This caused the field to ebb in and out of favor with practitioners and led some to deride strategy process as a confused and infantile art that was unlikely to pass the test of time. Yet, systematic strategy process research goes on, perhaps more than ever, suggesting that there is something deeply interesting about how strategies are made. We propose three dimensions to analyze strategy process research. We also ask to revisit extant answers to a timeless practical question: Who should be entitled to provide normative advice?

Strategic Process: ex ante Blindness And Recursive Non-Computability
Mark P Kriger, BI Norwegian School of Management
Anatoly Kandel, Caldwell College

This paper argues that several core aims of the field of strategy are inherently not achievable. These core aims include, firstly, the search for a sustainable competitive advantage, and, secondly, consistency and completeness in the schemata and rules underlying ex ante strategic choices. These aims, which are often implicit, both in the writings of researchers and the programs of consultants, are shown to be unachievable. The creation of a competitive advantage is thus: 1) an inherently incomplete process; 2) the product of inconsistent rules; and 3) by its very nature algorithmically non-computable. The implications of (1)-(3) for strategic managers will be discussed. Examples from long-term strategic processes in IBM, Apple Computer, and Nucor Corporation will be used to illustrate the arguments and managerial implications.

Strategic Thinking: Driving Achievement
Abby Ghobadian, Brunel University
Nicholas O’Regan, Middlesex University
Howard Thomas, University of Warwick
David Gallear, Brunel University

The majority of strategy-performance studies use the normative strategic
planning process to conceptualize the process element of strategy-making, often ignoring the contextual dimensions of strategy-making common to both strategic thinking and strategic planning. This paper addresses this void by examining the relationship between dimensions of strategic thinking components and a matrix of performance measures including business and effectiveness measures as well financial measures. The results indicate that superior performance across different dimensions requires simultaneously high focus across all of the dimensions of strategic thinking. The findings have practitioner implications as well as contributing to the strategy literature by addressing the shortcoming of previous studies and extending the domain of such studies beyond the U.S.

### Exploring Strategy-Related Citations: Patterns And Analysis

James H Davis, University of Notre Dame  
John G Keane, University of Notre Dame

Does scholarship provide prescriptive thought leadership to practice? Does practice provide a laboratory for descriptive scholarship? This research uses longitudinal analysis of citations of practitioner and academic publications citations to determine which serves as the thought leader for theory, models and tools associated with strategic thinking, situation audit, strategy formulation, implementation and governance. We find that academic journals provide thought leadership for situation audit and strategy formulation. Practitioner publications provide thought leadership for strategic thinking, implementation and governance.

### ACCESING KNOWLEDGE AND INNOVATION FROM GEOGRAPHICAL CLUSTERS AND NETWORKS

**Paper**  
**Track J/L**  
**Schnitzler**

**Session Chair:** Victoire A de Margerie, Grenoble School of Management

### Learning In Networks: Comparing The Different Characteristics Of The Firm, Alliances, And Local Clusters

Jan Hohberger, ESade  
Pedro Parada, ESade  
Marcel Planellas, ESade

Following the Resource-Based View of the firm knowledge is one of the most critical resources to achieve sustained competitive advantage and long-term survival. However, how do different sources impact on knowledge characteristics? This paper is an attempt to examine, what different roles various sources play in the process of knowledge acquisition and learning. Thereby we tackle the question using social network approach and the knowledge based view of the firm. We suggest that different sources play simultaneous, but distinct roles for the firm. We develop hypotheses, which relate the MNCE network, the alliance network and the local cluster to the speed of learning and the level of exploitation and exploitation. The hypotheses are tested, using patent data from the biotechnology Industry.

### Social Capital Accessibility And Innovation: Mobility Ties And Reverse Knowledge Flows In The Semiconductor Industry

Rafael Corredoiras, University of Pennsylvania

Employee mobility has been associated with inter-firm knowledge transfer, association attributed to human capital and social capital mechanisms - i.e., employee carries knowledge across firms or mobility creates inter-firm communication channels (enduring social relationships between the mobile employee and people at the previous employer or increased saliency of the hiring firm’s work). In a semiconductor industry sample from 1985-1995, outbound mobility increases focal firm’s citation rate of the firms in the hiring region, even after controlling for alliances, hiring, geographic and technological distances, and knowledge stock. The effect is attenuated for same region mobility, suggesting that outbound mobility is a redundant mechanism of localized spillovers. These demonstrate the importance of enduring social ties to access industry knowledge, and to facilitate inter-organizational knowledge flow and organizational innovation.

### A Critique Of Clusters As A Model For Organising In Creativity-Hungry Industrial Sectors

Alison Rieple, University of Westminster  
Jonathan Gander, University of East London

In this paper we discuss the topic of regional clusters as a stimulus to innovation and competitiveness. Drawing on work on the geography of economic production and performance, and concepts like localised spillovers, national innovation systems and learning regions, strategy researchers have begun to highlight the important role played by location on firm performance. Clusters have been strongly promoted as a policy tool, which can be used by local and national governments to stimulate local economies. However, this recommendation has its critics. We contribute to this debate by examining the merits of clustering in three sectors of creativity-hungry industries - music, design and fashion. Using a comparison across three similar, but also different, sectors allows us to refine the appropriate extent, and limitations, of cluster theory.

### MANAGING RISKS IN INTERNATIONAL MARKETS

**Paper**  
**Track H/F**  
**Schnitzler**

**Session Chair:** Jing Li, Simon Fraser University

### Risk Management And Performance Effects In Multinational Firms

Torben Juul Andersen, Copenhagen Business School

Multinational enterprise has been linked to flexibilities that allow the firm to take advantage of operational agility and global business opportunities in response to changing conditions. Global expansion also entails irreversible resource commitments that increase exposures while the cost of maintaining operational flexibility can be substantial. Hence, this paper analyzes the implied risk management and performance effects of multinationality in conjunction with capital structure as a risk management tool. The study finds performance and risk management outcomes to be highly industry specific. The positive effects are ascribed to knowledge-based services whereas capital-based network companies display significant inverse relationships.

### International Business Establishments And Local Competition: A Three-Country Study Of Performance Effects

Anders Pehrsson, Växjö University

A common view in strategy literature is that an industrial firm wishing to secure its international business establishments needs to pay attention to factors related to local competition. This study explores patterns in Germany, the U.K., and the U.S., where local business units belong to Swedish manufacturing firms. First, findings show that a need for local technology adaptation and problems in accessing local customers affect local performance negatively, and this is congruent with the dominant view that barriers protect firms from competition. Second, surprisingly, awareness of local competitors and their strategic behavior also affects local performance negatively, which may be due to overestimated barriers or biased judgments. The conclusions suggest that performance effects of barriers and competition are more complicated than previously thought.

### PHD FELLOWSHIP FINALIST RUNNER-UP

### What Makes And What Does Not Make A Real Option? Studying Joint Venture Equity Shares

Ilya RP Cuypers, Tilburg University  
Xavier Martin, Tilburg University

Recently, questions have emerged about the boundaries of real options logic when the firm can subsequently affect the parameters of their investment decision. This paper examines this issue conceptually and empirically, with an application to joint ventures. Uncertainty is a principal motivation for using joint ventures to expand into new markets, as well as to be a predictor of investments in real options. We distinguish between forms of uncertainty which resolve endogenously versus exogenously, and theorize that only exogenous uncertainty will have the impact predicted by real options theory. Using a sample of 6,472 Sino-foreign joint ventures, we show that investors’ choices of equity shares are indeed only consistent with real options.
predictions when uncertainty resolves exogenously. We discuss implications for real options and joint venture research.

Examining Product Innovation Of International Joint Ventures In An Emerging Market
Changhui Zhou, Peking University
Jing Li, Simon Fraser University

This paper contributes to the IB literature by providing an initial insight into innovation of international joint ventures (IJVs). Specifically, we investigate product innovations in market-seeking IJVs in a large emerging market-China-and test two categories of hypotheses: organizational orientation and environmental adaptation. We suggest that IJVs' product innovations can be understood as a consequence of organizational orientation originating from the characteristics of the UV contract and as a strategic response to the evolving conditions of host-country environment. Our empirical analysis utilizes a longitudinal dataset consisting of 3,226 IJVs in China during 1999-2003. Results suggest that UV product innovations are positively associated with balanced ownership structure and investment scale, as well as innovation pace and the level of FDI legitimization.

Governance In And Family And Founder-Managed Firms

Session Chair: Gerry J Kerr, University of Windsor

Governance Correlates Of IPO Success For An SME: The Importance Of Founder-CEOs And Their Allies
John A Pearce II, Villanova University
Shawn Howton, Villanova University
Shelly Howton, Villanova University

Initial Public Offerings have profound consequences for investors in Small and Medium-sized Enterprises (SME) by providing liquidity for their owners and funds for their growth. Less well-understood is impact on the company's financial success of the interactions between an IPO and Founder-CEO leadership. Specifically, strategists need to better understand the desirability of retaining the firm's Founder-CEO and his or her allies, in favor of a professional-CEO successor and increased independent representation on the company's Board of Directors. In this research, we studied the IPO-governance relationship in 128 SMEs. We investigated the financial performance of an SME when the Founder continues as CEO through the IPO period, giving special attention to CEO duality, and changes in the size and composition of the company's Board of Directors.

Let’s Talk About It: The Performance Effects Of Conflict In Family Firms
Franz W Kellermanns, Mississippi State University
Kimberly A Eddleston, Northeastern University

This study utilizes a conflict theory lens to examine when work-related conflict, specifically cognitive and process conflict, is beneficial to family firm performance. Family-member information exchange and generational ownership dispersion are expected to influence how cognitive and process conflict affect firm performance. Contrary to expectations, cognitive conflict was found to be negatively related to family firm performance. However, as predicted, family-member information exchange and generational ownership dispersion were found to be significant moderators of the conflict-performance relationship. Results indicate that cognitive and process conflict can be beneficial to family firm performance in certain contexts. Process conflict is positively related to the performance of family firms with high levels of information exchange and cognitive conflict is positively related to the performance of single-generation family firms.

Ties That Bind: A Gender-Based Comparison Of Relational Capital And Knowledge Transfer In Family Businesses
Nancy J Higgenson, Northern State University

Strong relational capital underpins tacit knowledge transfer in large corporations and small family businesses (FBs) alike. However, they exhibit two crucial differences that challenge our current understanding of the knowledge-based view of the firm, derived largely from research on large corporations: 1) the uniqueness of FB relationships due to the complex interactions between family and business roles; and 2) unlike large corporations, where tacit knowledge tends to be highly mobile, these resources are relatively immobile in FBs as a result of the close bonds and loyalty to the business that are typically exhibited by family members. The paper presents a gender-based (mother-daughter and father-son) model of knowledge transfer in FBs, with a focus on the relationship antecedents that influence this process and their outcomes.

Owner-Mediated Culture Management In The Small Firm
Gerry J Kerr, University of Windsor
Xiaohua (Howard) Lin, University of Windsor
Sean A Way, Chinese University-Hong Kong
James W Thacker, University of Windsor

Examination was made of a binary culture-management model pertaining to the small firm. The model posits owner-oriented culture management as a mediating factor between the environment (complexity, dynamism, and munificence) and the management of culture toward the needs of two other major stakeholder groups, employees and customers. Superior performance was a result of the flow from environmental munificence to owner-led cultural change and then to employee-led change. Results suggest that the ongoing debate over strategy and governance (at least in the small firm) should be extended past examination of issues like boards of directors or advisors; missions, visions, and values statements; and corporate communication to strike at the shared identity and central activities of the organization.

Developing Alliance Management Capabilities

Session Chair: Ajit Prasad, International Management Institute

On Differential Learning Effects in Alliance Portfolios
Koen H Heimeriks, Copenhagen Business School

In this study alliance mechanisms are investigated to explain why some firms extract superior rents from their alliance portfolios. First, I examine the relationship between alliance experience and the use of alliance mechanisms. Second, I investigate the impact of mechanisms on the firm's ability to manage alliance portfolios. Third, the moderating effect of alliance type (equity versus non-equity) on the outcome variable is tested. The results are based on a detailed survey among 192 alliance managers and Vice-Presidents over the period 1997-2001. The findings not only show how lessons from prior alliances create learning effects that can be leveraged across a firm's entire alliance portfolio; they also reveal that portfolios dominated by non-equity alliances benefit more from alliance mechanisms than those dominated by equity alliances.

An Evolutionary Perspective To New Product Introduction Through Internal Development, Alliance, Or License Purchase
Louis Mulotte, HEC-Paris

Firms may introduce new products by three different means: they may proceed by internal developments, they may enter alliances and, finally, they may use licensing agreements and sell products developed by competitors. The choice between these three New Product Introduction (NPI) modes is made each time a firm launches a product. In this context, our paper addresses the following question: To what extent do prior choices have an influence on the choice of the mode used to introduce a new product? Drawing upon the Evolutionary theory, we develop specific arguments suggesting that firms tend to use the same mode as before. We also predict that each NPI mode generates evolutionary lock-ins of different intensity, with the use of alliance creating the weakest constraints to change.

Actions Of Strategizing: Investigating Executives’ Use Of Strategy Tools
Sari Stenfors, Helsinki School of Economics/Stanford University

The aim of this paper is to contribute to the understanding of how strategies are formed by studying executives' use of strategy tools. Strategy tools (for example SWOT analysis, Balanced Scorecard application, Scenario Analysis) are looked at as theories of strategic management and the use of them is understood as actions to translate theories to practice. The empirical study of over 250 company executives concentrates on looking at actions of strategizing through diverse manners of using tools. Five distinct actions
of strategizing are found: managing effectively, dealing with time, leading change, making sense, and attending to historical, cultural, social and political powers. These actions form, maintain and reform organizational strategies yet they themselves are altered by social context.

MOVED FROM MONDAY, 10:30-11:45, ZWEIG (see page M-29)

Building Relationships Or Controlling Behavior? Two Perspectives Explaining The Level Of Investment In CVC

15:15 – 15:45 COFFEE BREAK
LOBBY & MEZZANINE LEVEL

15:45 – 16:45 PLENARY PARK CONGRESS

Governing The Relationship-Based Firm
Helmut Meier, Booz Allen Hamilton

The value of successful service businesses is based principally on their intangible assets. These include intellectual capital and, increasingly, the long-term networks of relationships they build with customers and other key constituencies such as collaborating firms and influencers in social, community, and government circles. This “relationship capital” is of growing importance, especially given competitors’ ability to rapidly copy products and services. A firm’s networks, which take a long time to develop, have great longevity, are proprietary, and they cannot be easily duplicated unlike ideas and methodologies. Managing an organization to grow, optimize, and maintain these critical sets of relationships poses new issues and entirely new challenges for the leadership of service firms. The effectiveness and growth of a firm’s relationship capital will be impacted by organization design, measurement and reward systems, public versus private ownership structures, recruitment and professional development programs, and knowledge management systems, among others. Governance of the relationship-based firm, in short, requires a set of clearly defined, firm-level policies and programs that support the creation of long-term relationships with multiple constituencies.

17:00 – 18:45 "COMMON GROUND" SESSIONS MEZZANINE LEVEL

COMPETING IN INSTITUTIONAL FIELDS: CONSISTENCY, DEVIANCE, AND THE MANAGEMENT OF LEGITIMACY

Common Ground Track G/A Track H Track C Berg
Session Facilitator: Tina Dacin, Queen’s University

Leveraging Stable Institutions For Strategic Change: Business Journalism In Market Formation
Mark T Kennedy, University of Southern California Edward J Zajac, Northwestern University

Studies reveal a puzzling relationship between organizations and institutions: on the one hand, institutions limit organizations, while on the other, organizations leverage institutions to, in turn, be both limits to and levers for strategic organizational processes. How do they do this? Prior research suggests upheaval creates opportunities for strategic action to shape morphing institutions for an advantage. In contrast, we argue that organizations leverage stable institutions to their advantage, subject to limits that preserve the institutions’ capacity to shape organizational environments. Drawing on field studies of organizations’ attempts to use business journalism to their advantage, we develop and test hypotheses suggesting leverage attempts will be effective as long as they do not violate the strong norms of reporter independence. Quantitative analyses confirm these hypotheses.

Which Set Of Rules? Using Governance To Understand Why Firms Follow Or Ignore Institutional Rules
Ariel Y Fishman, Columbia University

Institutional theory argues that firms follow socially determined rules when a technical basis for action is ambiguous. Empirical institutional research, however, has generally not measured technical rationales. Moreover, limited research has considered how firms respond when technical rules dictate a course of action that conflicts with institutional rules. The present paper argues that when institutional and technical pressures conflict, organizational governance practices determine which set of rules firms will follow. Firms with dictatorship-style governance structures will follow institutional pressures, but firms governed by democracies will obey technical pressures. This hypothesis is tested by examining governance practices as well as technical and institutional pressures associated with merger behavior in the pharmaceutical industry from 1987 to 2003.

Moderating The Competence: Institutional Positioning Relationship
Rodolphe Durand, HEC-Paris Berangere Szostak Tapon, University Jean Moulin-Lyon III

In this paper, we theorize and test the influence of competence specialization on institutional positioning. We show that competence specialization is positively associated with a choice of institutional positioning that preserves the institutional order within an industry. Furthermore, we assume that a greater connectedness with high-status clients moderate positively the relationship between the firm’s competence specialization and selection-preserving institutional positioning. Therefore, competence reinforcement within firms and institutional logic dominance within an industry are moderated by the downstream industry status structure. We test our hypotheses on 50 European design agencies over 20 years. This paper contributes to the question of competence valuation in a context of institutional complexity. Furthermore, we conclude that far from solely conveying isomorphic pressures on firms, institutional logics necessitate organizational competences to redefine their boundaries and content.

Contrasting Two Perspectives On Organizational Change: Institutional Versus Complementarity Theory
Matthias Schroeder, European Business School Ansgar Richter, European Business School

In this paper, we compare the institutional perspective of organizational change with the complementarity perspective derived from organization economics. Both arrive at strikingly similar conclusions with respect to their description of organizations as coherent configurations of design elements. However, they lead to markedly different predictions about the possibility and likelihood of radical organizational change, and about the shape of such change processes. We identify strengths and weaknesses in both perspectives and argue that complementarity theory’s pessimistic view regarding the possibility of successful organizational change is relatively consistent with empirical evidence. Furthermore, we anticipate radical change in organizational configurations to come primarily from the replacement of one organization type by another one, rather than by slow organizational adaptation as proposed by institutional theory.

Why And How Long-Term Competitive Advantage Is Achievable
Denise L Fleck, Coppead/University Federal-Rio de Janeiro

This paper investigates long-term competitive advantage in the context of a historical study of General Electric and Westinghouse. Historical evidence suggests that GE sustained a long-term competitive advantage over Westinghouse because GE managed to institutionalize dynamic capabilities, and WH did not. While General Electric’s behavior to a large extent matched the dynamic capabilities view, Westinghouse’s largely fit institutional theory mold. The analysis contributes explanation for the companies’ different destinies, distinguishes two institutionalization modes, and describes dynamic capabilities formation through a chain of necessary conditions for developing long-term competitive advantage. Necessary conditions include systematic organizational processes altering the firm’s resources-base. Practitioners should systematically evaluate, nurture, and repair those necessary conditions in the absence of which their companies will fail to develop long-term competitive advantage.

