

WASHINGTON DC

OCT 11-14  
2009



# STRATEGIES IN AN UNCERTAIN WORLD

SMS 29TH ANNUAL  
INTERNATIONAL CONFERENCE

STRATEGIC MANAGEMENT SOCIETY  
29TH ANNUAL INTERNATIONAL CONFERENCE

## CONFERENCE PROGRAM

WASHINGTON, DC  
OCTOBER 11-14, 2009



Strategic Management Society

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Dear Colleagues:

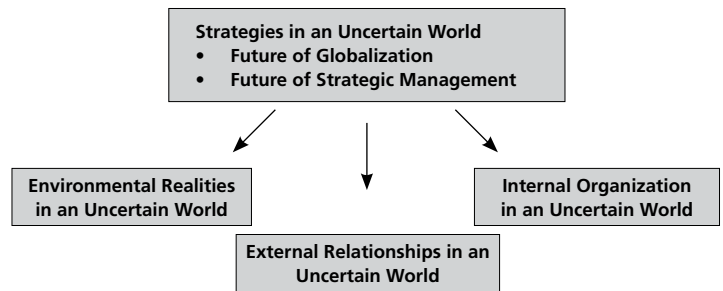
Early in 2008, we had no idea just how appropriate our theme title, *Strategies in an Uncertain World*, would be for the 29th Annual International Conference of the Strategic Management Society. We were aiming to find something that combined both of our interests and hit on this. This theme has turned out to be perfect, and we have an excellent program that was built from the 833 submitted proposals! Despite the challenging economic environment, the 2009 SMS Conference will be the largest one ever held in North America.

The main theme and the three subthemes support our model for the conference shown at right. Also they provide the context for the keynote plenaries, other plenaries and panels. We hope that you will find that the sessions encourage discussions about strategies for addressing uncertainty and the opportunities created by changes in the world. Global competition, financial uncertainties, development of emerging economies, corruption, and increasing world conflict, among many other changes in the world, have contributed substantial new uncertainties with which firms must contend in crafting strategies as well as executing strategies.

Many people were part of our team in putting the conference together. Besides the SMS leadership and SMS staff in Chicago, we had 11 track chairs, 7 Sunday Interest Group leaders, 2 teaching track chairs, 2 doctoral consortium organizers, and 3 supportive committees for various awards. In addition, this year we had the largest number of people ever who agreed to be reviewers: a total of 413 reviewers. We want to thank all of you for the efforts you have put into the conference to make it a success.

Here are a few highlights of the program:

- **Pankaj Ghemawat** (IESE) will offer a keynote address on the future of globalization.
- **Yves Doz** (INSEAD), **CK Prahalad** (Michigan) and **Mark Spelman** (Accenture) in the keynote plenary will address the future of strategy.
- **Mark Spelman**, **Robert Thomas**, and **Stephane Girod** of Accenture have a plenary session on global operating models of emerging market firms. **Srinivasa Addepalli** from Tata Communications and **Terry Kramer**, Vodafone, will join them as panelists.
- **VG Govindarajan** (Dartmouth) and **Beth Comstock**, Chief Marketing Officer at General Electric, offer a plenary session on innovation agendas at General Electric to tackle the challenges of globalization.
- **Michael Jacobides** (London Business School) and **Sidney Winter** (Pennsylvania) coordinate a plenary session on the meltdown of the financial system, with panelists including **Carliss Baldwin** (Harvard Business School), **Doug Duncan** (Chief Economist at Fannie Mae), **Takis Georgakopolous** (JPMorganChase), and **Alice Rivlin** (Brookings Institution).



The 2009 conference will also feature an innovation to the program. Four “Showcase Panels” will run in parallel to explore various facets of the conference theme of *Strategies in an Uncertain World*. In this year’s editors’ panel, **Richard Bettis** (North Carolina), **Michael Hitt** (Texas A&M), **Will Mitchell** (Duke), and **Ed Zajac** (Northwestern University) will reflect on the future of strategic management research. A second showcase panel will explore the topic of Ecosystem Innovation, featuring **John Camillus** (Pittsburgh), **Bala Chakravarthy** (IMD), and **Yves Doz** (INSEAD) as panelists. Strategic Renewal is the topic of another showcase panel, which includes **Steven Floyd** (St. Gallen), **Constance Helfat** (Dartmouth), **Christoph Lechner** (St. Gallen), **Margaret Peteraf** (Dartmouth), and **Henk Volberda** (Erasmus) as panelists. A final showcase panel aims to revitalize Corporate Portfolio Management as an instrument for strategic decision making and features **Dieter Heuskel** (BCG), **Michael Mirow** (Siemens), **Michael Nippa** (Freiburg), and **Harald Rubner** (BCG).