Multi-Level Governance In The Public Sector: The Strategy Process As Institutional Change And Resistance
Tony Bovaird, University of Birmingham

The U.K. government under the Thatcher administration was one of the first to launch public sector reforms. Since then, several generations of reform initiatives can be identified in the U.K. so that it represents an interesting test case for studying how several generations of reforms co-exist and inter-relate in multi-level governance. This paper examines the imprint of past reforms in the current drive towards contestability and choice in local government
In this study we examine the combined effects of two corporate strategies, FDI in SMEs and RBV literature by showing how innovation activities are actually the most influential resource managing activities in explaining firm expansion. Unlike previous research, there is a specific consideration for the firm. We investigate three different constituents of managing resources that have undertaken diversification strategies. We will use arguments coming from the Resource-Based View of the Firm (RBV). We are going to check whether the relationship of the new business with the firm’s original business, the firm’s diversifying experience, and the reasons that lead it to diversify, have an impact on the choice of an entry mode based on internal growth, external growth or cooperation agreements. From a mail survey to Spanish tourism firms, we obtained 94 entries into new business areas and applied a multinomial logit regression. The results show that both the diversifying experience and the reasons behind the decision to diversify influence the mode of growth.

This paper analyzes the mode of entry into new business areas of the Spanish tourism firms that have undertaken diversification strategies. We will use arguments coming from the Resource-Based View of the Firm (RBV). We are going to check whether the relationship of the new business with the firm’s original business, the firm’s diversifying experience, and the reasons that lead it to diversify, have an impact on the choice of an entry mode based on internal growth, external growth or cooperation agreements. From a mail survey to Spanish tourism firms, we obtained 94 entries into new business areas and applied a multinomial logit regression. The results show that both the diversifying experience and the reasons behind the decision to diversify influence the mode of growth.

This research seeks to extend the literature on market entry by developing and testing a model that predicts the entry mode (Internal development, alliances and acquisitions) into an innovative market. This paper analyzes the mode of entry into new business areas of the Spanish tourism firms that have undertaken diversification strategies. We will use arguments coming from the Resource-Based View of the Firm (RBV). We are going to check whether the relationship of the new business with the firm’s original business, the firm’s diversifying experience, and the reasons that lead it to diversify, have an impact on the choice of an entry mode based on internal growth, external growth or cooperation agreements. From a mail survey to Spanish tourism firms, we obtained 94 entries into new business areas and applied a multinomial logit regression. The results show that both the diversifying experience and the reasons behind the decision to diversify influence the mode of growth.

How Companies Manage Resources For Firm Expansion

Leona Achtenhagen, Jönköping University
Johan Wiklund, Jönköping University
Lucia Naldi, Jönköping University

The resource-based view of the firm directs the attention of strategy researchers to search for factors leading to competitive advantages inside the firm. We investigate three different constituents of managing resources for firm expansion. Unlike previous research, there is a specific consideration of how companies utilize resources to foster firm expansion. A model is developed and tested which integrates the determinants of firm expansion already identified by previous studies with three constituents of resource management. These constituents are firstly enhancing the immutability of firm resources; secondly upgrading the existing resources; and thirdly employing resources to create new market activities. Our results extend the RBV literature by showing how innovation activities are actually the most influential resource managing activities in explaining firm expansion.

Performance Impact Of Product Diversification, Exporting, And FDI In SMEs

Nikhil Celly, University of Western Ontario
W Glenn Rowe, University of Western Ontario

In this study we examine the combined effects of two corporate strategies, international diversification and product diversification on firm performance for the case of the small and medium sized enterprise. We consider two international strategies of exporting and FDI. We use a Japanese sample of 1083 firm observations over a nine year period from 1992-2000 to understand these effects. The results show that these three strategies interact with each other and highlight the importance of their joint consideration for both academic research and management practice.

Finding New Markets For Growth: Are Innovation And Export Complementary?

Elena Golovko, IESE Business School-University of Navarra
Giovanni Valentinii, Bocconi University

We explore the drivers of small and medium sized enterprises’ (SMEs) growth. In order to grow, SMEs need to find new markets. To this end, firms may follow different strategies: they can look for new geographical markets, or they can create new product markets. In this paper, not only do we claim - consistent with prior literature - that innovation and export are positively related to firms’ rate of organizational growth, but we also contend that innovation and export activities are complementary. Innovation and export positively reinforce each other in a dynamic virtuous cycle. This hypothesis is tested on data from a survey of Spanish manufacturing firms.

Critical Research Paths In Strategic Entrepreneurship: An Examination Of Resources And Capabilities Conductive To Strategic Entrepreneurship

Lida Kyrgidou, Athens University of Economics & Business
Klas Eric Söderquist, Athens University of Economics & Business
Gregory P Prastacos, Athens University of Economics & Business

We attempt to extend the understanding of the relatively newly introduced concept of Strategic Entrepreneurship (SE) by examining how the Resource-Based View can contribute to the process of SE. Strategic Entrepreneurship entails those entrepreneurial opportunity-seeking and strategic advantage-seeking actions that lead to strategic renewal, increased entrepreneurial orientation and enhanced innovation in firms. Recognizing the importance of internal resources and capabilities in shaping SE, we identify and conceptualize specific categories of resources and dynamic capabilities conducive to SE. Propositions for further research are developed, aiming at examining their importance for a firm’s Strategic Entrepreneurship process, and optimizing the management of resources and capabilities required for renewal. This research is supported by the General Secretariat of Research and Technology in Greece and by EU funds.

Interorganizational Governance: A Multi-Perspective Analysis

Julia Lijjuan Lin, I-Shou University of Taiwan
Shih-Chieh Fang, National Cheng Kung University

Firms are not autonomous entities, but embedded in networks of interorganizational relationships which profoundly influence their conduct and performance. Interorganizational relationships are strategic opportunities for firms to develop interorganizational competitive advantage by leveraging these various relationships. This study aims to present a systemic interpretation on interorganizational governance through discussions of fundamentals of interorganizational relationship concepts and a review of related organizational theories. We first examine the concepts and strategic implications of interorganizational relationships. Secondly, we interpret the concepts and mechanisms of interorganizational governance. Subsequently, we review the various theoretical foundations of interorganizational relationships, including transaction cost economics, knowledge-based view, social capital and cognition perspective. The strategic implications and future research directions and opportunities for interorganizational relationships are discussed finally.
The Governance Of Strategic Tensions: Alliance Stability And Performance
Antoine M Hermens, University of Technology-Sydney

In this paper, we build on a longitudinal case-study analysis of seven international strategic alliances, using the theories of dialectics and the internal-tension perspective. The focus of the research is the underlying internal tensions in alliances, their evolution and governance. The study analyses six dominant internal competing forces (tensions). Research suggests that inter-firm differences are essential to the formation and maintenance of an alliance. We propose that the erosion or convergence of these differences destabilizes an alliance relationship. The research findings suggest that governance structure and the strategic intent of the partners influence the partnership towards emphasizing certain tensions rather than others. We link the synthesis between paradoxical internal competing forces to alliance outcomes.

Alliance Capabilities As A Source To Deal With Alliance Portfolio Complexity
Gerrit Willem Ziggers, Radboud University Nijmegen

To get a deeper understanding of differences in alliance performance and how firms can get a hold on it the importance of the interrelationship between alliance portfolio complexity, alliance capability and alliance performance is discussed. The resource base and contingency perspective on alliances seems to be a promising approach to understand these differences. An alliance portfolio with a diversity in partners and alliances can create an unique portfolio that cannot be imitated by competitors. This uniqueness rests upon the capability of a firm to manage the information- and knowledge flows, routines and learning processes in such a way that this unique portfolio creates competitive advantage. Future research is challenged to come up with empirical result and to focus on the underlying managerial processes.

Corporate Development Choices And Interdependence: Strategic Tradeoffs And Performance Implications
Vikas Aggarwal, University of Pennsylvania
Harbir Singh, University of Pennsylvania

We use simulation techniques to examine the tradeoffs associated with varying forms of inter-organizational collaborative activity, given varying degrees of firm interdependence. Prior literature has offered mixed evidence as to the performance implications of varying inter-organizational governance choices. Simulation models enable us to overcome some of the limitations imposed by the availability of empirical data to generate results across a variety of organizational configurations. We thus model various patterns of interaction between organizations, combined with varying forms of decision-making authority, and investigate how the structure and function of interactions within a hybrid form affect the performance of its constituent elements. We also examine how specific features of collaboration choose such as the option to reverse affect the evolution of collaborative relationships over time.

Governing Non-Equity Relationships In The German New Media Industry
Ricarda B Bouncken, University of Greifswald
Michael J Koch, University of Hamburg
William J Lekse, Babson College

This study examines firms in the New Media industry who compete in dynamic markets where it is necessary to have flexibility and creativity in product development as well as current expertise in business processes. These firms engage in non-equity relationships (NER) to achieve flexibility and successful product development. We argue that these firms establish NER with cooperative governance controls and utilize dynamic capabilities to facilitate product development and to improve their business process competencies. Drawing on two series of interviews and a survey of 222 non-equity product development alliances we find support for the dependence New Media industry firms have on both internal and external focused dynamic capabilities for product development and business processes. To support creativity in their product development, these firms establish trust-based governance controls requiring both social and formal control structures.

Sponsorship Relationships As Strategic Alliances: A Life Cycle Model Approach
Lourdes Urriolagotia, ESADE
Marcel Planellas, ESADE

Recently, few articles have explored the possibility of analyzing the sponsorship relationship as a partnership. However, insufficient progress has been made in the development of analytical approaches of evolutionary processes of sponsorship relationships. This article proposes a life cycle model built from a more comprehensive approach which combines elements from the literature in strategic alliance, sponsorship and the relational view of the firm. The model explains how key characteristics change over different stages determining the success or failure of the relationship. A longitudinal case study of the interactions between two partners to a successful sponsorship relationship provides a robust insight into the evolution of sponsorship relationships. Further, it suggests how sponsors might manage their key characteristics on every life cycle stage for generating competitive advantage.

Technology Strategy: Technological Discontinuities And IP Diffusion
Common Ground Track J: Bruckner

Session Facilitator: Siegfried P Gudergan, University of Technology-Sydney

When Do Technologies Really Change? Measuring Technological Continuities And Discontinuities
Shih-Chang Hung, National Tsing Hua University
Min-Fen Tu, National Tsing Hua University
Bou-Wen Lin, National Tsing Hua University

Technologies are widely viewed as evolving through relatively long periods of stability and continuities in their basic patterns, punctuated by relatively short bursts of radical change. Many studies explore this punctuation by distinguishing between those innovations that are incremental along a technological trajectory, and those that are often labeled radical and disruptive. Fewer studies, however, clearly measure the periods of technological stability and discontinuity. In this paper, we rely on chaos theory to measure of periods of technological continuity and discontinuity by focusing on two technologies: semiconductors and DNA.

Technology Life Cycle Evolution: Analysis By Patent Indicators
Reinhard Haupt, University of Jena
Martin Kloyer, University of Jena
Marcus Lange, University of Jena

Investments in a technology have to consider its current life cycle stage. The widespread approach of studying technology life cycles by measuring patent activity indices, especially patent applications, raises a practical problem: it requires the survey of all applications and applicants on a technological field. On the basis of an empirical study on pacemaker technology the paper identifies several patent indices as appropriate life cycle stage indicators, which do not require the survey of the complete patent activity.

Why And How Do Firms Give Up Patents? A Real Options Perspective On Patent Non-Renewals
Atul Nerkar, University of North Carolina-Chapel Hill
Ian C MacMillan, University of Pennsylvania

Traditionally firms in the pharmaceutical industry have considered patenting to be an important resource. Given the miniscule cost of renewing a patent and the non-trivial costs of making searching and analyzing while making a decision, it is surprising that pharmaceutical firms, especially large firms, actually elect not to renew patents. We explain this anomaly by suggesting that a patent is a real option that confers the rights (but not the obligation) to obtaining revenue by litigation, licensing or leverage. As the uncertainty underlying the true value of the asset covered by the real option is reduced firms give up the ‘losers’ while keeping the ‘non-losers’. Based on actual renewal data from the pharmaceutical industry this paper presents empirical evidence that is consistent with real options reasoning.
Pushing The Dominant Design: The Role Of Firm Research Publications
Linda F Tegarden, Virginia Polytechnic Institute & State University
William B Lamb, Ohio University

In higher-technology industries, a very important decision firms face is whether to keep research findings private. In this paper we explore whether the propensity to publish research findings changes over time, and whether corporate social responsibility can explain that the impetus for dominant firms to publish research is greater early in the industry life cycle, before dominant designs are established. After lock-in we expect dominant firms to publish less research. As predicted, in early industry stages dominant firms are more likely than start-ups to publish research findings, and the proportion of articles published by start-ups increases over time. Publication is not found to be associated with firm survival, but is associated with innovativeness and product scope.

Sharing The Pie Of Distributed Innovation: Towards A Contingent Model
Emmanuelia Prandelli, Bocconi University
Mohanbir Sawhney, Northwestern University
Gianmario Verona, Bocconi University

The explosion of connectivity by means of the Internet and the emergence of open standards widen the spectrum of knowledge pooling for innovation and expand the risks of rent sharing. Indeed we still do not have clear answers on how to organize under different conditions to both create and capture the rents coming from an innovation. By building on both existing literature on distributed innovation and a deep multiple-case analysis, in this paper we gain two results. We first develop a taxonomy of four emerging modes of value creation in the context of distributed innovation. We then analytically discuss the systems of incentives that help firms to extract value from the different models, providing managerial guidance for value creation and capture in the networked world.

Resource Needs, Relational Advantages, And New Product Development Project Outcomes: A Study Of Austrian Manufacturers
Ludwig A Bstieler, University of New Hampshire
Peter J Lane, University of New Hampshire

This study proposes and tests a model of factors influencing new product development project (NDP) outcomes. Strategy research suggests firms use partners for NDPs if they lack some technical and marketing resources for the project or if they are skilled at managing innovative collaborations. Marketing research suggests relational advantages are more important, especially customer and supplier input to NDPs. Using data on Austrian manufacturers, we find partial support for our model. Contrary to predictions, resource needs are not associated with the use of partners in NDPs with product advantages or with project financial performance. A firm’s relational advantages are more influential. Supplier input is negatively related to product advantage. Project financial performance is only influenced by development mode, product advantages, and the source of product idea.

The Effects Of Strength Of R&D Network Ties On Technological Performance In High-Tech Industries
Hans van Kranenburg, Radboud University Nijmegen
John Hagedoorn, University of Maastricht
Danielle Cloodt, University of Maastricht

This paper studies the effect of inter-firm R&D network ties on the technological performance of companies in high-tech industries. Tie strength is analysed through a multidimensional perspective. We find that strong ties in terms of the dimensions time and depth, measured by length and multiplicity of partnerships, degree of cooperation and similarity of ties, do indeed improve technological performance. However, our findings on cultural closeness support a weak ties perspective. Our research suggests that a combination of stronger and weaker R&D ties, with elements of both social embeddedness and international diversity, is most beneficial for the technological performance of companies.

CORPORATE SOCIAL RESPONSIBILITY AND PERFORMANCE: CAN CSR BE A SOURCE OF ADVANTAGE?

Session Facilitator: Jay B Barney, Ohio State University

Proactive Corporate Environmental Strategy, Competitive Advantage, And Firm Performance: A Sectoral Comparative Analysis
Maria Dolores López-Gamero, University of Alicante
José Francisco Molina Azorin, University of Alicante

The purpose of this paper is to clarify the relationship existing between environmental management and economic performance through the incorporation of the main limitations and the most relevant contributions made from various fields of study (type, measurement and partial or isolated treatment of some variables). The research is carried out in two phases. The first phase included comparative case studies of different sectors in eight Spanish firms. The results led to the formulation of propositions in which it is highlighted the link between environment, environmental strategy and performance. In a second phase, we tested these propositions through a structural equation model of 239 firms belonging to the hotel sector, and 208 firms affected by the IPPC law in Spain.

Do A Firm’s Diversity Practices Matter To Its Shareholders?
Kimberly M Ellis, Michigan State University
Phyllis Keys, Morgan State University

The U.S. population continues to become more diverse from a racial/ethnic perspective. This trend has numerous implications for how a firm manages relationships with multiple stakeholder groups including its shareholders, employees, and customers. Thus, it is important that firms engage in practices which promote diversity. However, not all firms are convinced that the benefits of proactive diversity initiatives outweigh their potential incremental costs. Our study provides evidence that being named among the diversity elite leads to positive abnormal returns. Conversely, being named in a discrimination lawsuit, which often indicates practices that fail to consider issues of diversity, generates negative abnormal returns. Collectively, our results indicate benefits for those firms that engage in proactive diversity practices and substantial costs for those that fail to do so.

Corporate Social Responsibility As A Strategic Posture: Stakeholder Orientation And Its Impact On Performance
Clodia Vurro, Bocconi University
Francesco Perrini, Bocconi University

The study sheds light on the strategic posture that justifies the business case for corporate social responsibility, shifting the current debate to a different perspective and research inquire: the stakeholder orientation and its impact on corporate social performance. A conceptual framework is provided, with stakeholder orientations as mediator between stakeholder power and corporate social performance. Internal and external moderating variables are identified. In addition to testing theory and using data from a Europe-based cross-industry survey, this research empirically addresses the issue of whether all businesses should focus on stakeholder orientation to foster corporate social performance. Measures for each construct are provided.

The Enterprise As A Coalition Of Stakeholders And Investment Appraisal
Colin M White, La Trobe University
Katie (Miao) Fan, National Bank of Australia

This paper considers the implications of the interpretation of the enterprise as a coalition of stakeholder groups for the process of investment appraisal. This influence complicates our understanding of the present value rule, the preferred method of investment appraisal. The paper points out that the relevant stakeholder relationships are not always market ones, certainly not perfectly competitive. The costs used in the present value rule are strategic, the result of negotiation between the stakeholders. The distribution of value
and risk between the various stakeholders is a critical input in determination of relevant streams within the present value formula. The key to a successful decision is a careful estimation of these inputs, as they emerge with articulation of the project.

The Design And Implementation Of Certifiable Global Corporate Social Responsibility Standards
Glen S Taylor, University of Tampa
Petra Christmann, Rutgers University

We approach the challenge of MNE governance from a global stakeholder perspective. We examine the institutionalization forces and processes that give rise to harmonized global standards for corporate social responsibility. Global management standards have been used effectively to align management capacity in global supply chains for quality and environmental management. Now there is a rising chorus of global stakeholders now calling for vastly expanded global standard setting and third party verification for corporate social responsibility (CSR). The challenges and prospects for harmonized global CSR standards is far more complex and daunting from a standard-setting perspective than the challenges previously faced in setting global quality and environmental standards.