As in recent years, the conference offers a number of interesting sessions related to the SMS’ Teaching Initiative as well as many creative sessions on Sunday designed by the Interest Groups.

Washington is a wonderful city for the conference. Be sure not to miss Monday evening at the Smithsonian National Air and Space Museum. On Tuesday evening, there will be a reception sponsored by the Smith School at the University of Maryland.

We thank you for joining us for this international conference, and we give special thanks to all the track chairs, the reviewers, the session chairs, the SMS board and the team at the SMS Executive Office. Also we thank SAMS, Accenture and the University of Maryland for their sponsorship of the conference. Because of all of your efforts, the conference program is very rich with exciting papers and events. Thank you very much.

Marjorie Lyles  
Indiana University  
Conference Program Co-Chair

Jeffrey Reuer  
Purdue University  
Conference Program Co-Chair

Dear Conference Participant:

We bid you a warm welcome and are very pleased to have you with us for this 29th Annual Meeting of the Strategic Management Society here in Washington DC to talk about Strategies in an Uncertain World. Neither the location nor the theme of the conference could be more appropriate for the times in which we live. In many ways, though, this year 2009 has been a pleasant surprise for our organization thus far. We had braced for damaging fallout from the global economic crisis, but instead have record numbers in membership and attendees at our conference. SMS is on the move and we believe you will find that reflected in a stimulating and enjoyable program with a broad spectrum of sessions on critically important topics in strategic management and current research. Our Interest Groups have done an excellent job of evaluating and selecting the best proposals for presentation at the conference. Our Program Co-Chairs, Marjorie Lyles and Jeff Reuer, have developed a set of interesting and exciting plenary sessions to complement the parallel program sessions.



In addition to the presentation and discussion of research and current topics, we will make several awards during the conference and invite you to celebrate the winners with us during the Awards Luncheon on Tuesday. Besides recognition for outstanding submissions to this event through the SMS Best Conference Paper Prize, the SMS Best Conference Paper Prize for Practice Implications and the SMS Best Conference PhD Paper Prize, we will be honoring the recipients of the Dan and Mary Lou Schendel Best Paper Award (SMJ) and the 2009 Emerging Scholar Award during this event.

Our Society has a whole host of other exciting developments that we want to share with you as well. In addition to our two journals, the Strategic Management Journal and the Strategic Entrepreneurship Journal, which are very healthy with an increasing number of submissions and the publication of significant research, we are launching a third journal, the Global Strategy Journal. Similar to the start of the SEJ some two years ago, we will begin with a first volume of invited contributions that will define the domain of this new journal. Please find more information about this new journal in your registration packages and on our website.

We also have made tremendous strides in the operating launch of the Strategy Research Foundation and foresee that the first research grants will be awarded in 2010. This charitable and independent organization will be funded from journal royalties and through an investment the SMS will make, as well as through fund raising efforts the Foundation will undertake as part of its charter. We will share more information about this during the conference and invite you to become an active participant in this exciting new venture.

On these and a number of other activities of the Society for which there is no room here to report, we invite you to stay informed through the SMS websites.

We hope that you have an enlightening and enjoyable conference in the beautiful city of Washington!

Joan E. Ricart  
President

Nikolaus Pelka  
Executive Director



**A Professional Society for the Advancement of Strategic Management**

The Strategic Management Society (SMS) is unique in bringing together the worlds of reflective practice and thoughtful scholarship. The Society consists of more than 2,500 members representing a kaleidoscope of backgrounds and perspectives from more than 65 different countries. Membership, composed of academics, business practitioners, and consultants, focuses on the development and dissemination of insights on the strategic management process, as well as on fostering contacts and interchange around the world.

As an organization that depends upon volunteer help from its members, the SMS is interested in anyone who wants to make a contribution to the field through the various activities of the SMS.

**MEETINGS**

The SMS holds an annual meeting at various sites around the world, typically alternating between North America and Europe; some past locations included Amsterdam, Baltimore, Barcelona, Berlin, Boston, Chicago, London, Mexico City, Montreal, Orlando, Paris, Philadelphia, Phoenix, San Francisco, San Juan, Singapore, Stockholm, Toronto, Vancouver, Vienna, San Diego and most recently Cologne, Germany.

Each conference addresses a current theme, with specific tracks addressing sub-themes, and presents multiple sessions by leading experts in the field from around the world. The SMS has responded to membership interest in special topics through its introduction of a series of smaller, regionally based meetings addressing more specific industry or subject themes. Conferences have taken place in such places as Buenos Aires, Catania, Shanghai and in December 2008 Hyderabad, India.

**HISTORY**

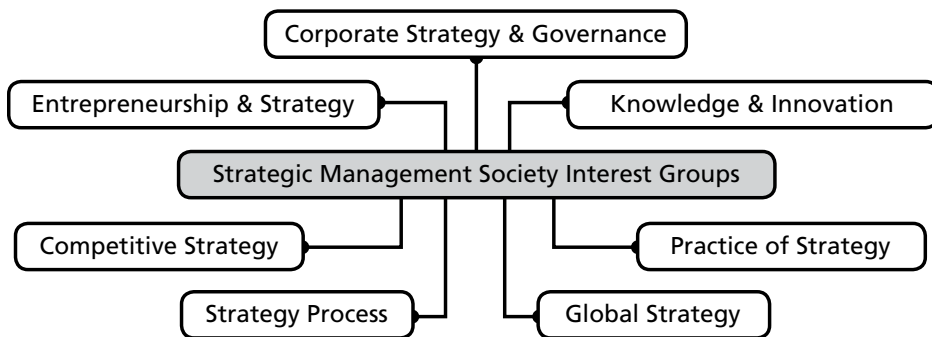
The Strategic Management Society was founded at an initial meeting in London in 1981, founding officers were elected on a second conference held in Montreal in 1982, and the founding constitution was drawn and approved at the third meeting in Paris in 1983. There were 459 original founding members of the society.

**PUBLICATIONS**

The Strategic Management Society is proud to be involved with Wiley & Blackwell in the publication of leading journals and innovative books, which for more than 25 years have been vital tools for the benefit of researchers and practitioners in the field.

The Strategic Management Journal (SMJ) has since its inception in 1980 been the official journal of the Strategic Management Society. This A journal is consistently rated one of the top publications in the management area. We have recently launched a new quarterly journal, the Strategic Entrepreneurship Journal. The intent is for the SEJ to also soon become a Class A journal and for it to promote the development and dissemination of advances in the field by maintaining the highest standards of intellectual thought combined with practical relevance, just as its sister publication, the SMJ has done for many years.

The SMS Book Series focuses on cutting edge concepts/topics in strategic management theory and practice. The books emphasize building and maintaining bridges between theory and practice. They generate and test theories of strategic management and demonstrate how to learn, understand and apply these theories in practice.



**SMS INTEREST GROUPS (IG)** The primary purpose of the Interest Groups within the SMS 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. Each Interest Group recognizes a major, individual stream of practice and research interest, and intends to serve the needs of members with special interests in this stream of work. Members of the SMS can elect to join up to two Groups of their choice.





**Joan E Ricart**  
*IESE-University of Navarra*  
President

**Irene Duhaime**  
*Georgia State University*



**Jay Barney**  
*Ohio State University*  
President-Elect

**Steven Floyd**  
*University of St. Gallen*



**Michael Hitt**  
*Texas A&M University*  
Past President

**Robert Hoskisson**  
*Arizona State University*



**Dan Schendel**  
*Purdue University*  
Treasurer

**Robert Burgelman**  
*Stanford University*



**Nikolaus Pelka**  
*Strategic Management Society*  
Executive Director

**Xavier Martin**  
*Tilburg University*



**Margarethe Wiersema**  
*University of California-Irvine*



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, common ground, or panel sessions split into overlapping clusters of topical themes:

## Conference Theme Tracks

- A – Environmental Realities**
- B – External Relationships**
- C – Internal Organization**
- D – General**

## Interest Group Tracks

- E – Competitive Strategy**
- F – Corporate Strategy and Governance**
- G – Global Strategy**
- H – Strategy Process**
- I – Knowledge and Innovation**
- J – The Practice of Strategy**
- K – Entrepreneurship & Strategy**
- T – Teaching Initiative Track**

It is the primary objective of the SMS conference to provide opportunities for discussion and development of the latest research ideas in strategy. This is consistent with the practice of evaluating proposals rather than finished papers. In this spirit of discussion and development, we work with two session formats for proposal presentations:

## Common Ground Sessions

The “Common Ground” sessions provide an improved opportunity for authors and audience members to interact more directly around a number of papers in a related theme.