Cases Of Turnaround And Organizational Transformation: The Role Of Process And Practices

Common Ground Track K/I Klimt Ballroom 1

Session Facilitator: Duncan N Angwin, University of Warwick

Fatally Flawed
Dennis Gillen, Syracuse University
S P Raj, Cornell University
Kira K Reed, Syracuse University

How do firms recover from Chapter 11 bankruptcy? Or does it represent corporate death rather than reorganization? This study attempts to explain the paths firms take post-bankruptcy, and to identify a prevailing typical profile among the firms that actually rebound from bankruptcy. The process of recovering from bankruptcy requires an understanding of factors that may have lead to the bankruptcy. However, are the strategies for emerging simply mirror-image strategies or the reverse of what lead to bankruptcy? Alternatively, is there a particular skill with which this process is managed that leads to emergence? Using a multi-case study approach, we examine 1,229 firms that filed for bankruptcy, between 1985 to 2000, to determine their paths as well as the profile of those that successfully emerged.

Charisma, Vision, And Context: Strategic Change At The Northern Ireland Police Service
Joanne Murphy, Trinity College Dublin

An understanding of ‘context’ and ‘vision’ are two key requirements of the leader steering an organisation through a process of change or development. For the charismatic leader, a heightened sense of environmental opportunities in particular and a willingness to pursue such opportunities appears to be a significant attribute to success. The development, content and articulation of ‘vision’ is also key. This paper will explore both these concepts in relation to the organisational change process embarked upon by the police in Northern Ireland (1996-2003). It will include an analysis of the effects of leadership behaviours and attitudes on the origins of the process as well as the effects of external environmental factors on the development of the change plan. In particular it will explore the role of the then Chief Constable of the RUC in developing, articulating and following through on the change vision.

Merging Six Companies Into One High Performing Organization: Transformational Strategy In Action
Asko Miettinen, Tampere University of Technology
Tero J Kauppinen, Via Consulting Yug Oy
Lauri Virkkunen, Vattenfall Finland

There has been an increasing interest in the processes following mergers, particularly in how to provide synergistic benefits and create value. In this study, the post-merger development was explored in an energy company 2002-2004. A consulting firm was invited to support this critical post-acquisition stage. An evaluation study was conducted during a period of three years. Quantitative and qualitative data collected showed the need for open communication and dialogue to enhance the integration of merged companies. Two new tools, Value Driving Business Model and Value Driving Score Card were introduced during the transition period. Simultaneously, several critical financial measures such as ROA indicated major improvements.

Turnaround Management In South-East Asia: Recognition, Symptom-Oriented Actions, And Severity Of Decline
Alexander D Falkenberg, Credit Suisse Investment Bank
Helena-Anna Glamheden, University of St Gallen

Anecdotal evidence and initial research findings point to the fact that turnaround situations in South-East Asia - at least the ones becoming externally known - are characterized by a comparably high degree of severity. Based on a Straussian grounded theory method and 46 interviews held in South-East Asia, we find that externally recognized turnaround situations indeed tend to be characterized by high severity. Since top management frequently takes symptom-oriented actions as an initial response to a decline situation and since the response hence does not match the cause of the turnaround, the external recognition of decline takes place later and at a higher degree of severity. Cause-oriented actions are also taken later in the process reducing speed of the turnaround and further increasing the severity of decline.

Real Madrid Football Club: A New Model Of Management For Sports Clubs In Spain
Miguel Blanco Calleja, University of Rey Juan Carlos
Francisco Javier Forcadell Martinez, University of Rey Juan Carlos

Faced by a crisis situation in the soccer industry characterized by clubs’ inability to increase the income from their traditional businesses, soccer clubs have designed new strategies that have transformed them into modern sports and media companies. Since the arrival of Florentino Pérez to the presidency of Real Madrid, this club is a good example of what the application of a new management model may mean. One of the fundamental pillars of this model has involved designing and implementing a new marketing strategy aimed at strengthening the value of the club’s brand. The adoption of this new model has resulted in a significant increase in income from marketing. Indeed, in this area, Real Madrid has become a leader in world soccer. A number of conclusions can be drawn from this case that may prove of interest to managers of sports clubs.

Strategizing In A Turnaround Context: The Case Of Dairygold Ireland
Conor O’Kane, National University of Ireland-Galway
James Cunningham, National University of Ireland-Galway

Turnaround and how managers should execute a turnaround strategy is an area of constant interest among strategy researchers. Given that existing research in the area of turnaround and leadership is limited and inconclusive and that little empirical research has been carried out into the processes by which management formulate and implement their strategies in a turnaround context, a new research approach encompassing a closer examination of the firm’s micro activities could prove most beneficial. One such approach, the ‘strategy as practice’ agenda, accompanying strategy’s recent ‘practice turn’ towards the micro-processes and practices of strategy or strategizing could offer the necessary corrective to such turnaround investigations. This paper focuses on Dairygold Ireland’s turnaround effort from a strategy as practice perspective and adds considerably to theoretical developments in the area as well as offering some practical guidance on how to execute a turnaround strategy.
### Evaluation of Change Effectiveness: A Theoretical Framework

Florian Kappler, University of St Gallen/HEC-Montreal  
Michael Schön, University of Stuttgart

A general agreement has been reached that performance assessment and effectiveness evaluation of organizations is a crucial and necessary undertaking. Consequently, the process and assessment criteria for organizational effectiveness have been developed and discussed. Furthermore, the importance of a performance monitoring of strategic change processes is hardly controversial. But on the contrary, an adequate evaluation process and specific evaluation framework for an assessment of change processes and their effectiveness that could yield important feedback information while the changes are taking place is far less well developed. Within this paper we develop and discuss a theoretical, multi-dimensional framework for the evaluation of strategic change processes based on an analysis of the organizational effectiveness and strategic change literature and identify a possible research agenda for this change effectiveness framework.

### The Relationship Between Modes of Managing Strategic Initiatives and Firm Performance: A Contingency View

Markus Kreutzer, University of St Gallen

Strategic Initiatives as core vehicles for strategy-making are of increasing importance in theory and practice. We want to extend research on strategic initiatives in two ways. First, as research so far mainly has focused on the management of single initiatives, we concentrate on the management of bundles of strategic initiatives. Based on the two dimensions of process - and content control, we present and describe four modes of managing those bundles of strategic initiatives in firms. Second, we examine the relationship between these modes and firm performance. Using a contingency approach several propositions are developed.

### Authentic Strategizing: Linking Strategizing, Client Interaction, and Extraordinary Practice

Kenneth Kongsvold, SINTEF  
Ragnhild Kvåshaugen, BI Norwegian School of Management  
Roger Klev, Norwegian University of Science & Technology

This paper investigates the leaders’ role as strategists in a professional service firm, and addresses the issue on how strategic development processes should be organized, led and communicated in order to become positive and actual change activities. Leaders can act as ‘authentic strategists’ by acting as translators between different leaders and employees with various positions and roles in a continuous process. Not by employing top-down management control, neither by dictating actions on a micro level, but rather by clarifying responsibility and creating space and arenas to discuss content of leadership roles. We base our study on a case study in a medium sized professional service firm. The paper provides insight into strategic discourses and explores the tensions and negotiations emerging from organizational practice.

### Involvement, Size, Complexity, and Implementation Success: Relationships to Service Industry Firms

Robert J Harrington, University of Guelph  
Kenneth W Kendall, Washington State University

This study examines the importance of service firm managers’ and organizational members’ involvement in the implementation of strategy. The study assesses the direct and moderating effects of managers’ perception of environmental complexity and firm size on level of involvement during strategy implementation. Findings indicate that firms operating in an environment of greater complexity bring more organizational members into the implementation process. Firm size interacted with complexity to drive higher involvement levels for small and large firms. Service firms that utilized implementation processes that involved more organizational members across the hierarchy achieved greater success in strategy implementation.

### Strategy Development Processes And Subsidiary Contribution

Pamela Sharkey Scott, Dublin Institute of Technology  
Patrick T Gibbons, University College Dublin

A recent resurgence in both academic and practitioner interest on strategy development processes and their influence on organisational performance highlights the absence of empirical studies in this area, particularly from an MNC perspective. This study attempts to fill this important gap by applying a multifaceted conceptualisation of the strategy development process to the subsidiary level of analysis. A broad perspective on the effectiveness of strategy making is adopted and measures of contribution examined include financial and market performance, international responsibility, initiative generation and strategy creativity. The major data collection tool comprised a survey questionnaire, addressed to the Managing Director of every MNC subsidiary operating in Ireland. The results from this exploratory investigation of the effects of subsidiary strategy development processes are mixed, but several interesting insights, particularly in relation to the value of formal planning, are revealed.

### The Blue Ocean Strategy Process In Action: Helping General Managers To Reconstruct Market Space

Ralph G Trombetta, Value Innovation Network

General Managers are responsible for shaping, executing, and changing the strategies of their firms. While rationally-minded executives may think that they "see the world as it is", viewing the world with different mental models can yield dramatically different conclusions about the strategic decisions that they make. In the session, I will present examples from our consulting work that illustrate how we are helping our clients to develop new strategic insights about their businesses by implementing the Blue Ocean Strategy Process. Additionally, I will discuss a primary research method, ‘day in the life’ of research that we utilize to help our clients gain key strategic insights from customers and more importantly non-customers.

### Towards A New Way Of Doing Strategy: How Spanish Companies Incorporate Innovation In Their Strategies

Maria Astigarraga, B+i Strategy  
Sabin Azua, B+i Strategy  
Göran Roos, Intellectual Capital Services Ltd  
Bengt Anderberg, Intellectual Capital Services Ltd

The paper focuses on how Spanish companies incorporate innovation management in their strategies. Specifically it focuses on three important issues: the elements to define innovative strategies, the way to generate and strategy creativity. The major data collection tool comprised a selected number of in-depth interviews to executives from very innovative Spanish companies.

### Contemporary Strategic Management Practice In Australia: 'Back To The Future' In The 2000s

Paul W Hunter, HC+P Management Consultants  
Tim O'Shannassy, RMIT University

Despite the extent and depth of developments in the field of strategic management over the past 40 years the writers of this paper are concerned that the actual practical application of the theory, especially creative strategic thinking is nowhere near as advanced as contemporary theory suggests it should, or indeed could be. These concerns are evidenced to be well founded given insight from the preliminary findings of a survey into strategic management practice in Australia. A state of 'back to the future' seems to be influencing strategy practice. Recommendations are developed to improve strategy practice in Australia.
results performing a fixed effects time series analysis of 160 firms spanning a nine-year period. Results indicate that a company’s organizational success is impacted to a greater extent by innovation capabilities than R&D investments. Indeed, R&D investments were not shown to be related to two of three organizational success measures and in one of them, total stock return; the relationship with R&D investment was negative significantly. Implications for theory and practice are discussed.

Corporate Growth And Renewal Through Radical Innovation
Lois S Peters, Rensselaer Polytechnic Institute
Gina Colarelli O’Connor, Rensselaer Polytechnic Institute

Drawing on a prospective longitudinal study of 21 leading multinational firms that are focused on creating growth through developing management systems to sustain repeated radical innovation we identified a number of distinct competencies (e.g. Discovery, Incubation, Acceleration (DIA)) that can lead to corporate growth or renewal. Through our comparative case analysis of radical innovation (RI) initiatives in these firms we explore how systems of competencies are developed and managed to meet corporate goals. Our development of event-history timelines indicated that the identified competencies have differential impact according to company RI capacity and DIA system functioning. Our results suggest that in order for radical innovation to foster corporate transformation and in essence be a dynamic capability, bundling radical innovation competencies will not bring this about alone.

Organizational Structure And Corporate Entrepreneurship: A Simulation Model
Jorge Walter, Portland State University
Dirk Martignoni, University of St Gallen
Franz W Kellermanns, Mississippi State University
James J Chrisman, Mississippi State University

Our paper examines the extent to which organizational structure facilitates corporate entrepreneurship. In particular, we distinguish between two types of entrepreneurial opportunities (incremental vs. radical) and two different types of entrepreneurial initiatives (induced vs. autonomous). We develop an agent-based simulation model building on March (1991) which, investigates the organizational adaptation to the superior belief about environmental realities that is inherent in an entrepreneurial initiative. Our results indicate that, in addition to a direct effect of different initiative types, the type of organizational structure the initiative is embedded in can have a strong influence on organizational adaptation.

In The Shadow Of JavaStation: Sun Ray’s Struggle To Overcome Innovation Trauma
Jay Moldenhauer-Salazar, Taco Bell Corporation
Liisa Välikangas, Woodside Institute/London Business School

This is a case study of a radical innovation that could have changed the computing industry in the 1990’s but did not. The article explores the reasons internal to the company (Sun Microsystems) that came in the way of the innovation - a desktop computing device called SunRay - accomplishing the feat and coins a term, innovation trauma, as an explanation to the shortcoming. Innovation trauma refers to the inheritance from the failed JavaStation, a similar and earlier product, which hampered SunRay’s product potential. The instances of this trauma are documented as they occur in this case study. The study is based on extensive interviews inside Sun Microsystems and research based on available (internal and external) documentation.

HOW DO OWNERS MATTER? FAMILIES, GROUPS, BANKS, AND GOVERNMENTS AS OWNERS

The Family As A Group: Implications For Family Business Studies
Giorgia M D’Allura, University of Catania

In our study we propose to incorporate the family into the business considering family as the critical variable in the organization, especially in the family firm.
Thus, the main purpose of the study is to understand the role of the family inside the business and to develop a theoretical model that shows how the family structure, relationship, and aging process influence the family owners decision-making process about the business. Including the family as a variable in organizational research requires a clear definition of what the family is and how to apply it appropriately to the phenomenon under investigation.

The theoretical perspective proposed in our paper considers the family as a group that makes decision about the business receiving influence from its composition, size and relations over the time.

**Does Business Group Affiliation Matter? A Multilevel Approach**
Jane W Lu, Singapore Management University  
Xufei Ma, National University of Singapore

By integrating resource-based view and institutional perspective, we develop a multilevel framework to join the debate as to whether group affiliated firms outperform unaffiliated ones. Taking into consideration the contingency factors at micro and macro levels, we propose that the value of group affiliation is contingent on both the affiliates’ own organizational traits and external environment of the institutional conditions that the business groups and their affiliates are embedded. We suggest that group affiliation’s value is more prominent in mitigating young firms’ ‘liability of newness’ or small firms’ ‘liability of smallness’, and that it can add more to firms operating in less-developed locations or in restricted industries. Our study points to the contingent value of business group affiliation in emerging economies.

**How Much Does The Group Effect Matter In Emerging Economies? Long-Run Evidence From Taiwan**
Wenyi Chu, National Taiwan University

The role of corporate center in influencing the economic performance of business units has been a central research topic in the industrial organization and strategic management literature. A common finding on Western developed economies is the limited corporate and business group effects. Recently, an emerging line of studies argues that the market inefficiencies and institutional voids in emerging markets can be overcome more efficiently by large diversified business groups than by non-group focused firms, further implying a strong group effect in emerging economies. This paper raises this issue explicitly by empirically investigating and comparing the influences of group effect, industry effect, and business unit effect, on the performance of 763 public listed firms in Taiwan, during the period of 1997-2004.

**Do Close Bank Relations Improve Firm Performance Under Stakeholder Governance? Evidence From Japan**
Kentaro Koga, University of Illinois-Urbana Champaign

This paper empirically investigates how firms’ close relations with banks affect firm performances under stakeholder governance. Close bank relations are a key institutional feature of stakeholder governance observed among code-law countries in continental Europe and Asia. Close bank relations can improve firm performance if banks monitor the firm upon private information shared with the firm. Contrarily, close bank relations can deteriorate firm performance if banks exploit the bank-firm relationships. Specifically, examining Japanese firms, this paper studies whether the firms’ profitability and risk improved or declined when the bank-firm relationships became significantly weaker after 2000. Japan provides an excellent institutional setting to explore the research question. The statistical results indicate that close bank relations improve rather than deteriorate firm performance.

**The Impact Of Governance And Technological Change On Resource Allocation In The Telecommunication Sector**
Wolter Lemstra, Strategy Academy/Delft University of Technology

In the telecommunication sector the change in governance, from a public to a private sector regime, has had profound affects on strategy. The telecom reform process has led to the emergence of a competitive market for telecom services. In parallel innovation and technological change have caused a paradigmatic shift in products and service delivery. During the recent financial bubble products based upon the old paradigm were pushed into obsolescence, and firms engaged in the new paradigm were emerging as industry leaders. The combined effect is a fundamental change in the industry structure and in the ‘rules of the game’. Hence, a change in the strategies deployed, resulting in substantive changes in the allocation of resources across the industry.

**Supporting Entrepreneurship In The Public Sector: The Changing Face Of Public Institutions**
Martie-Louise Verreyne, University of Queensland  
Belinda Luke, Unitec New Zealand

This paper investigates the elements that support entrepreneurship of a strategic nature in public sector firms. An inductive case study design, aimed at investigating the presence and nature of strategic entrepreneurship in three state owned enterprises (SOEs), reveals that those aspects typically associated with both strategy and entrepreneurship, such as innovation, risk acceptance, pro-activeness and growth, are often supported by a number of unexpected elements within the public sector. These elements, namely culture, branding, operational excellence, cost efficiency and knowledge transfer, are briefly introduced and discussed in the context of strategic entrepreneurship in the public sector, and SOEs in particular.

**How Ownership Forms Influence Diversification Strategies: The Example of Postal Incumbents In The Logistics Market**
Patrick Mollet, Swiss Federal Institute of Technology  
Matthias Finger, Swiss Federal Institute of Technology

Despite their governmental background, incumbent postal operators have proven to be successful actors in the hard-fought logistics market. This empirically grounded paper examines the influence of different ownership forms on competitive advantage and performance of public enterprises. More precisely, we analyse benefits and drawbacks of different ownership forms and as well as their impact on diversification strategies and business portfolios of incumbent postal operators acting in the logistics market. We conclude that letting public enterprises such as postal operators into private ownership enables them to successfully adapt to changing market demands. This strategic move seems especially necessary in regard to diversification and the extension of business portfolios.

**Management Cognition: Maps, Frames, And Biases**

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**Self-Theory As A Frame Of Reference In Strategic Decision-Making: A Proposed Model**
Stephanie E Newell, Eastern Michigan University  
Robert Goodman, Wagner College

This paper proposes a strategic decision-making model which integrates decision models derived from economics, cognitive and social psychology, and personality theory. We argue that consistency with self-theory as the superordinate goal being maximized reestablishes the rationality of strategic decisions heretofore perceived as biased or irrational, while still retaining the uniquely subjective characteristics of such decisions. Significant for strategic management is the emergence of common choice patterns among holders of congruent values and self-postulates. The model proposes that the problem for organizations is not that strategists are boundedly rational, but that the measurements used in assessing the rationality of strategists are not congruent with reality. Organizational goals thus have less to do with organizational mandates than with the role or ability theories of CEO’s.