- For the Washington, D.C Conference we are planning a total of 32 common ground sessions, each will be 1 hour 15 minutes.
- A common ground session is constituted of at least one author of the 5-6 proposals, a facilitator, and audience members. The facilitator is not an author on one of the proposals.
- The Common Ground sessions will be chaired and facilitated by known scholars in the session’s topic. It is the responsibility of these facilitators to allocate time among participants and lead a productive discussion.
- We have integrated common ground sessions fully into the regular program, where they will run parallel with paper sessions throughout Monday, Tuesday and Wednesday.
- To ensure sufficient time for interaction, the facilitator will ask for an initial 3-4 minutes summary presentation of a presenter’s study focusing only on the main motivations and findings of each paper. We want the time to be structured as a conversation (i.e., short interventions, highly interactive), not as a sequence of monologues.
- Projectors or PowerPoint presentations will not be used. Flipcharts will be available in each room to facilitate visual discussion. Authors, however, were encouraged to make available for download or bring to the session a one-page summary.

## Paper Sessions

The traditional Paper Sessions provide an opportunity for authors to present their research in a comprehensive fashion and aided by multimedia equipment, followed by interaction between authors and audience on a number of papers in a related theme.

- For the Washington, D.C Conference we are planning a total of 81 paper sessions, each will be 1 hour 15 minutes.
- A paper session is constituted of at least one author of 3-4 proposals, a session chair, and audience members. Often times, the session chair will be one of the presenting authors.
- Each presenting author will have 12-15 minutes for their presentation, depending on the number of presentations within the session. The remaining time will be used for discussion.
- Each session room will have a LCD projector available.
- Presenters were invited to upload their presentation handout and make it available for download to other conference attendees.



## 1981 LONDON

Global Strategic Management in the 1980's  
*Program Chairs: Derek Channon & Hugh Parker*

## 1982 MONTREAL

Exploring the Strategy-Making Process  
*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*

## 1994 PARIS

Strategy Styles: Management Systems, Types and Paradigms  
*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*

## 2000 VANCOUVER

Strategy in the Entrepreneurial Millennium: New Winners, New Business Models, New Voices  
*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: Richard 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 SAN JUAN

Strategic Balance: Driving Innovation And Maintaining Performance  
*Program Co-Chairs: Patricia Gorman Clifford & Steven Floyd*

## 2005 ORLANDO

Strategic Management: Achievements And Opportunities  
*Program Co-Chairs: Irene Duhaime & Carl W Stern*  
*Associate Chair: Javier Gimeno*

## 2006 VIENNA

Strategy and Governance in a World of Institutional Change  
*Program Co-Chairs: Javier Gimeno & Jens Schaedler*  
*Associate Chair: Peter Ring*

## 2007 SAN DIEGO

The Challenges of Non-Market Influences on Market Strategies  
*Program Chair: Peter Ring*  
*Associate Chair: Thomas Mellewig*

## 2008 COLOGNE

How Does Knowledge Matter?  
*Program Chairs: Thomas Mellewig & Bolko von Oetinger*



All award winners will be announced and recognized during the Tuesday Awards Luncheon. Visit the SMS Website ([www.strategicmanagement.net](http://www.strategicmanagement.net)) for a complete list of past winners.

## Dan and Mary Lou Schendel Best Paper Prize

In 1993, some thirteen years after the Strategic Management Journal was launched, an annual best paper prize was established by co-sponsors John Wiley & Sons and the Strategic Management Society to honor substantial work published in the SMJ. The award was renamed to its current title in 2007 honoring the contributions of Dan and Mary Lou Schendel to the SMJ. The award is for a paper published five or more years prior to teaching, and/or practice. Once eligible, a paper remains eligible until selected as the best paper. Continued eligibility allows recognition to be made for those insights and findings that sometimes occur before their time and only become widely recognized as significant until other work is published. Authors of the winning paper receive a monetary award of US\$ 5,000.