**In Search For Logic In The Evolution Of Dominant Logic: A Journey Into Managers’ Cognitive Map**
Daniela Blettner, University of North Carolina-Chapel Hill

Why do managers resist changing their mental models? While this question has incited a lot of curiosity among researchers in our field, it remains inconclusive. Therefore, I propose to analyse the evolution of mental models or dominant logic in order to reveal insights about the difference in the constitution of mental models. Based on the original definition of dominant logic as ‘knowledge structure’ a knowledge-based view of the firm is adopted while relying on insights from cognitive social psychology and evolutionary theory in order to elicit patterns in the evolution of managers’ mental models in twelve software ventures, which are sampled according to a central hypothesis on strategic inertia in three different age categories.
The Effects Of Management Myopia On Strategic Persistence: A Cognitive Approach

David A Kern, Northeastern State University
Margaret A White, Oklahoma State University

What role do managerial biases play in strategic decision-making? In this paper, we explore the relationship of management myopia (as enduring bias) to strategic persistence and firm outcomes. Two forms of myopia — temporal myopia and spatial myopia — are proposed as sources of enduring bias that restrict the scope of alternatives considered by senior executives in strategic decision-making. Temporal myopia is associated with a preference for the established, familiar and ‘proven’. These cognitive measures, derived from learning literature, are compared to established demographic variables that have been employed in strategic persistence research.

Contextual Factors And Creativity: The Influence Of A Climate Supportive Of Innovation In The Generation Of Creative Ideas In Organizations

Maria F Muñoz-Doyague, Universidad de León
Mariano Nieto Antolín, University of León

The objective of the current work is to analyze how employees’ perception about the organizational climate influences their creativity. With this aim, using the concept of psychological climate and adopting a definition of creativity in terms of the product, the work studies the employees of a firm from the automotive sector. The findings reveal the importance of this variable for explaining creative performance. Thus, providing resources for the generation and development of ideas, the existence of a fluid communication within the firm, the participation of all the workers in the decision-making, and the recognition of workers’ efforts all seem to be particularly relevant for achieving this purpose.

What You See And Who You Are: Effects Of Visibility And Status On Change Evaluations

Yuri Mishina, Michigan State University
James K Summers, Florida State University
Stephen E Humphrey, Florida State University
Donald E Conlon, Michigan State University
Frederick P Morgeson, Michigan State University

Perspectives on organizational change have differed among scholars, with some describing change as disruptive and painful, and others describing change as a necessary response in order to engage in continual renewal. While these two perspectives seem to be polarized opposites, we argue that they deal with different types of organizational change and performance. Furthermore, we argue that the visibility of the change and the status of the organization affect the relationship between magnitude of change and performance by influencing external evaluations of the change process. We test our hypotheses in a sample of rock bands. By taking these two factors into consideration, we suggest that organizations may be able to capture the internal benefits of change while avoiding the negative market consequences.

Middle Managers In A Medium-Sized Firm: Their Involvement In The Internationalization Strategy Process

Johanna Mair, IESE Business School-University of Navarra
Claudia Thurner, IESE Business School-University of Navarra

This study on the complete layer of middle managers at a medium-sized firm examines the effect of middle managers’ involvement in the internationalization strategy process. Findings reveal that not all middle managers perceived themselves to be involved in formulating the internationalization strategy. The perception of involvement was dependent on ownership of the outcome of internationalization and tightly linked to a more opportunity-oriented attitude toward internationalization.

The Importance Of ’Consideration’ In The Internationalisation Process: How Much Do Resource-Based Constraints Matter?

Carsten Zimmermann, University of Cambridge
Paul Kattuman, University of Cambridge

We seek to empirically identify the major resource-based constraints impacting upon first generation enterprises. Thereby particular attention is given to identifying factors, which induce such enterprises to give serious ‘consideration’ to the internationalisation process. Using primary data drawn from 1141 telephone interviews, our evidence suggests that despite some idiosyncratic variations among different industry sectors, a unique set of constraints can be identified and related to different types of internationalisation activity. Company resource constraints and combinations thereof - as with time, information and finance - are perceived as key ‘gateways’ regarding the propensity and intensity of considering and pursuing internationalisation. The estimates from our multinomial logit models therewith question the current policy focus of many governmental and non-governmental organisations.

Market Saturation And Intangible Assets: The Internationalization Of Spanish Franchising

Manuel González Díaz, University of Oviedo
Begoña López Fernández, University of Oviedo

In actual business landscape, where franchise chains are blossoming, internationalization is quite common. What determines this decision and its intensity? This paper tests the joint impact of two determinants of franchise chains internationalization: the value of their resources and capabilities and the severity of agency problems, both on the central managers and on the franchisee side. We test on a sample of 211 Spanish franchise chains the influence of market saturation, intangible asset accumulation and moral hazard problems on the internationalization process. Our findings imply that avoiding saturated and highly competitive markets and developing intangible assets are the major reasons to go overseas. Finally, agency concerns do not seem relevant for franchising internationalization in our sample.

Domestic Inter-Firm Networks And Corporate Internationalization: A Cross-Industry Study Of Taiwanese SMEs

Thomas C Lawton, Imperial College London
Ku-Ho Lin, Chung-Hua Institute for Economic Research

Taiwanese SMEs display a high propensity to internationalize and account for the majority of Taiwan’s international trade. This has tended to occur in association with domestic partners and through duplicating domestic inter-firm networks in host markets (Tseng, 1995; Chen and Chen, 1998; Chen, 2003). This paper identifies the determinants of domestic inter-firm network utilization in the internationalization process of Taiwanese SMEs in the automobile, electronics and textile industries. We argue that internationalizing through domestic inter-firm networks is positively correlated with firms’ limited non-financial resources, perceived uncertainties and risks associated with internationalization and dependence on home partners. The technology level of firms and deficiencies in local knowledge and experience do not have significant effects on firms’ decisions to utilize domestic inter-firm networks in the internationalization process.
Internationalization Of Retail Banks: A Micro-Level Study Of The Multinationality-Performance Relationship
Vikas Kumar, Bocconi University
Pietro Mazzola, Bocconi University
Markus Venzin, Bocconi University

This study explores the underlying reasons behind the varying nature of relationship between the level of international expansion and firm performance for service firms. This line of research, till date, has mostly seen evidence from manufacturing firms, despite the ever-increasing contribution of service firms to the national and global economies. We conduct an exploratory examination of the European retail banking sector with the help of multiple case studies. Our findings suggest that the multinationality-performance relationship, even within a specific sector, is prone to significant variance owing to firm strategy, structure and contexts in which the firm operates.

Towards The Extension Of The Strategic Role Of Western Subsidiaries Located In A Developing Country
Chiraz Saidani, University of Laval
Zhan Su, University of Laval

This paper explores the main determinants that contribute to the evolution of the role assigned to eight western subsidiaries in Asia. The data analysis permit us to maintain that the subsidiaries’ growth trajectory takes the form of a two-phase sequence that is time dependent: In a first phase, the subsidiaries begin by acquiring key competences which allow them to integrate more value added activities. The subsidiaries that succeeded in attaining the second phase have succeeded in enlarging their regional responsibilities within the multinational. No subsidiary has yet succeeded in reaching a full extension of their strategic role. Moreover, in all the subsidiaries that we have studied, the evolution of responsibilities is never initiated by the head quarters. Rather, it is dictated by the local environment (i.e., exogenous determinants) and negotiated by the subsidiary itself (i.e., endogenous determinants).

Organizational Capabilities And The Effectiveness Of Knowledge Flows Within The Multinational Corporation
Tina Claudia Ambos, University of Edinburgh
Björn Ambos, Vienna University of Economics & Business Administration

This paper aims to shed light on the interplay of capabilities and knowledge transfer effectiveness. Adopting a capabilities perspective, we provide a new angle on knowledge transfers within MNCs. Empirical data on 324 knowledge transfer relationships of MNC units, i.e. headquarters and subsidiaries, was used to test the impact of coordination and systems capabilities on knowledge transfer effectiveness in situations of differentiation and dispersion. Our results show that organizational capabilities are vital to increase knowledge transfer effectiveness. While systems capabilities function relatively culture-free, we find that coordination capabilities are moderated by spatial and contextual distance.

Replicating IKEA: Challenges With A Global Strategy
Anna Jonsson, Lund University

Multinational corporations (MNC) “cloning” their business have become a familiar phenomenon in the era of globalization. This paper discusses challenges that MNCs will have to manage when expanding on new markets, replicating their business model, and subsequent challenges with a global strategy. The paper centers on a qualitative case study of global home-furniture retailer IKEA, a MNC using replication as strategy to grow, and their efforts to manage the paradox of both being cost-efficient and innovative. The case study illustrates that, adopting the framework by Winter & Szulanski (2001) and the knowledge-based analysis of replication, it is possible to be both innovative and at the same time cost-efficient.

Strategy Process: Developing Dynamic Capabilities For Change And Transformation
Common Ground
Session Facilitator: Andrew M. Pettigrew, University of Bath
Steven W Floyd, St Gallen University

Studying Process To Understand Dynamic Capabilities
Catherine A Maritan, Syracuse University
Margaret A Peteraf, Dartmouth College

In this paper, we explore the relationship between dynamic capabilities and process. We contend that because there is a fundamental link between dynamic capabilities and organizational processes, it is difficult to understand the operation of capabilities without understanding the underlying processes. Further, we propose studying those processes as a means of studying dynamic capabilities and suggest that the existing strategy process literature contains a rich body of work we can draw on to better understand dynamic capabilities.

Strategy As Balanced Evolution
Alexander Zimmermann, University of St Gallen
Sebastian Raisch, University of St Gallen
Sebastian Knoll, University of St Gallen

In our study we address the question of how firms can create the necessary boundary conditions on the corporate strategy level to enable a balance between exploitative and explorative organizational learning. This paper thereby contributes to the rising number of studies, about the strategic and organizational context for exploitation and exploration. We develop a conceptual model of balanced evolution, suggesting specific corporate development behaviours, which influence exploitation and exploration as well as learning performance. In order to test the model, a set of research propositions is derived from the existing literature and operationalized for empirical investigation.

For A Strategic Approach To Organizational Change: A Perspective Through The Capability To Change
Richard Soparnot, ESCM School of Business & Management

Change management appears as an invariant of strategic management. However, change destabilizes organizations, is expensive, often risky and opens the doors to inexperience. Its practice proves to be problematic at the very least. The answers brought in by theory reveal a lack of consensus. On the one hand, we come across theories according to which change is guided, and on the other, we find theories as per which, change can at best be planned and prepared. The issue of knowing what is the capability to change of organizations is therefore fundamental. A case study conducted with an automobile manufacturer makes it possible for us to identify its constituents. These take shape around contextual, operational and structuring dimensions. These results allow us to understand the situations of transformation in a strategic perspective.

Coping With The Productivity Dilemma: A Longitudinal Study Of Organizational Cycling In The Financial Services Industry
Florian Hotz, University of St Gallen

This paper builds upon recent research about cycling organizational modes as efficiency-enhancing and their ability to cope with the need of simultaneous exploration and exploitation in organizations. It proposes a longitudinal approach to explore the dynamics of industry and firm strategy and organizational development. Conducting a comprehensive literature review, hypotheses about determinants of cycling behavior and its performance effects are generated. A pooled time series design is introduced to test the research propositions.

Learning To Strategize: The Impact Of Routinization On Strategy Formation In Biotechnology Ventures
Florian Bertram, University of St Gallen
Simon Grand, University of St Gallen

Routines are considered as an important concept in literature on strategy formation. However, the processes of routinization that underlie the creation of such routines and their impact on strategy formation are under-explored. This
contribution draws on literature of organizational learning that approaches the issue of routinization to contribute to the questions of which learning modes are appropriate to the routinization of strategy formation and of how those learning modes do impact the stability of strategy formation. We propose a comparative case study design to elaborate on this theoretical model and to gain better insight in the proposed relationships and routinization modes. An adequate context to empirically enhance the theoretical model suggested in this study are pharmaceutical biotechnology ventures.

Designing Dynamic Capabilities: Building A Process-Based Reference Model
Daniel Karrer, University Federal-Rio de Janeiro
Adriano Proença, University Federal-Rio de Janeiro
Renato F Cameira, University Federal-Rio de Janeiro
Rafael Clemente, University Federal-Rio de Janeiro
Heitor M Cailiriaux, University Federal-Rio de Janeiro

There is an increasing need for guidance coming from the strategic management field in how to deal with turbulent and innovative-intensive competitive environments. Such propositions have to be effective in helping managers to get through complex choices in preparing their organizations to face unpredictable change. To address this issue, we propose a business process based reference model to help firms to design and develop their dynamic capabilities. It outlines a specific and detailed set of processes, values, organizational policies and rules that enable four main first-order capabilities: market orientation, absorptive capacity, coordination capability and collective mind. Integrating these four capabilities enables the evolutionary / second-order dynamic capability of reconfiguration. As an illustrative exercise, the model is applied in a Vaccine Manufacturer in South America.

Organizational Learning And The Development Of Operational Capabilities: Case Studies Of The Russian Oil Industry
Sarah Elizabeth Ann Dixon, Kingston University
Klaus E Meyer, University of Reading
Marc Day, Henley Management College

The context of organizational change in transition economies provides an interesting setting for the empirical testing of Western management theories such as Organizational Learning (OL), providing a societal quasi-experiment by engaging them in an unusual and changing context. A framework for organizational learning and the development of operational capabilities in transition economies is developed on the basis of longitudinal and cross sectional case studies of four Russian oil companies. The pace of change, driven by the dramatic upheavals in the external environment and the powerful intervention of the top managers, provides a ‘pressure cooker’ effect, enabling key insights about how large, conservative and bureaucratic companies in the West, anchored in their own administrative heritage, could more rapidly achieve change.

Perspectives On Real Options
Common Ground

Session Facilitator: Rita Gunther McGrath, Columbia University

Governance For Growth: Real Options Perspectives On Supplier Transactions
Nile W Hatch, Brigham Young University
W Burke Jackson, Brigham Young University

This research addresses the persistent gap in our understanding of how the governance of transactions influences the pursuit of competitive advantage. We construct a real options model that sheds light on the determinants of the value of supplier partnerships in the pursuit of competitive advantage through knowledge creation and innovation. We explore how various, specialized modes of governance influence the success of strategies focused on creating new capabilities to compete in a volatile world. We gain new insights into the paths of dynamic capabilities as well as the influence of governance design.

Call Options And Put Options In International Equity Partnerships
Akie Iriyama, University of Pittsburgh
Ravindranath Madhavan, University of Pittsburgh

Although option theory is a powerful lens through which to view equity partnerships, the previous literature focused exclusively on such partnerships as call options, neglecting the possibility that put options play an important role. This paper addresses how put options as well as call options may be at work in equity partnerships. We argue that equity share shift between partners in international equity partnerships would take place even upon the deterioration of the business environment, because local firms exercise put options. Further, with more global experience, firms investing from home country to host country are more likely to exercise call options upon upside change in the business environment. Using longitudinal data on international equity partnerships, we obtained results that were mostly consistent with our argument.

An Option To Partner: A Portfolio Level Analysis Of Equity Relationships
Anu Wadhwa, Swiss Federal Institute of Technology

In this paper we try to examine the conditions under which an equity relationship with external entities evolves into a different type of relationship. This paper takes a real options view of venture capital investments made by established corporations in entrepreneurial ventures and argues that such investments are akin to option creation by the established firm and subsequent strategic alliances between the same firms are akin to the exercise of options that were created through the investment. The paper explores the conditions under which corporate investors will exercise their option to ally.

The Timing Of IPOs: An Integration Of Real Options And Competitive Dynamics Perspectives
Alda A Chintakananda, University of North Carolina-Chapel Hill
Hugh M O’Neil, University of North Carolina-Chapel Hill
Jeffrey J Reuer, University of North Carolina-Chapel Hill

We examine how firms determine the timing of their initial public offering (IPO) based on strategic considerations such as uncertainty and competition in the product and stock markets. The timing of an IPO is critical especially when the objective of the firm is to gain competitive advantage, as opposed to purely financial purposes. Integrating the theory of competitive dynamics and real options, we predict a non-linear relationship between uncertainty and the timing of IPO. We argue that the relationship is moderated by the level of competition and irreversibility. We test our hypothesis by using a hazard model to analyze young private firms, of which our data includes both private firms that eventually went public and firms that remained private.

Buying A Hedge Or Hedging Your Bets: The Assignment Of Stock Risk Based On Real Options Strategies
Margaret V Hughes, University of Kentucky

Drawing on core ideas from modern financial theory and real options reasoning, I suggest that strategy scholars have strayed too far from the principles of financial theory in real options analysis by erroneous use of performance measures that are ex-post rather than ex-ante (expected) performance. I suggest examination of the risk premium beta as assigned by investors as an alternative dependant variable, and a more appropriate evaluation of real options strategies. Second, I explore the contention that real options are risk reducing mechanism. Third, this paper provides empirical investigation of the risk premium assigned to both the buyer and the seller of the option. My findings suggest that beta is indeed influenced by real options strategies and increase risk as assigned by investors.

The Weakness Of Weak Ties: Social Capital And Escalation Of Commitment To Real Options
Russell W Coff, Emory University
Michael A Sacks, Emory University
Kevin J Laverty, University of Washington-Bothell

While much of the social capital literature emphasizes the benefits of social ties, strong ties have been associated with dysfunctional outcomes including redundant information, rigidities of obligations, and biased decisions. Weak
ties are generally thought to mitigate these problems by offering the benefits of information-gathering while avoiding obligations. However, little research has examined potentially negative consequences of weak ties. This study explores the effects of strong and weak ties on escalation of commitment to real options. Contrary to the predominant view in the literature, findings indicate that escalation may be equally problematic for strong and weak ties. More broadly, weak ties may be more strongly associated with negative outcomes than previously thought.

**Valuing Vulnerable Real Assets In Noisy Environments**
Radu Tunaru, City University London
Howard Viney, Open University

The paper describes a model for the valuation of Vulnerable Real Assets (VRAs) in noisy environments where competitive advantage is closely linked to the performance of significant human assets. As organizations depend upon human assets grows, so does their vulnerability in dealings with these assets, who possess the option to default upon contractual obligations, or who seek to appropriate greater levels of value. Managing relationships with VRAs is therefore crucial, and dependent upon establishing an understanding of their true value to the organization. This paper explores a methodology based in Real Option (RO) theory for determining the value of VRAs, using data and examples from the European Soccer Industry. It concludes by discussing the application or adaptation of this type of approach to other industries.

**Knowledge Bridges: The Role Universities And Scientific Organizations In Generating And Transferring Knowledge**

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**Is Knowledge Spillover Geographic Localized?**
Beijing (Emery) Yao, University of Kentucky
De Liu, University of Kentucky
Susan K McEvily Cohen, University of Pittsburgh

In this paper, we draw from literature in industry evolution, economic geography, and technology diffusion to explain geographic localization of knowledge spillover. We propose that the degree of geographic knowledge spillover is associated with industry stage, location of knowledge source, and technology age. We conducted a large-scale investigation on patents in several major industries issued from 1975 to 1999 and found support for our proposed ideas.

**Knowledge Spillovers And Innovation: How University Research Affects Local Development**
Andrea Bonaccorsi, University of Pisa
Lucia Piscitello, Polytechnic of Milan/University of Reading
Cristina Rossi, Polytechnic of Milan

Literature has shown that university research positively influences the capacity for innovation of the surrounding firms. Empirical work has highlighted that such effects radiate from major university centres crossing borders and administrative boundaries. This paper focuses on the relationship between universities and the innovative capacity at the local level. Our empirical analysis investigates whether university research spillovers are highly localised or they rather flow across borders. We extend the empirical evidence based on the Griliches-Jaffe framework by exploring whether intensity and directions of spillovers depend on universities’ specificities (e.g. size, fields of specialization, fund rising capacity) and on the local absorptive capacity. The analysis is developed at the Italian NUTS3 level, using an explicit spatial econometric approach applied to a knowledge production function.

**Technical And Scientific Services As Technology Bridges In Knowledge-Intensive Industries**
Davide Chiaroni, Polytechnic of Milan
Vittorio Chiesa, Polytechnic of Milan
Alfredo De Massis, Polytechnic of Milan
Federico Frattini, Polytechnic of Milan

The paper investigates the technology bridging role played by Technical and Scientific Services (TSS) in knowledge-intensive industries. The Italian biotech and nanotech industries have been selected as empirical settings for the research. Three types of TSS are identified (work-in-progress innovations, process activities and technologies to develop technology) and the technology transfer functions they perform along the stages of the knowledge-intensive industry life cycle (introduction, growth, maturity and decline) are analysed. Moreover, the business models of firms providing TSS are considered in order to understand whether and how they evolve during the industry progress. The empirical findings are strategically valuable since they provide policy makers and TSS firms’ managers with a framework that helps understanding how TSS actually foster the development of knowledge-intensive industries.

**Assessing The Role Of University Patent Rights: United States-Japan Comparison Of University-Industry Knowledge Transfer**
Mariko Sakakibara, University of California-Los Angeles

The U.S. and Japan present contrasting models of the role of universities contributing to commercial innovation. The U.S. model gives universities stronger patent rights on their inventions than those in Japan. Employing a knowledge spillover framework, I find that Japanese university research had a positive and statistically significant effect on industry patenting during the 1970-1999 period. The effect was strengthened in more recent years, especially in life sciences. These results are very similar to those of the U.S., suggesting that the strengthening of the patent rights of universities may not be the only means to promote university-industry technology transfer.

**The Role Of University Incubator In The Corporate Governance Of Academic Start-Up**
Carmela E Schillaci, University of Catania
Marco Romano, University of Catania

The paper aims to analyse the relationship between university-based start-up and Academic and Scientific Incubator, as a non-financial stakeholders. Our research question is focused on effective governance system of start-ups through which a not-for-profit incubator allocates internal and external critical knowledge resources and exercises control over strategic decisions, by shaping specialized knowledge, innovations and inter-organizational relationships. The study of the relationship between university-based spinning-offs and corporate governance raises unresolved issues to monitoring and controlling organizational outcomes.

**Governmental Support To Facilitate University Spin-Off Creation: Rationale, Schemes, And Organizational Solutions**
Einar Rasmussen, Bodo Graduate School of Business
Odd Jarl Borch, Bodo Graduate School of Business
Roger Sarheim, Norwegian University of Science & Technology

Most Western countries are emphasising new high-tech spin-off companies as a source of growth and value creation. Governments have increased their financial support to compensate for market imperfections in the research commercialization process. In this paper we look into the complex process of research-based spin-off firm creation from universities. We elaborate on the theoretical arguments for government financial support in the different development phases from research idea to the launching of a new high-tech firm. We discuss arguments for differences in support schemes between countries and for the different ways of structuring the support programs at government, university, and project level. Finally, we elaborate on the links between government support and the seed capital suppliers. Our study is based on data on government support schemes from seven countries.

**Combating Regional Knowledge Embeddedness: How Geographically Diverse Alliance Partners Aid New Venture Performance**
Brett Anitra Gilbert, Georgia State University
Hana Milanov, Indiana University

Cluster firms often rely upon the knowledge generated by firms within their geographic region. Over-reliance upon this knowledge, however, may generate regional knowledge embeddedness, which could blind the firms to developments occurring beyond the region. For new ventures, which are commonly founded close to the technologies of the region and influenced by norms at the time of founding, regional knowledge embeddedness could render them incapable of adapting their technological competencies over time. In this paper we empirically examine the implications of regional
knowledge embeddedness for new venture innovation and growth performance. As alliances can be sources of knowledge for firms, we also examine how the geographic location of high and low commitment alliance partners influences the regional knowledge embeddedness and new venture performance relationship.

**Understanding Knowledge Processes Within Organizations**

**Common Ground**

**Track J**

**Strass**

**Session Facilitator: Gabriel Szulanski, INSEAD**

**Penrose And The Knowledge-Based View: Reflections Of Managerial Knowledge-Based Practice**

Dorothy M Kirkman, Rutgers University
dt ogilvie, Rutgers University

Using a Penrosean perspective, we examine the relationship between the knowledge-based view of the firm (KBV) and managerial practices. We explore the role of managers as coordinators and integrators of knowledge as well as explorers and interpreters who search for new, and evaluate existing, productive opportunities. We present a theoretical framework that describes how knowledge is created ex-ante the productive opportunity, through a managerial search-interpretation process, and ex-post, through interactions between the resource and opportunity. The central premise of our article is that knowledge creation and application are interdependent, mutually reinforcing activities that reflect the growth and existence of the firm. By integrating a Penrosean perspective into the KBV, we seek to provide a robust understanding of managers’ knowledge-based practices and also to highlight the relationships between KBV and Penrose’s (1959) The Theory of the Growth of the Firm.

**PHD FELLOWSHIP FINALIST FELLOW**

**Replication: On Knowledge Transfer In Chain Organizations**

Marie Bengtsson, Linköping University

Lars Lindkvist, Linköping University

Replication "refers to the creation and operation of a large number of similar outlets that deliver a product or perform a service" (Winter and Szulanski, 2001). Undertaking a replication strategy ideally entails identifying the recipe that proved to be successful, and apply it over and over again without another company being able to identify and imitate it. Replication processes in business settings have been conceptualised using a biology metaphor as main inspiration. In the paper we identify yet another replication metaphor, originating in art, and suggest that the combined use of biology and art metaphors is a way to generate a more comprehensive framework for understanding replication practices.

**The Way We Learn: An Empirical Study Of Learning Within Organizations**

Subramaniam Ramanarayanan, Northwestern University

Knowledge-based theories of the firm portray organizations as institutions for creating and integrating knowledge. Some proponents of this theory view both individuals and organizations as repositories of knowledge, whilst some regard knowledge as originating from individuals only. This paper sheds some light on this debate by empirically examining the process by which individuals acquire knowledge within an organization. I examine knowledge acquired through accumulated experience. I consider the case of cardiac surgeons and assess the improvement in surgeon skills as a result of increased procedure volume, based on the underlying assumption that knowledge obtained from experience is reflected in surgeon performance. I develop a novel instrumental variables technique to estimate this effect, thereby resolving the issue of endogeneity in estimation that plagued earlier studies.

**Ambidextrous Organizational Designs: Identifying Parameters of Successful Knowledge Integration**

Flora Ferlic, University of St Gallen

This paper builds upon the premise of knowledge integration constituting a competitive advantage. Authors have identified explorative and exploitative knowledge as being critical to corporate success and enabling above average performance. Organizational literature has proposed the model of ambidexterity in organizations, enabling the integration of the above stated, partly conflicting, types of knowledge. By identifying factors critical to the organization’s ability to transfer and integrate knowledge of business units, directed towards innovation and operational efficiency respectively, we highlight benefits and drawbacks of ambidextrous organizational designs. We seek to contribute to literature which has identified features of knowledge itself and individual’s abilities explaining the transferability and integratability of knowledge.

**In the Influence Of Networks, Groups, And Individuals On Firms’ Dynamic Capabilities: A Process Model**

Uta Wilken, Ruhr-University Bochum

Helmut Keller, Ludwigwigs University of Education

Martina Schmette, WU Graduate School of Business & Economics

Daniela Gröschke, Ruhr-University Bochum

We develop a process model for analyzing the influence of networks, groups and individuals on firms’ dynamic capabilities within the framework of the Dynamic Capability Approach (DCA). This model is based on four dimensions, which specify dynamic capabilities further: 1) dealing with complexity; 2) self-reflection; 3) combination; and 4) cooperation. These dimensions are deduced from the theory of Complex Adaptive Systems and the Social-Cognitive Theory combined with the DCA. With the help of Confirmatory Factor Analysis and Structural Equation Models, we test the proposed operationalization and specify the connection between different levels of capability development. This instrument serves as a diagnostic tool for understanding the firm-specific process of Dynamic Capability Formation.

**Governance Of Project-Based Value Creation In Knowledge Intensive Organizations**

Bente R Lewendahl, BI Norwegian School of Management

Øivind Revang, BI Norwegian School of Management

Projects are more and more prevalent, and many knowledge-based sectors - such as e.g. consulting and construction - base their entire value creation on projects. Still, we seem to know much more about the trends and macro economic development, than we know about proper contextual models for organizational design and governance in such environments. This paper explores corporate governance of project-based value creation in knowledge-intensive sectors, and our empirical context is taken from construction, consulting, and oil-exploration. In particular, we explore the implications of three key dimensions - temporality, external partners, and innovation on challenges in terms of corporate governance.

**Transplant’s Extra-Rope Behavior In IT Outsourcing Relationships**

Hans Solli-Sæther, BI Norwegian School of Management

One important stakeholder group in IT outsourcing is the transplant group, defined as those IT employees who get transferred from the client company to the vendor company. This paper suggests that 1) role stress are prevalent among transplants and 2) role stress was found to affect transplants’ extra-role behavior and task performance. These findings were derived from a research model that was statistically tested using structural equation modeling.

**Managing Exchange Relations: Outsourcing, Transaction Costs, And Contractual Governance**

**Common Ground**

**Track F/A**

**Werfel**

**Session Facilitator: Peter Smith Ring, Loyola Marymount University**

**Contractual Governance Forms And Enforcement Costs: An Empirical Study In Context Of Opportunism And Conflict**

Fabrice Lumineau, HEC-Paris

Bertrand V Quelin, HEC-Paris

Drawing upon transaction cost economics and analysis of contractual relationships, this paper focuses on the double feature of contracts (i.e., controlling and coordination functions) to solve situations of perceived opportunism between firms. Contracts are evaluated in their ability to limit enforcement costs. By distinguishing the two components of the contract and the moderating role of the type of opportunism (ex ante vs. ex post
Tuesday Sessions 17:00 - 18:45

Outsourcing And Financial Performance: A Negative Curvilinear Effect
Masaaki Kotabe, Temple University
Michael J Mol, University of Reading/London Business School

This study asks why a firm outsources some but never all of its activities and how a firm’s degree of outsourcing influences its financial performance. We argue that various activities within the firm differ in their degree of outsourceability, which implies that some activities are best integrated while others should be outsourced. As a consequence there is an optimum degree of outsourcing and deviations from that optimum lower performance in a negative curvilinear fashion. We test and find support for this hypothesis. We then show that high uncertainty acts as a negative moderator on both the linear and the curvilinear effect of outsourcing on performance. Under such conditions outsourcing is therefore less beneficial and deviations from the optimum are costlier.

International Outsourcing Of Services: A Business Strategy Perspective
Stephen B Tallman, University of Richmond

This paper considers the different types of International Outsourcing of Services that might be undertaken by business firms and addresses the costs and benefits of each for involved parties. The transactional costs of providing knowledge-based services at a distance are declining rapidly while the production costs are lower and quality of work as high or higher for such services in various emerging markets as compared to industrial nations. As firms are increasingly able to separate the physical and the informational aspects of business services and the commodity from the specialized in the information side of services, international outsourcing of commodity-information-based services are expected to increase.

Developing A Network Advantage: Structure And Governance In Inter-Organizational Networks

Common Ground Track J/L/A Zweig

Session Facilitator: Akbar Zaheer, University of Minnesota

PHD FELLOWSHIP FINALIST FELLOW

Performance Effects Of Resource Interdependence: A Study Of Firms’ Products And Process Innovations
Puyi Khoon Toh, University of Michigan
Gautam Ahuja, University of Michigan

This study examines contingencies for performance effects of a resource-interdependence strategy in the context of firms’ product-process innovations in the global chemicals industry. We first conceptually differentiate resource interdependence from complementarities. With new measures of product-process innovations, we demonstrate that interdependence and complementarities contribute separately to firm performances. We then propose and show that firms with (a) greater financial slack and (b) less of either downstream assets - production and sales-related capabilities are better able to profit from product-process interdependence. Through this, we highlight a fundamental tradeoff between rent-appropriation and rent-generation in a resource-interdependence strategy. We also stress that value of such strategy may vary with firm characteristics, and firms may not want to adopt a resource interdependence strategy even if the strategy is individually feasible.

Distinguishing Economic Transactions From Social Ties: A Step Toward Understanding How Transactions And Ties Interrelate
Elaine M Mosakowski, University of Colorado-Boulder
Joy M Godesiaibos, University of Colorado-Boulder
Desiree Pacheco, University of Colorado-Boulder

Many governance modes, e.g. strategic alliances and joint ventures, share characteristics of economic transactions and social relations -- what we call "socially embedded transactions". To understand such transactions better and differentiate among them, we examine fundamental aspects of 'transactions' and 'social ties' and consider which specific characteristics of transactions/ties are combined. This approach leads to a richer picture of the
strengths and weaknesses of different transaction/tie combinations. Although our conclusions sometimes confirm extant arguments, we suggest that developing strong ties and trust may be detrimental for certain transactions and other types of social ties may be preferable. We consider ties leading to transactions and vice versa, and the implications of this history for outcomes such as the likelihood of the linkage between parties being terminated.

**Structural Holes Versus Cohesiveness: How Does Network Structure Influence Entrepreneurial Firm Performance**

Christian Lechner, ESC Toulouse
Christophe Leyronas, ESC Toulouse

What kind of network structure of different networks drives the performance of firms located in a cluster? Assuming that a regional advantage exists, there remains the question of variance within the cluster. We will explore this question through the lenses of Burt’s and Coleman’s approaches. The structural holes theory sees network ties as opportunities linking together separate network segments through brokers and weak ties. The opposing view argues that network closure would generate superior ‘social capital’ and thus superior ‘economic rent’ as we would have more trust, reputation and cooperation within a closed group. We test different hypotheses for different types of networks concerning structural holes and cohesiveness with a sample of 60 firms, which are part of a French high-tech cluster.

**Governance Structures And Knowledge Sharing And Creation In Inter-Firm Networks**

Gabriella Levanti, University of Palermo
Arabella Mocciaro Li Destri, University of Palermo

Recently, numerous authors have affirmed that firm networks are particularly apt to leverage superior knowledge sharing and creation capacities. Though the actual realization of such superior cognitive performances is linked to the configuration of the governance structure adopted within the network, both theoretical and empirical studies have yet to come to a unitary opinion regards the desirable characteristics for these governance structures. This article aims to contribute to the aforementioned debate and, through the adoption of a complex systems perspective, reinterprets and links process aspects relative to competitive outcomes with structural aspects relative to the organization of inter-firm network structures. This analysis has normative implications regards the desirable characteristics that governance structures should possess in order to leverage the cognitive potential of inter-firm networks.

**The Development Of Entrepreneurial Networks: A Necessary Condition For International New Ventures?**

Steven E Phelan, University of Nevada-Las Vegas
Tevfik Dalgic, University of Texas-Dallas
Dan Li, Indiana University
Deepak Sethi, Old Dominion University

International new ventures occur in a wide range of industries, including traditional industries where hi-tech knowledge is not a factor (Knight, Bell, & McNaughton, 2001, Moen & Servais, 2000) and led to a greater focus on the entrepreneur rather than the product as the key driver of INV activity (Madsen & Servais, 1997). In this paper, we argue that the formation of a business network of stakeholders willing to commit resources to the INV is both a necessary and a sufficient condition to justify the formation of an international new venture. We propose that international social competence and social astuteness are characteristics that encourage the development of these entrepreneurial networks.

**Alliance Portfolios And Value Destruction: Evidence From The Global Airline Industry**

Ulrich F Wassmer, ESADE

In this paper we examine when alliance portfolios affect the value that firms derive from entering into new strategic alliances. We suggest that firms create value when entering into strategic alliances that contribute resources that are not only valuable but also compatible with the firms’ alliance portfolios. On the contrary, firms destroy value when entering into alliances that contribute resources that are alliance portfolio incompatible. By using event study methodology and drawing on a sample of firms from the global airline industry, we find support for our theoretical model. The findings of this study support the view that alliance portfolios affect the performance of firms entering into strategic alliances.
**Wednesday Sessions  08:30 - 09:30**

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**Private Equity: The Better Owners?**

Gregor P. Boehm, Carlyle Group-Germany
Georg Noting-Hauff, Carlyle Group-Germany

Private equity firms are increasingly buying companies from corporate sellers or families. The capital which is globally invested by private equity firms is increasing year by year and deals continue to become larger as well as more complex. Despite resurgent trade buyers private equity firms are still competitive. Fundraising continues to break records with new mega-funds being announced on a regular basis. From a historic perspective, companies owned by private equity firms tend to create more value than publicly listed firms and private equity investments seem to outperform the stock market in both strong and weak market conditions. The presentation strives to identify best practices of private equity firms for creating and managing value. The focus will be on identifying both the strategies behind and, more important, detailed actions within a broad range of governance, organizational strategic and operational value levers. Mr. Boehm will present the HIT case study and demonstrate how Carlyle has changed HIT’s focus towards profitable sales growth, working capital and capital expenditure management.

**Ownership Structure And Firm Performance Across Institutional Environments During An Economic Shock**

Xuesong Geng, University of Toronto
Kulwant Singh, National University of Singapore
Andrew K Delios, National University of Singapore

We evaluate how ownership concentration impacts firm performance across different institutional environments during an economy-wide shock. An economy-wide shock is a broad, major, sudden and unanticipated change in the economic environment. Rational owners prioritize firm performance during an economy-wide shock, allowing the context to control potential variation in owners’ motives. We predict that concentrated ownership is positively associated with firm performance during an economy-wide shock, particularly in more developed institutional environments. We further predict that these positive relationships are more likely for concentrated institutional owners than for other owners. We test our predictions across four Asian economies at varying levels of institutional development during the major economic shock that struck the region in 1997-1998.

**Convergence In Corporate Governance And Disclosure: The Implications Of Changing Financial Stakeholders**

Elie Matta, HEC-Paris
Jean McGuire, Louisiana State University/Concordia University

The globalization of the world economy has placed pressures on firms to adopt more stringent transparency and disclosure requirements. An important motivation for following North American disclosure standards is greater access to U.S. investors. However, the divergent expectations of foreign investors and local stakeholders raise important obstacles to convergence, with significant trade-offs between local and foreign debt-equity claimants. Using a sample of 343 firms from emerging markets, 150 firms from Japan and 50 Russian firms, we test how the ownership structure of the firm is associated with increased convergence in transparency and disclosure to North American standards and how national shareholder protection moderates this relationship.

**Social Influence Strategies: Enhancing and Sustaining Competitive Advantage Through Shaping Social Institutions**

Sean P Lux, University of South Florida

How do firms improve economic performance through shaping the institutional environment? Institutional change and social influence theories are integrated to develop a causal model illustrating how firms shape their institutional environment through social influence activities. Firms can obtain both short and long-term performance benefits by shaping informal and formal exchange rules to their favor. Firms influence social institutions through three primary strategies: direct influence, coalition building, and tertius strategies.

**Sustaining Innovation Advantage: Secrecy, Disclosure, and The Imitation of Intangible Assets**

Peggy Lee, Arizona State University

Resources, Innovation, And Persistent Heterogeneity

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

While extant theory describes how resources with particular properties may affect the sustainability of a firm’s advantage, additional empirical evidence is required to identify the types of resources that yield enduring differences in performance among close rivals. Recent work demonstrates that intangible assets are crucial to the persistence of performance advantages among competitors (Villalonga, 2004; Roberts & Dowling, 2002). Aside from Roberts & Dowling’s (2002) work however, few empirical studies decompose a firm’s stock of intangible assets to understand and quantify the contributions of different resource stocks and flows to persistent differences in performance. This paper offers empirical evidence of how resource stocks and flows contribute to persistent differences in the innovation activity and performance of competitors in the global semiconductor industry from 1990 - 1999.
When Does It Pay To Imitate? A Study Of Leader-Imitator Competition In The Branded Pharmaceutical Drug Industry
Sendil K Ethiraj, University of Michigan
Hongquan Zhu, University of Michigan

Research suggests that industries characterized by strong appropriability regimes exhibit significant first-mover advantages. In the pharmaceutical branded drug market, we saw that the durability of first-mover advantages were highly variable. This paper sought to investigate what drives the success and failure of imitators in this industry. We theorized that variations in the use of the leader's drug information, in the ability to differentiate drug quality, and in the capability to market new drugs, have a significant bearing on the sustainability of first-mover advantages. These findings suggest that leakage of information about a product and the timing of such leakage are important determinants of imitators' success in the face of strong first-mover advantages.

Do Firms Benefit From Voluntary Disclosure Of Qualitative Information About R&D Projects?
Sharon James-Wade, Ohio State University

Firms face tradeoffs in voluntarily disclosing qualitative information about R&D projects. Disclosure can help to lower financing costs by reducing investor uncertainty in estimating potential R&D outcomes. However, disclosure can unintentionally increase imitation risk by making the firm's R&D efforts more transparent. The resulting strategic costs are greater competition and lower appropriable value of R&D investments. This research explores the impact of this 'paradox of disclosure' on firm profitability. I predict that firms that have strong technological capabilities or operate under a strong IP regime face lower tradeoffs of disclosure and so can achieve higher subsequent profits from innovation. Otherwise, I expect the strategic costs to outweigh the financing benefits of disclosure. I test this theoretical prediction on a sample of high-tech firms from 1990-2004.

Corporate Secrecy, Technological Breakthroughs, And Insider Trading: Loose Lips Make The Ship Come In
Russell W Coft, Emory University
Scott Hayward, Emory University
Peggy Lee, Arizona State University

Despite the apparent value of secrecy in extending a competitive advantage, some firms actually broadcast their strategic capabilities. This article empirically explores reasons why come firms may intentionally leak information about technological breakthroughs. Based on a sample of 1638 breakthrough patents, we examine when firms leak information about capabilities to the press. Findings suggest three forces that guide such decisions: (1) the need for resources/legitimacy (performance and access to key resources); (2) the need to broadcast in order to exploit the advantage (advertising or the ability to secure licensing agreements); and (3) managerial opportunism (insider trading and holdings).

EFFECT OF LEADERSHIP STYLE ON FIRM INNOVATION

Session Chair: Patricia M Norman, Baylor University

How Do Senior Teams And Leadership Influence Organizational Ambidexterity?
Justin JP Jansen, Erasmus University-Rotterdam
Gerard George, London Business School
Frans A J Van Den Bosch, Erasmus University-Rotterdam
Henk W Volberda, Erasmus University Rotterdam

This paper explores the role of senior teams and leadership in strategies aimed at achieving organizational ambidexterity. Findings indicate that a strong senior team direction and contingency rewards contribute to a firm's ambidexterity, i.e., the ability to balance high levels of exploratory and exploitative innovations. In addition, our paper shows that an executive director's transformational leadership does not directly influence organizational ambidexterity but rather moderates the impact of senior team social integration and contingency rewards. Hence, our paper clarifies how senior executives facilitate the balancing of exploratory and exploitative innovation in an organization. Implications for governing knowledge-based firms regarding senior management teams and transformational leadership are discussed.

The Role Of Cultural Intelligence For The Impact Of Visionary: Transformational Leadership On Innovation
Detelin Elenkov, University of Tennessee
Ivan Manev, University of Maine

Building on leadership theory, the innovation literature, and cross-cultural research, we examine the relationships between executive leaders' visionary-transformational behaviors, their cultural intelligence, and their organizations' rate of innovation adoption. We hypothesize that visionary-transformational leadership influences product-market and organizational innovations, and top managers' cultural intelligence moderates these relationships. Our hypotheses were tested with data from 923 senior managers and 2,821 subordinates from companies in ten European countries. The tests reveal a strong direct influence of visionary-transformational leadership on both types of innovation. Cultural intelligence moderates the effect of executive leadership on organizational, but not on product-market innovations. Thus cultural intelligence holds promise for understanding the effectiveness of executive leadership in diverse cultural contexts as it may provide an explanation how socio-cultural values affect important organizational outcomes.

Leading Innovation: The Role Of Leadership Systems For The Leadership Of Boundary Spanning Innovation
Kathrin M Möslin, HHL-Leipzig Graduate School of Management
Anne-Katrin Neyer, London Business School

Innovation is important. Motivating innovative activities and making them happen requires leadership. However, how exactly do organizations support the leadership of innovation? Democratizing innovation (von Hippel, 2005) has recently been proposed as the answer to this question. This new model is a radical departure from past practices of centralized research and development in which the innovative genii is sought in separate organizational units, project management designs and incentive systems. As a consequence, leading innovation becomes a truly boundary-spanning challenge. This paper argues that a better bridge is needed between the needs and challenges of leading boundary spanning innovation and the practices, instruments and systems (i.e., leadership systems) that large companies use to support their leaders.

The Moderating Role Of Learning Goals In The Relationship Between TMT Diversity And Innovativeness
Patricia M Norman, Baylor University
Shaohua Mu, Baylor University
Kendall W Arzt, Baylor University

This study examines how a subsidiary's ex ante learning goals of exploration and exploitation contribute to innovativeness and also moderate the relationship between TMT diversity and innovativeness. Our empirical analysis shows that TMT diversity and exploration goals both have a positive, upward curving relationship with innovativeness such that as TMT diversity increases and as the focus on exploration goals increases, innovativeness changes at an increasing rate. Exploration goals negatively moderate the relationship between TMT diversity and innovativeness. This result suggests that a focus on exploration goals is particularly important for organizations with low TMT diversity.

Organizational Evolution And Alignment: The Role Of Dominant Logics

Session Chair: Sebastian Raisch, University of St Gallen

The Role Of Dominant Logic In Designing Organizations
Ashok Som, ESSEC Business School

This proposal describes a process model of designing an organization that fuels from the dominant logic of the top management. The article tries to understand, by creating an organizational event history over the past ten years, the logic of evolution, development and change in the largest building-construction company of the world. The example presented in
the proposal emphasizes the analytical importance of understanding why organizations grow and develop as they do and in doing so how do they design themselves.

Optymism, Proactiveness, And Routines: The Dominant Logics Of Successful And Unsuccessful Firms In Emerging Market
Krzysztof Y O błój, Leon Kozminski Academy of Entrepreneurship & Management/University of Warsaw
Tomasz O błój, INSEAD

This paper presents two stages of research of the dominant logic of winners and losers in turbulent economies. In first stage we studied ten pairs of firms that have the same point of departure at the beginning of 90s and attained respectively leading and peripheral positions in the industries at the end of 90s. Based upon this research we build a model of organizational antecedents of performance and predicted that the industry leaders will share a consistent dominant logic that explains their performance. In a survey of 98 companies we were able to confirm, using regression models, that leaders score significantly higher on organizational external orientation, proactiveness, and simplicity of routines measures than other firms in their industry, however learning process does not significantly influences performance.

Exploitation, Exploration, Or Both? Patterns Of Dynamic Organizational Alignment In The Central European Insurance Industry
Sebastian Raisch, University of St Gallen
Jörg Schläpfer, University of St Gallen

Exploitation and exploration are proposed as two fundamentally different learning activities between which firms divide their attention and resources. Management research provides contradictory advice on how organizations should align their strategies and structures in respect of exploitation and exploration. The inconsistency of prior research can be related to its static and generic character. In this study, we establish a conceptual model that describes a dynamic alignment of organizational configurations towards exploitation and exploration within its environmental and organizational context. The conceptual model is applied to a longitudinal field study of alignment patterns in the Central European insurance industry. We show that different alignment patterns coexist in which organizations vary significantly in terms of their internal consistency, as well as their reaction to environmental change.

GOVERNANCE PRACTICES TO FACILITATE KNOWLEDGE ACCUMULATION AND SHARING

Paper  | Track A/J  | Klimt Ballroom 1
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Session Chair: Fátima Guadamillas-Gómez, University of Castilla-La Mancha

Governing Knowledge-Sharing Behavior
Antoinette Weibel, University of Zurich
Katja Rost, University of Zurich
Margit Osterloh, University of Zurich
Regula Lehmann, University of Zurich
We analyze which governance mechanisms further knowledge-sharing behavior and thus contribute to a sustainable competitive advantage: those which a) strengthen the intrinsic motivation of employees or those which b) provide extrinsic incentives by implicit contracts. Hypotheses are derived from self-determination theory, the group value model and research on implicit contracts. Hypotheses are tested with a vignette experiment to analyze individuals' attitudes. Vignettes are descriptions of a fictive context with a great variety of characteristics. The preliminary results of our 512 vignettes indicate that knowledge-sharing behavior is primarily motivated intrinsically. The results also demonstrate which set of governance mechanisms should be applied to strengthen knowledge-sharing.

Governing Corporate Commons In Multidivisional Firms
Jetta Frost, University of Hamburg
Michele Morner, University of Hamburg
In this paper we argue that output-based governance by infusing market elements and control leads to market failures within multidivisional firms. Internal market failures hinder the creation and transfer of knowledge-based resources with firm-specific public good character. We label those resources corporate commons. The aim of our paper is first to identify the spectrum of such firm-specific public goods according to their degree of non-excludability and non-rivalry. Second, using Arrow's argument (1962) that public goods cannot be handled like other resources because they have weak property rights and are non-homogenous, and consequently cannot be organized on price terms, we develop a framework explaining how the firm's ability to provide corporate commons is affected by different governance modes.

The Relationship Between Technological Innovation And Knowledge Strategy: Its Effects On Firm Performance
Fátima Guadamillas-Gómez, University of Castilla-La Mancha
Mario Donate-Manzanares, University of Castilla-La Mancha

This work investigates, from the knowledge-based view of the firm, the relationship between technological innovation and knowledge strategies. It also tries to identify their influence on firm performance through an empirical research made on a sample of Spanish firm belonging to the electric and electronic sectors. The main focus of the work is on the following domains of knowledge strategy: conception, objectives, knowledge management tools and implementation methods. The results show important differences in the formulation and implementation of knowledge strategy, having a significant effect on firm performance. It also proves that there is a significant relationship between innovation strategy and firm performance in which knowledge strategy have a moderator effect. These results can be used to develop specific strategic actions in innovation and knowledge management for obtaining a competitive advantage.

BUILDING AND MANAGING EMOTIONAL CAPITAL IN STRATEGIC ALLIANCES AND POST-MERGER INTEGRATION

Panel  | Track I  | Klimt Ballroom 2
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Jeanne-Marie Bowman, Dell Inc
Tina Dacin, Queen’s University
Hubert Frach, Lufthansa Airlines
Quy N Huy, INSEAD
Simon M Swann, Alcan Packaging

A significant number of alliances and mergers fail due to partner incompatibility and lack of attention given to the social side of collaboration. By explicitly addressing the interplay between business logic and emotions, we propose a panel composed of both academics and practitioners that addresses the role of emotional capital in the formation, management, and performance of collaboration. We apply and extend Huy’s (2005) emotion-based model of strategic change to the context of alliances and mergers. We provide data from several cases as well as in-depth examples from two industries to refine our existing models of successful partnering. We suggest important ways to extend both research and practice in this area by supporting the important role played by emotions in determining alliance outcomes.

INNOVATIVE CAPABILITIES AND R&D PRODUCTIVITY

Panel  | Track J/F  | Klimt Ballroom 3
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Ashish Arora, Carnegie Mellon University
Alfonso Gambardella, Bocconi University
Laura Magazzini, CERM Foundation
Fabio Pammolli, University of Florence

We model the determinants of innovative capabilities in drug development, and focus on the comparative R&D performance of large drug companies and smaller biotech firms. A key contribution of our analysis is that we control for the fact that different types of firms may have different thresholds for selecting innovation projects. This is a crucial control when testing for differences in innovative capabilities, since it may confuse the decision of not undertaking a project with the inability to do so. The analysis builds on a comprehensive dataset of drug R&D projects in development in the U.S. during the 1980s.
early 1990s. Results show the existence of comparative advantages across firm types and suggest that there exist social benefits from the market for technology in pharmaceuticals.

R&D Organisation For Better Communication With The NPD Project’s Partners: The Moderating Role Of Development Cycle Time

Yuusre F Badir, Swiss Federal Institute of Technology
Francis-Luc Perret, Federal Polytechnic School-Lausanne

This paper addresses the following research question: How can the network focal company be designed to support the communication with its NPD project strategic partners and improve project performance? I propose a contingency model and develop a condition of fit between contextual conditions that characterise the NPD project and the organisation design of the focal company. The model indicates that the efficient performance of the development project is contingent on how well the actual intensity level of communication—between the focal company and its project’s strategic partners—fits the required intensity level. The required intensity of communication in uncertain and complex project is dominated by the development cycle time of the project. Conversely, the actual intensity of communication is enabled by differentiated combination of R&D organisational attributes.

Network Embeddedness And Innovation Speed: Analyzing Patent Productivity And Networking In Biotech

Andreas Al-Laham, University of Kaiserslautern
Terry L Amburgey, University of Toronto

Drawing on arguments from the knowledge-based theory of the firm we hypothesize that accessing external knowledge positively affects the patent rate of biotechnology firms. The findings of our longitudinal event history analysis of the complete population of German biotechnology firms show that the most valuable innovation drivers for a biotech firm are international linkages in the form of international research alliances. Additionally, we find positive effects for firms with a high centrality within the international research network. Surprisingly, we do not find any cluster effects on the patent rate: neither the density of a local cluster, nor its diversity or age is of significance. Among others, our results shed new light on the relevance of international strategic linkages for young start-up firms.

Managing Opportunism And Conflict In Alliances And Exchanges

Paper Track G/F/A Mahler

Session Chair: Robert Chapman Wood, San Jose State University

Matching Governance Mechanisms To The Sources Of Potential Opportunism In Alliances

Glenn P Hoekter, University of Illinois-Urbana Champaign
Thomas Mellewigt, Free University-Berlin

Work in transaction cost economics and alliance management has proceeded largely by making assumptions about the ability of various structures and mechanisms to control potential opportunism, but has not directly tested the assumed relationship between governance and actual opportunism. In contrast, we actually measure opportunism in alliances and model the relationship between sources of potential opportunism, governance mechanisms and ex-post opportunism. We find that the ability of contracts and relational governance to mitigate opportunism is contingent on the source of the potential opportunism, that contracts are surprisingly robust to uncertainty created by price and demand volatility, and that formal governance mechanisms lack the enforcement mechanisms necessary to prevent opportunistic behavior.

Contracting Costs In Outsourcing Partnerships: An Investigation Of Termination Provisions

Africa M Arino, ISEE Business School-University of Navarra
Jeffrey J Reuer, University of North Carolina-Chapel Hill
Kyle J Mayer, University of Southern California
Juan Jané, Hewlett Packard

We analyze the influence that the complexity of termination provisions and the existence of prior ties between partners have on outsourcing partnerships’ contracting costs, as reflected in their negotiation time. We examine the dimensionality of the complexity of termination provisions, and the findings reveal distinct classes of termination provisions, the negotiation of which have differential effects on contracting costs. The evidence also indicates that prior ties have no direct influence on negotiation time, but they moderate the effects of negotiating termination provisions into outsourcing agreements.

Conflicts In Innovation Partnerships: An Exploratory Study In Science-Industry Alliances

Marc Frechet, IAE-University of Toulouse

Alliances exhibit a high failure rate and are very often subject to tension and conflicts. However, in very little is still known on the factors that systematically favour or deter conflict. In this paper, we contribute to develop our knowledge of conflict in alliance in two ways. First, we develop a theoretical framework from prior literature that directly focuses on conflict likelihood in alliances. Three main hypotheses are built to explain the likelihood of conflict. Second, we test the hypotheses with a sample of industry-science collaborations. Although issued from an exploratory study, the results point out the importance of cultural closeness but also relational resources, fostered by general alliance experience.

The Effect Of Culture On The Choice Between Formal Control And Relational Governance

Manuela B Giangrande, INSEAD

Highlighting the role of culture in shaping the mechanisms of cross-cultural exchanges, this paper argues that the relative effectiveness of relational exchange arrangements or formal contracts is contingent on both national and organizational culture. For example, in exchanges between clan-like high-commitment actors, with strong and cohesive organizational cultures, formal contracts are more likely to protect from appropriation hazards and control relational rents. Furthermore, in exchanges between different organizational cultures formal contracts will be a more effective mechanism. At the national culture level, relational governance is a more effective mechanism in inter-organizational exchanges involving actors from fief-like collectivistic cultures, where in-group interests are always put before that of the individual. In contrast, in exchanges involving partners from individualistic and collectivistic cultures, contracts are the preferred mechanism.

Strategic Planning And Control Systems: New Practices

Paper Track A/I Schnitzler

Session Chair: Dan Levallo, University of Western Australia
Dodo zu Knnyhausen-Auﬀs, University of Bamberg

Beyond Budgeting: Theoretical Perspectives And Empirical Evidence In Germany’s Top Corporations

Doris G Beckmann, University of Bamberg
Dodo zu Knnyhausen-Auﬀs, University of Bamberg

Since the early 1900s budgeting has become one of the most traditional and inalienable processes in modern corporations, despite heavy criticism both from scholars and managers followed by smaller process improvements. Recently, the radical claim of the Beyond Budgeting (BB) authors Hope/Fraser to “abandon the traditional budgeting process for good” (Hope/Fraser, 2003) and to replace it by an alternative general management model has raised much attention. For the first time this article puts the BB model in the theoretical perspectives of strategic management and accounting theories. Also, based on empirical data of 134 big German companies, the study provides an in-depth picture of the current status-quo and analyzes whether the current target setting and compensation systems affect business practice.

Impact Of Performance Reviews: A Cross Case Comparison

Veronica Martinez, Cranfeld University
Michael Kennerley, Cranfeld University

This research investigates the effects of performance management reviews, based on performance measurement systems, using the goal setting and learning theories. It makes a cross-case comparison on three multinational suppliers. Our evidence shows 28 common/shared effects of performance reviews. The analysis shows that the more frequent and operational the performance reviews are, the more they contribute to the development of
The paper concerns the involvement of top management in the process of strategic review of the organization's operational activities (known as top executive audits or TEAs). These are discussed in relation to strategy process and business excellence. More specifically, it argues that TEAs are a very important reference-class forecasting of the holistic management of the organization. TEAs are also crucial to hoshin kanri, a successful TQM policy deployment system, and facilitate operational effectiveness. The case of Nissan South Africa (NSA) is used to illustrate their importance and their relation to hoshin kanri practice. The paper concludes by suggesting that strategic reviews, such as TEAs, are best operated when integrated together as an organization-wide managed system of review.

**Similarity-Based Forecasting: Implementing The 'Outside View' To Strategic Decisions**
Carmina Caringal Clarke, University of New South Wales
Dan Lovallo, University of Western Australia
Colin F Camerer, California Institute of Science

Intuitive thinking and forecasting are seen as part of strategic decision-making. Unfortunately, it is often seen to be highly susceptible to cognitive decision-making biases. Based on the work of Kahneman and Tversky's (1979) inside-view/outside-view, we develop a new method called similarity-based forecasting (SBF), an outside view mode of forecasting which introduces the use of a similarity function over past examples to derive a forecast. SBF is a simpler and improved version of the previous reference-class forecasting, in particular this new method enables reference classes to be as inclusive as possible without compromising comparability of the class to the present decision - an unresolved issue. Finally, we implement SBF to the complex decision of motion picture greenlighting.

**Allocating Ownership And Control Rights To Organizational Stakeholders**

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**The Allocation Of Ownership Rights In Consulting Firms**
Ansarg Richter, European Business School
Katrin Schroeder, Booz Allen Hamilton

We investigate the antecedents of the allocation of ownership rights to inside or outside parties in the case of large consulting firms. We draw on organizational economics in order to develop hypotheses which we then test using regression analyses. The results confirm the significance of capital requirements, business risk, agency costs and the costs of collective decision-making as determinants of the allocation of ownership rights in consulting firms. Our findings provide support for economic theories emphasizing the motivation, incentive and control effects that are associated with the allocation of ownership rights. We also develop strategic implications from our analysis, e.g. with respect to the size constraints that consulting firms with inside ownership face.

**Multi-Unit Versus Single-Unit Franchising: Assessing Why Franchisors Use Different Ownership Strategies**
Roberto Sánchez, University of Salamanca
Isabel Suarez-Gonzalez, University of Salamanca
Luis Vázquez, University of Salamanca

Franchise networks differ in the use and mix of ownership forms, namely company-ownership, single-unit franchising, and multi-unit franchising. Multi-unit franchising, though pervasive in the majority of franchise systems, has been under-researched. In this paper we examine why franchisors employ multi-unit franchising rather single-unit franchising. We find that multi-unit franchising allows franchisors to reduce franchisee potential for free-riding, and that its use is positively related to franchise system density, franchise system size, and service chains.

**Corporate Governance And Labor Management Worldwide: A Firm-Level And Cross-National Empirical Study**
Roberto G Garcia-Castro, IESE Business School-University of Navarra
Miguel Angel Ariño, IESE Business School-University of Navarra

Corporate Governance (CG) can be seen to operate through a ‘double agency’ relationship: one between the shareholders and corporate management and a second one between the corporate management and the employees. The CG and labor management (LM) of firms, far from being independent, are closely related. A productive way to study the way that CG affects and is affected by the employment relationship has been the comparison of CG across countries. The contributions of this paper to that literature are three: 1) An integration of aspects of the LM literature in the CG debate; 2) Based on our sample of near 1,000 firms of 31 countries, we found evidence of complementarities between CG and LM; and 3) Firms differences in governance within countries do matter.

**A Strategic View On Why Film Directors Become Their Own Producers**
Rodolphe Durand, HEC-Paris
Allègre Hadida, University of Cambridge

This paper investigates the reasons for movie directors to engage in feature film production. Two factors explain director-producer interlock better than a mere economic rationale: 1) cumulated past experience with producers encourages directors to produce their own movies and 2) directors’ status recognition entices directors to cumulate directing and producing roles. We derive implications for research on why interlocks are selected in cultural industries, on the effect of status in project-based organizations, and on diffusion mechanisms for atypical organizational arrangements.

**Managing The Path And Process Of Corporate And International Expansion**

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**From PSF To MNC: The Globalization Of Law Firms**
Susan L Segal-Horn, Open University
Alison Dean, University of Kent

Client expectations for integrated cross-border legal services, competition for major clients, price and cost pressures have pushed large U.S. and U.K. law firms into following other Professional Services Firms (PSFs) from governance by hierarchical professional partnerships to multinational service businesses. Mergers and acquisitions, off-shoring and outsourcing of support services are now standard practice. Our interview data supports these trends as taken for granted. What changes are inherent in the shift from the international PSF with a traditional partnership structure and governance, to the integrated global legal MNC? Is it legal ‘products’ or the processes of service delivery that are being globalized? This reconfiguration of the legal services international value chain with its changed resource endowments and ownership is, as yet, only partially reflected in revised forms of governance.
Foreign Direct Investment Strategies Of MNEs By Considering The Stage Of Development Of Host Countries
Jose I Galan, University of Salamanca
Javier Gonzalez Benito, University of Salamanca
José Angel Zurigüa-Vicente, University of Rey Juan Carlos
Taking the investment development path (IDP) approach, this study explores the main foreign direct investment strategies adopted in groups of host countries at different stages of development. The results of our analyses of a sample of 103 Spanish MNEs show that the strategies adopted by these corporate managers are partially dependent on the stage at which each group of host countries is within the IDP. As expected, these managers give greater relevance to the factors associated with an asset-exploitation strategy when locating their investments in the group of more advanced countries (EU). Similar results are surprisingly obtained for Eastern European countries. However, when these managers choose the group of Latin American countries, they attribute greater value to those factors underpinning an asset-exploitation strategy.

A Global Mechanism In Internationalization: Based On Balancing, Coordinating, And Learning
Dong-Sung Cho, Seoul National University
Jin-Sup Jung, KOTRA/Seoul Woman’s University
This study started from realizing the limitation of existing static process models such as environment-strategy-structure interaction or internationalization. To overcome the limitation, this study suggested a new global mechanism based on dynamic process models. In terms of specific attributes of global mechanisms such as balancing, coordinating, and learning. Focusing on high export-oriented industries in industries in Korea, we examined the relationship between the level of global mechanism and international growth empirically. Results from multiple linear regression models showed as follows. In model using subjective dependent variable, global mechanism variables showed significant. However, in case of model using average growth rate of foreign sales as independent variable, global mechanism variables rarely showed significant. Finally in case of model using simple growth rate of foreign sales, mixed results showed up.

Endogenous Constraints To The Expansion Path Within And Across Industries
Thomas Hutzschenreuter, WHU-Otto Beisheim Graduate School of Management
Fabian Guenther, WHU-Otto Beisheim Graduate School of Management
With this paper we attempt to shed light on the limiting influence of complexity from a firm’s expansion within and across industries in one period on the rate of expansion in the subsequent period. Drawing on research on managerial services we derive three hypotheses and test them using data on expansion steps of 91 German companies over a period of 20 years. We were able to show that expansion scope of undertaken expansion steps in one period negatively impacts the rate of expansion in the subsequent period. This relationship will be negatively moderated by the proportion of internationalization on all expansion steps. Finally, the level of diversity of the portfolio of businesses a firm is active in has a negative impact on rate of expansion.

STRATEGY TOOLS AND PRACTICES
Paper Track K/I Zweig

Session Chair: Tomi Laamanen, Helsinki University of Technology

Causal Mapping As A Consulting Intervention Tool To Help The Surfacing Of Tacit Knowledge
Véronique Ambrosini, Cranfield University
Eliciting and transferring tacit knowledge is critical for the growth of small knowledge-intensive firms. How this can be done presents a challenge as there are yet no tools available to help them. This paper reports on a study which illustrates how the use of causal mapping helped the partners of one small consultancy firm to surface their tacit knowledge, to uncover what they should try to replicate within the organization to sustain their success, and refine their raison d'être. Through the mapping process which is non-directive the partners were encouraged to tap into their tacit knowledge base, which constitutes a large part of their consultancy’s success. The paper contributes to our understanding of the resource-based view of the firm, tacit knowledge and consulting interventions.

Managing Strategic Issues Over Time: HR Directors’ Issue Sustaining Skills
Basak Yakis, University of Oxford
Richard C. Whittington, University of Oxford
We examine the skills required for Board-level directors to ensure that their strategic issues are adequately addressed and sustained on the boardroom agenda over significant periods of time. We employ a longitudinal, comparative-case study method that integrates diachronic and parallel analyses, and takes issues as a unit of analysis. We compare five electronics companies in South-East England over 12-18 months. Through tracking the activities and practices of HR Directors, we identify three categories of activity and skill contributing to successful issue sustaining: Cognitive/Symbolic, Structural/Bureaucratic, and Political. Our measures of successful strategic issue sustaining are attention allocation, resource allocation, symbols, structural changes, and involvement. We highlight the importance of strategic issue sustaining as distinct from the existing concept of strategic issue selling.

Determinants Of Saturation In A Strategic Issue Management System: A Longitudinal Analysis
Peter Kunnas, Nokia Corporation
Markus Kajanto, Nokia Corporation
Matti E Keijola, Helsinki University of Technology
Tomi Laamanen, Helsinki University of Technology
Markku Maula, Helsinki University of Technology
Rapid pace of change has forced leading companies in many industries to find ways how to optimally address emerging strategic issues outside the traditional calendar driven strategy processes. However, extant literature on such strategic issue management systems is limited. Prior research has primarily examined the management of strategic issues at an individual issue level. Through our longitudinal analysis of a strategic issue management system of a world-leading technology company, we extend the existing research from individual issues to the portfolio context. Based on our in-depth case analysis, we put forward a novel concept, the saturation of a strategic issue processing capacity. Implications for the development of strategic issue management systems are discussed.

Recognizing Shifts In Competitive Basis: Determination Of Takeoff Point In Adoption Of Innovations
Tomia Haapaniemi, Tampere University of Technology
Saku Mákinen, Tampere University of Technology
Traditional literature has treated adoption of innovations as a smooth process and only recently the turning points have attracted research, especially the intermediate takeoff point between introductory and growth phases. The takeoff point is of special interest in managerial decision-making since it represents a dramatic change in the customer requirements and preferences from technical functionality to usability and reliability. Companies developing innovations face a change in basis of competition and therefore need to be able to reliably determine takeoff point. The results of the present paper suggest that the diffusion analysis can notably improve the determination of a takeoff point compared to experts’ judgment. However, experts’ analysis is quick to use and can be reliably used for determining the self-evident cases with clear takeoff point.
Network Evolution And Firm Strategies: Lessons From The Biopharmaceutical Industry
Massimo Riccaboni, University of Florence

R&D collaborations help to cope with technological change. However, scientific revolutions may also fail. Our paper aims to characterize the interplay between technological and network transitions to identify successful relational strategies in case of paradigmatic shifts. We analyze 20,182 collaborations among 7,407 to understand the interplay between technological and network transitions. First, we detect a network transition in early Nineties due to the genomic revolution. Next, we show that it is characterized by the co-occurrence of multiple technological paradigms and network orderings. Established firms tend to follow an embedded ‘path’ of collaborations while new firms step in. Next, one paradigm (re)gain control and firms embedded in the loosing paradigm are locked in.

Networks And Innovation: An Empirical Investigation Of Collaborative And Patenting Activities In The Cellular Industry
Giovanna Padula, Bocconi University

This study investigates the relationship between network positions and innovation. It addresses the debate over whether innovation is enhanced by densely or sparsely connected networks and builds on the reconciling efforts of recent studies demonstrating the dependence of the more beneficial position on the strategic objectives sought by the firms - i.e., exploration versus exploitation. By arguing that the balance between exploitation and exploration enhances innovation, this paper investigates whether and to what extent the embeddedness in a balanced structure made up by a mix of both dense and sparse regions of relationships may foster the innovation performance of the firms. By collecting data on the collaborative and patenting activities in the cellular industry in the nineties, these studies demonstrate in the complementary role of cohesive and sparse structures in promoting the innovation rates of the firms.

Novelty Of Product Innovation: The Role Of Different Networks
Maria J Nieto, University of Carlos III-Madrid
Lluís Santamaría Sánchez, University of Carlos III-Madrid

In the current competitive scenario, firms are driven to introduce products with a higher degree of novelty. Consequently, there is a growing need to understand the critical success factors behind radical innovation. Specifically, this work empirically and theoretically analyses the role of different types of collaborative networks in achieving product innovation and, more precisely, the degree of novelty. Using a longitudinal data of Spanish manufacturing firms, our results show that the continuity on the co-operative strategy, the type of partner and the diversity of collaborative networks are critical factors in achieving a higher degree of novelty in product innovation.

Networking Dynamic Capability And Product Innovation: The Case Of ‘Networking Attitude’ Project At EDAN
Nicolas Rolland, CERAM Sophia Antipolis
Renata Kaminska-Labbe, CERAM Sophia Antipolis

On the basis of a longitudinal case study of a ‘Networking Attitude’ project at EDAN, this paper takes up the challenge of analyzing the conditions and organizational principles leading to enhanced product or process innovation. It proceeds in two stages. First, from a theoretical perspective, we propose to analyze the relationship between innovation as a source of competitive advantage and the concept of dynamic capabilities. One of the goals is to understand the link between the emergence of new decentralized designs and the firm’s capacity to efficiently sustain knowledge networks across the organization. The difficulty resides in understanding the relationship between autonomy, connectivity, receptivity and variety absorption. The second more empirical section illustrates the creation of inter-unit networks and their influence on innovation on the example of a specific firm.
Does Ownership Form Matter for Innovation?

Session Chair: Igor Gurkov, State University-Higher School of Economics

Does Organizational Slack Facilitate or Inhibit R&D Investments? Moderating Effects of Ownership Structure

Hicheon Kim, Korea University
Heechun Kim, Arizona State University
Peggy Lee, Arizona State University

How does organizational slack affect R&D investments? Prior studies have offered and found support for two competing hypotheses. Behavioral theorists (e.g. Cyert and March, 1963) hypothesize that organizational slack facilitates R&D investments by providing the autonomy and resources necessary to explore new solutions and opportunities. In contrast, viewing organizational slack as a source of agency problems, free cash flow scholars hypothesize that organizational slack will inhibit R&D investments (Jensen, 1986). We use agency theory to argue that the relationship between organizational slack and R&D investments is dependent on the moderating effects of ownership structures. Using a sample of Korean firms, we test the moderating effects of family, affiliated, institutional, and foreign ownership on this relationship.

The Impact of Group Affiliation on Innovation Performance: The Role of Group Size and Diversification

Federico Munari, University of Bologna
Federica Angeli, University of Bologna

This study analyzes the impact of business group affiliation on innovation performance. Using patent data from a sample of 147 companies from the packaging machinery industry in Italy, we first investigate the innovation performance of affiliates of business groups relative to unaffiliated firms. Then, we consider differences in group size and degree of diversification and assess their impact on the innovation performance of affiliates. Our results highlight a positive and significant association between group affiliation and innovation performance, after controlling for company size, profitability, previous patenting activity and location. They confirm that diverse ownership and governance configurations can influence the strategic decisions and competitive advantage of firms.

Does Private Equity Foster Innovation at the Company Level? A Study of Western European Countries

Federico Munari, University of Bologna
Robert Cressy, City University London

In this paper we analyze the impact of private equity on innovation performance at the company level. From a theoretical standpoint, we discuss the relationship between changes in the firm’s principal-agent structure following the private equity transaction and incentives to invest in innovation. Building on the resource-based view, we then argue that the previous industry experience of the private equity firm is likely to positively affect the innovation performance of the acquired company. We test our predictions in a sample of 194 buyout companies from Germany, Italy, Sweden, Spain and the United Kingdom, matched with a control group of private companies.

The Impact of Corporate Structures on Perceived Innovativeness (Experience of Russian Industrial Companies)

Igor Gurkov, State University-Higher School of Economics

A survey of 780 CEOs of Russian industrial enterprises revealed that subsidiaries of large corporations do not differ to autonomous companies neither in intensity of innovations nor in innovative capabilities. Examination of the phenomenon is related to the undeveloped performance appraisal and remuneration schemes within Russian industrial corporations and the lack of mutual trust along the management hierarchies.

How CEOs Add Value Managing Companies: A Study During Argentine Stagnation - Crisis - Recovery Process, 1999-2004

Alejandro Carrera, Austral University
Juan Quiroga, Austral University
Martin Jose Muñiz, Austral University

Our framework proposes that CEOs must manage three main processes for accomplishing their mission of providing continuity to their organizations: Business, Management, and Institutional Configuration Processes. In this explorative study we examine 90 CEOs, from medium to large Argentine firms and multinational companies within the Argentine context - an important test for CEOs during the 1999-2004 economic recession-crisis-recovery and growth period, for confirming how they add value to the companies they manage. 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 during these six years. Research results have backed up our theoretical framework; the research could be encouraged in other countries.

Improvisational Decision-Making: An Empirical Examination of the Role of Top Management Characteristics

Ariff Kachra, Pepperdine University
Dusya Vera, University of Houston

This paper develops a model of improvisational decision-making as a new paradigm of how top managers make decisions in fast-paced contexts. We take a fine-grained look at the processes of improvisational decision-making, how they complement the more mature decision-making paradigms, and examine individual characteristics of top managers as antecedents of their motivation to engage in improvisational decision-making. We test our model of improvisational decision-making using a sample of senior MBA students engaged in a two-day strategy simulation. From our analysis emerges an empirically valid scale for improvisational decision-making. The results confirm that cautiousness, self-efficacy, and humility are top management characteristics that are positively associated with improvisational decision-making whereas dependability and anxiety are negatively associated. Contrary to our expectations, locus of control and an achievement orientation are not found to have any significant relationship with improvisational decision-making.

Sex Differences in Managerial Style: From Individual Leadership to Organisational Labour Relationships

Eduardo Melero-Martín, University of Carlos III-Madrid

This paper deals with sex differences in managerial behaviour, by testing the extent to which such differences match those expected from gender stereotypes. Unlike previous research on the topic, always based on opinions about individual managers, this investigation uses firm-level evidence from the British 1998 Workplace Employment Relationship Survey (WERS 98). This means that some problems usually present in individual-level studies, including answer stereotyping and selection of female managers into specific roles, are avoided in the research presented here. The results show that workplaces where the presence of women at management is higher are driven in a more democratic fashion, with more interpersonal and interactive relationships between managers and subordinates, and with more employee-mentoring responsibilities undertaken by managers. No sex differences were found for more structural policies, such as the degree of delegation on supervisors or the extension of payment by results.
Risk And Rationality: The Effects Of Perceived Versus Objective Measures Of Risk
Todd M Alessandri, Syracuse University
Risk represents a critical influence on strategic decisions. The risk literature has focused on decision choices or outcomes, not the decision process. The objective of this research is to explore behavioral and agency views of decision processes, rather than outcomes. Using data from 130 companies, this research examines the relationship between risk and procedural rationality using both perceived and objective risk measures. In addition, the moderating effects of aspiration targets and managerial ownership are examined. Initial findings relating to perceived risk indicate a positive relationship between perceived risk and procedural rationality, as well as the moderating effects of relative industry performance targets. Analysis of objective risk measures is expected to exhibit similar relationships. The findings extend behavioral and agency perspectives to include the decision process.

Overcoming Risk Avoidance Through The Size And Depth Of Experience: Top Management Tenure And Investment Timing Decisions
James E Henderson, IMD
Karel O Cool, INSEAD
This paper examines how long tenured top management teams may overcome risk aversion or the commitment to the status quo through the size and depth of their industry experience. This research question is applied to investment bandwagon behavior. There may be several reasons for firms to bunch their capacity expansions or “hop on an investment bandwagon”. These reasons include coordinating through maintaining market shares, information effects and decision-making biases and long-tenured top management teams. Yet long tenured top management teams with vivid and deep memories of past expansions may better foresee when they should commence a new expansion. These hypotheses were tested on a sample of 35 companies operating in the worldwide petrochemicals industry from 1982-1995.

Cognitive Influences In Managerial Risk-Related Decisions: Culture, Organizational Accountability, And Individual Factors
Mona V Makihija, Ohio State University
Alice C Stewart, North Carolina A&T State University
Karynne L Turner, Georgia State University
The purpose of this research is to explore the cognitive relationships underlying risk-related decision-making. Researchers have stressed that, due to bounded rationality, decision-makers rely on cognitively embedded theories and heuristics when making decisions for which they have inadequate information. However, there is relatively little evidence on the nature of these cognitively embedded theories and intuition, or how they influence different types of risk-related decisions. To address this issue, we examine national culture, perceived organizational accountability, intolerance for ambiguity, locus of control, and prior experience as factors that form, in part, the basis of decision-makers’ heuristics and intuition. Based on a sample of 327 Czech and U.S. managers, our findings make it clear that the same individuals approach decision-makers’ heuristics and intuition. Based on a sample of 37 Czech and U.S. managers, our findings make it clear that the same individuals approach
cognitively embedded theories and intuition, or how they influence different
information effects and decision-making biases and long-tenured top
management teams. Yet long tenured top management teams with vivid and deep memories of past expansions may better foresee when they should commence a new expansion. These hypotheses were tested on a sample of 35 companies operating in the worldwide petrochemicals industry from 1982-1995.

Carla P Pavone, University of Minnesota
This paper empirically tests how venture capitalists’ risk perceptions affect how they value the firms in their portfolios and determine whether or not to exit from an investment. Using quarterly internal documents from a venture capital firm regarding 65 portfolio companies over four years, this research examines the relationship between risk and procedural rationality using both perceived and objective risk measures. In addition, the moderating effects of aspiration targets and managerial ownership are examined. Initial findings relating to perceived risk indicate a positive relationship between perceived risk and procedural rationality, as well as the moderating effects of relative industry performance targets. Analysis of objective risk measures is expected to exhibit similar relationships. The findings extend behavioral and agency perspectives to include the decision process.

Global Strategy For Corporate Social Responsibility: A Legal Tradition And National Culture Framework
Carol-Ann Tetrault Sirsly, Concordia University
Rick Molz, Concordia University
Globalization has accentuated the interdependence of markets and mankind. The undeniable influence of multinationalities is redefining Corporate Social Responsibility (CSR) from both the perspective of home and host country stakeholders. Utilizing national legal traditions and Hofstede’s description of national cultural differences, we propose a framework to further our understanding of how a nation’s conceptualization of CSR may influence global corporate strategy. Illustrations of four countries with different legal traditions are discussed. We also provide a summary of practices to integrate CSR in global corporate strategy.

Corporate Social Performance: Understanding The Effects Of Mergers And Acquisitions
Kimberly M Ellis, Michigan State University
Jill R Hough, University of Tulsa
Margaret A White, Oklahoma State University
In 2005, M&A activity reached the $1 trillion mark for the first time since 2000. While over 20 years of M&A research is still somewhat equivocal with regard to key contextual and process factors that consistently lead to increased financial performance, we know even less about the implications of M&As on corporate social performance. However, researchers do mention the fact that M&As affect a multitude of stakeholders beyond a firm’s shareholders that include its employees, the local communities in which the firm operates, and society in general. Addressing this gap in the literature, our study is the first in a stream of research designed to gain a deeper understanding of the impact of mergers and acquisitions on the combined firm’s corporate social performance.
Organizational Reinforcement Learning In The Presence Of Stochastic Learning, Cognitive Limits, And Previous Models

Richard A Bettis, University of North Carolina-Chapel Hill
Daniela Blettner, University of North Carolina-Chapel Hill

Organizational learning is a major determinant of strategic success through adaptation. One of the most promising models of experiential organizational learning is reinforcement learning. Building on this particular model of organizational learning, this paper uses analytic models and simulation to study stochastic elements of organizational learning, the cognitive limits and biases that impact learning, and the evolution of mental models.

Strategic And Organizational Catalysing Factors Of Knowledge Creation And Innovation Processes

Josune Sáenz, University of Deusto
Nekane Aramburu Goya, University of Deusto
Olga Rivera Hernáez, University of Duesto

The study presented here measures the explicit emphasis given by manufacturing companies from the Basque Region (Spain) in the field of innovation, and the degree of adaptation of their management context to features of the 'middle-up-down' model as put forward by Nonaka et al. (1995, 2003) to promote an effective knowledge generation process. By means of Structural Equation Modelling based on Partial Least Squares, the following hypotheses have been tested: (H1) The innovation focus of companies is positively related to the implementation of management systems which foster the creation and dynamization of 'Bas', or areas in which knowledge is shared, created, and used; (H2) The innovation focus of companies is positively related to the implementation of management systems which foster the exchange of knowledge assets.

Non-Teachability And Idiosyncrasy: Keys To Internal Knowledge Replication Without External Imitation

Bongsun Kim, Korea University
Eonsoo Kim, Korea University
Su Jin Han, Korea University

How can a firm facilitate internal knowledge replication while minimizing imitation by outsiders? Knowledge that is easily transferred and replicated may also be easily imitated. However, this interesting dilemma of replication and imitation as flip sides of the same coin has not received enough research attention. We suggest an integrated framework to resolve this issue, highlighting 'non-teachability' and idiosyncrasy as two key constructs in solving the replication-imitation dilemma. We argue that, in order to facilitate internal replication but to impede external imitation, firms should first increase 'non-teachability' making both replication and imitation inherently difficult, then leverage resource, capability, and organizational context (idiosyncrasy) as a mechanism to overcome such difficulty on the part of internal replicators but further raise the difficulty faced by outside imitators.

Are Knowledge Processes In Organizations Chaotic? A Quantitative Chaos Theoretic Examination

Alexander Alscher, University of St Gallen

Chaos theory as a study of nonlinear and dynamic systems is applied to organizational processes under a knowledge-based view. Since the interplay between chaos theory and research in knowledge management has not been investigated so far, our analysis of the potentially chaotic behaviour of the three knowledge processes, creation, transfer, and protection, aims at filling the gap. In empirical case studies, these processes are analysed in large multi business firms by using mathematical modelling techniques. Knowledge processes are tested on the chaotic properties of sensitivity to initial conditions and strange attractors. Results indicating chaotic behaviour would essentially change the understanding of knowledge processes and thus the way knowledge in an organization has to be managed.
based on 10 large multidivisional U.S. and European companies show the
continued centrality of the strategic planning function in the management
systems of large companies. We provide evidence that shows the nature of
planning processes have changed over the recent past, principally that
planning has become more decentralized, and that the plans themselves
become a mechanism for coordination and performance management.
Nevertheless, there was evidence that the planning process - whilst making
the organization more responsive to change through decentralization - had
more limited effect on real strategic innovation and the ability to recognize
the differing needs of different businesses.

Strategic Planning In The Multi-National: Distributed And
Fragmented
Paula A Jarzabkowski, Aston University
Julia Balogun, City University London

This paper argues that greater insight into strategic planning may be
generated by framing it within the strategy as practice research agenda,
examining those activities and practices through which strategic planning is
socially accomplished. Adopting a distributed activity theory framework,
we examine the strategic planning process across multiple hierarchical levels
and geographic regions in a multi-national branded consumer goods firm.
Our findings explain the distributed nature of strategic planning in practice,
highlighting how different hierarchical and geographic communities
appropriate the strategic planning mechanism and adapt it to their local
interests and purposes. This framework and our findings extend existing
studies on strategic planning by problematizing its communication and
coordination role, suggesting that it is also a way to surface divergence and,
ultimately, to realize control.

Organization Mission: The Concept, Antecedents, And
Consequences
Jatinder S Sidhu, Erasmus University-Rotterdam

This research's positive theory-building focus contrasts sharply with the
normative tone of existing mission literature. Synthesizing ideas embedded in
prior work, I delineate the theoretical domain of organization mission concept
in terms of scope of consensus on the organization's business domain,
competencies and vision. Furthermore, assuming that strategy process entails
both rational-analytic and socio-political dynamics, I develop a conceptual
model of the determinants of a strong versus weak organization mission and
the related employee and administrative outcomes. Research implications are
discussed.

Knowledge Creation And Knowledge Sourcing In Foreign
Subsidiaries

Paper  Track J/H  Strauss

Session Chair: David Bach, Institute of Empresa-Madrid

The Multinational Corporation And The Global Sourcing Of
Knowledge: Remodeling Absorptive Capacity
Marina Papanastassiou, Copenhagen Business School
Constantina Kottaridi, University of Peloponnese
Christos Pitelis, University of Cambridge
Dimitrios Thomakos, University of Peloponnese

We build on extant theory of the MNE, MNE subsidiaries, absorptive capacity
and Penrose's concept of 'productive opportunity' to develop a framework
on the MNE and Absorptive Capacity (AC) that allows us to explore the role
of subsidiaries in the global sourcing of knowledge. We develop and test
hypotheses using primary questionnaire-collected data. Our results support
the idea that subsidiaries' AC can be improved by the AC of the MNE group
and in turn may improve the performance of the subsidiaries and the group
as a whole.

Knowledge Creation In Context: Institutional Encouragement
And Firm Heterogeneity As Determinants Of Firm Knowledge
Creation
Sharon F Matusik, University of Colorado-Boulder
Desiree Pacheco, University of Colorado-Boulder

We bridge the literature on creativity with macroeconomic perspectives on
innovation to develop a multi-level theoretical model of how the institutional
context (at the country level) encourages the knowledge creation of firms.
Consistent with the creativity literature, we argue that informational institutional contexts have a positive effect on firm level knowledge creation.
We then propose that firm level characteristics (ability, technical and market
openness) moderate the relationship between institutional influences
and firm level knowledge creation. In so doing, we develop an integrated
theoretical model that, in contrast to macroeconomic research, considers
the heterogeneity of firms when assessing the influences of the institutional
environment on firm knowledge creation.

Factors Influencing The Creation Of Knowledge In Spanish
Subsidiaries Of Foreign Multinational Firms
Enrique Claver Cortés, University of Alicante
Patrocinio Zaragoza Sáez, University of Alicante
Diego Quez Ramón, University of Alicante

This paper explores the influence of certain factors upon the creation
of knowledge within a subsidiary of a multinational enterprise. Considering
the theory of knowledge and of multinational enterprises, a theoretical model
is developed and six working hypotheses are formulated, which are then
tested on a sample of 80 Spanish subsidiaries of foreign multinational firms
belonging to high technology- and knowledge-intensive sectors. The results
indicate that the creation of knowledge in subsidiaries is positively and
significantly influenced by their initiative, autonomy, internal environment
and their function as a centre of excellence. However, the hypotheses relating
a subsidiary's leadership and external network to creation of knowledge do
not seem to have an empirical support.

The Toyota Way Of Strategic Knowledge Creation In Emerging
Markets
Kazuo Ichijo, IMD/Hitotsubashi University
Florian Kohlbacher, Vienna University of Economics & Business
Administration/Hitotsubashi University

This proposal presents insights from two case studies of Toyota Motor
Corporation and its way of global knowledge creation. In 2004, Toyota
announced an initiative to increase the self-reliance of overseas manufacturing
facilities, especially in emerging markets. In 2005, Toyota Peugeot Citroën
Automobile, an international joint venture between Toyota and Peugeot in
Kolin, Czech Republic started the production of small compact vehicles in
order to react to the changing European customer market. We will show how
Toyota’s knowledge creation has changed from merely transferring knowledge
from Japan to subsidiaries abroad to a focus of creating knowledge in foreign
markets by local staff. Toyota's new strategy of 'learn local, act global' for
international business development proved successful for tapping rich local
knowledge bases, thus ensuring competitive edge.

Diversification And Performance: Evidence From International
Studies

Paper  Track G  Werfel

Session Chair: Samia Belaounia, Groupe ESC Rouen

Product Diversification And Corporate Financial Performance
Andreas Bausch, International University-Bremen
Fritjof Pils, International University-Bremen

The relationship between product diversification and financial performance
is fundamental to corporate strategizing. This paper reports and discusses the
results of a meta-analysis that is based on the relevant body of empiricism
and tests some of the most recent hypotheses from diversification research.
Findings suggest, amongst others, that portfolio (un)relatedness is stronger
correlated with performance than is degree of diversification and confirm that
related diversification is superior to unrelated diversification. Environmental
context is found to influence the diversification-performance relationship. No significant difference emerges comparing the effects of diversification on accounting- and on market-based performance. The meta-analysis comprises 65 independent samples from 60 studies with a total sample size of 13,841 empirical observations.

**Antecedents And Performance Effects Of Diversification In Business Groups**

Daphne Yiu, Chinese University-Hong Kong  
Garry D Bruton, Texas Christian University

Prior research on business groups has typically focused on a dichotomous classification of diversification - related versus unrelated. This research provides a richer understanding of business groups by: (1) identifying the institutional and economic antecedents to group diversification; (2) providing richer classifications of group diversification; and (3) examining the antecedents and performance implications of group diversification. Based on a sample of 234 Chinese business groups, we found that product related groups are driven mostly by economic factors while unrelated groups are driven solely by institutional factors. We also provide insights on the concept of institutional relatedness and found that both economic and institutional antecedents matter on the formation of institutionally related groups. Such groups, together with vertically related groups, outperformed unrelated groups in emerging markets.

**The Impact Of Shareholding Structure On The Diversification Strategies Of Large French Companies**

Denis Lacoste, Groupe ESC Toulouse  
Christophe Favoreu, Groupe ESC Toulouse  
Stephanie Lavigne, Groupe ESC Toulouse  
Eric Rigamonti, Groupe ESC Toulouse

The objective of this research is to test the relation between the shareholding structure of large French companies and their degree of diversification. The firms of the CAC 40 (the main French stock market index) were grouped according to two criteria: firstly, the power exercised by each type of shareholder (family, State, non-financial investors, institutional investors), and secondly, the degree and type of diversification. Two methods of statistical analysis were used, and they converged in showing the absence of any link within this sample between the nature of the shareholding structure and the diversification strategies of the companies.

**Internationalisation: A Moderating Or An Amplifying Factor On The 'Diversification-Performance' Link?**

Samia Belaounia, Groupe ESC Rouen

Since the beginning of the 1970s with Rumelt, many empirical studies have attempted to confirm the superiority of related diversification, based on the search for operational synergies. The ensuing contradictory results lead us to wonder about the degree of influence held by internationalisation over the ‘diversification-performance’ link, in a context where the diversification strategy is most commonly perceived in sectoral terms. This question has received very little attention in terms of empirical research. From a sample of industrial groups quoted on the CAC 40, the results show internationalisation to be a factor moderating the positive effect of product diversity on stock market performance. Furthermore, we observe that product diversity is only favourable to profitability for the lowest levels of the debt ratio, according the RBV of the ‘diversification-performance’ link.

**Expanding The RBV: A Look At The Dynamics Of Resources And Capabilities**

**Paper**  
**Track F**  
**Zweig**

**Session Chair: Thomas Ehrmann, University of Munster**

**Do Strategically Valuable Resources Shape Firm Performance? A Meta-Analysis**

Thomas R Crook, Northern Arizona University  
Samuel Y Todd, Georgia Southern University  
David J Ketchen, Auburn University

Resource-based Theory (RBT) has emerged as an influential theoretical perspective for explaining why some firms outperform others. Over the past fifteen years, dozens of studies have examined RBT’s central assertion that strategically valuable resources lead to high performance. However, competing theoretical perspectives and spirited criticisms have called the theory’s usefulness into question. In this proposal, we offer an approach to understanding RBT’s usefulness to managers. Specifically, we identified over 70 empirical studies whose findings will be aggregated via meta-analysis. Once the findings are meta-analyzed, the results will help take a step toward understanding the extent to which resources contribute to firm performance, and thus, the theory’s usefulness.

**Focusing On The Drivers Of The Resource-Based View: The Role Of Resource Sustainability And Capability Dynamism**

Danielle A Chmielowski, University of Melbourne  
Angela Paladino, University of Melbourne

The principal purpose of this research is to introduce the role of resource sustainability and capability dynamism as drivers of a resource orientation (which is used as a proxy for the implementation of the RBV in this study). We then examine these relationships under different market conditions (market turbulence and competitive intensity). While past research has shown the RBV to be robust under environmental turbulence; few studies have enabled us to empirically assess this. Our study shows that capability dynamism and resource sustainability are two of these characteristics that lead to a RO. Furthermore, these findings are robust across the two major market conditions examined, prompting further debate and research in this area.

**A System Dynamics Model Of Resource-Based Patent Management And Competition**

Joerg Freiling, University of Bremen  
Michael Wellin, University of Bremen

This paper deals with the peculiarities of patent management by referring to the resource-based view. Patent management of firms has an intensive and direct impact on the degree of competition in industries. Accordingly, the resource-based investigation should take both the firm and the industry level into account. The RBV allows to understand how patents evolve, how they lead to performance, and how they work as an isolating mechanism protecting knowledge advantages. Nevertheless the resource-based view is still confronted with the argument of tautological reasoning. This paper attempts to overcome this problem by modeling based on system dynamics. It turns out that the reinforcing and balancing loop structures of system dynamics explain the interplay of constructive and destructive forces of resource development more precisely.

**Dynamic Capabilities In Dynamic Markets: Insight From A Simulation Study**

Eugen Scheinker, University of Munster  
Thomas Ehrmann, University of Munster

In this article, we analyze the implications of the dynamic capabilities concept for dynamic markets. The use of a complex evolutionary model allows the illustration of intra-industrial competition as well as the integration of most diverse concepts having been developed over the last years such as dynamic capabilities and capability lifecycle. With recourse to simulation-based analyses, which are prepared using the mathematical concept of optimal control theory, we concretize the dynamic capabilities’ contribution and limitations as regards the development of competitive advantages in dynamic markets.
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