## SMS Emerging Scholar Award

Inaugurated in 2007, the prize is awarded annually to a relatively young or new scholar, who displays exemplary scholarship in research, education and related academic activities that seek to improve current strategic management practice. The criteria for this award recognizes a portfolio of work that suggests the candidate will make fundamental contributions to the way we think about knowledge essential to achieving durable organizational success. Eligible to be nominated are members of the SMS. The likely winner of the award will be under the age of 40 with at least 5 years since his/her PhD, and have a record of publications and professional activity that has demonstrated their work to be significant and with impact. The recipient of this Award will receive US\$ 5,000 and has the opportunity to present his or her research at the SMS Annual International Conference.

## 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. Nominated authors are invited to submit a full version of their submitted proposal. The papers are reviewed and up to 10 finalists are named prior to the conference. Decisions are mainly based on the soundness of the conceptual development, the originality and application of the appropriate methodology. The prize for the best conference paper consists of a US\$ 1,500 award. In addition, four other papers receive Honorable Mention prizes consisting of a US\$750 award.

## SMS Best Conference Paper Prize for Practice Implications

This award was inaugurated following the initiative of the Practice of Strategy Interest Group. Nominated authors are invited to submit a full version of their submitted proposal for consideration by the committee. These papers are reviewed and 5 finalists are named prior to the conference. The primary criterion for this prize is practitioner relevance. At the margin some weigh may also be given to practitioner (co-) authorship or research sponsorship and funding. The prize for the best conference paper for practice implications consists of a US \$1,000 award.

## SMS Best Conference PhD Paper Prize

The SMS with the initial support from the consulting firm Booz Allen Hamilton created this award in 2000 in recognition of a PhD candidate's presentation of an outstanding paper at the SMS Annual International Conference. The award is granted to PhD candidates, who are the primary authors of an accepted proposal for the conference. All qualifying authors have been invited to submit a full version of their paper for consideration by a review committee in this competition. Five winners are honored as SMS Best Conference PhD Paper Prize recipients and will receive awards of US\$ 1,500 each.

## Friend of the SMS



To distinguish those who have contributed over the years and have become pillars of our Society, in 2006 the recognition as Friend of the SMS was introduced to the conference. Recognized are conference attendees, who either have been SMS members for 20 or more years, attended 10 or more annual conferences, served as a program chair of a past conference, served as a Board member of the Society, or have been elected to the Fellows Group within the SMS.

As a sign of recognition and appreciation, a golden SMS logo is added to the conference name badges of these individuals. The names of the Friends of the SMS are also displayed during the program intermissions on the projections screens of the plenary hall at the conference.



## ★ SMS BEST CONFERENCE PAPER PRIZE

The following ten papers have been selected as finalists out of 48 nominated papers for this award. You will find these papers indicated throughout the program. The winning paper and four honorable mentions will be announced at the Tuesday Awards Luncheon.

### MONDAY

TRACK H | SESSION 155 | 12:45-14:00

**An Emotion Based Account of Strategy Implementation Success**

*Aramburu Goya, University of Deusto*

*Rune Lines, Norwegian School of Economics & Business Administration*

*Olga Rivera, University of Deusto*

*Josune Saenz, University of Deusto*

### MONDAY

TRACK E | SESSION 149 | 15:45-17:00

**How Capital Budgeting Differs as Uncertainty and Controversy Vary: Bridging Bower and Brealey & Myers**

*Richard Burton, Duke University*

*Hyoung-Goo Kang, Ewha Womans University*

*Will Mitchell, Duke University*

### MONDAY

TRACK C | SESSION 175 | 17:15-18:30

**Growth and Divestiture in a Recession: Evidence from Emerging Markets in East Asia**

*Abhirup Chakrabarti, McGill University*

### TUESDAY

TRACK C | SESSION 176 | 10:00-11:15

**Growth Rings: Patterns of Resource Bundle Emergence and Dynamics in New Ventures**

*Renee Rottner, University of California-Irvine*

### TUESDAY

TRACK C | SESSION 178 | 14:30-15:45

**Some Animals are More Equal Than Others: What Makes Strategic Initiatives Survive the Firm's Internal Selection Environment?**

*Steven Floyd, University of St. Gallen*

*Oliver Gassmann, University of St Gallen*

*Marcus Matthias Keupp, University of St Gallen*

### TUESDAY

TRACK G | SESSION 141 | 14:30-15:45

**Immigrant Agglomeration, Firm Heterogeneity, and FDI Location Choice: Evidence From the United States**

*Exequiel Hernandez, University of Minnesota*

### WEDNESDAY

TRACK B | SESSION 130 | 11:30-12:45

**Social Capital, Knowledge Transfer, and Outcomes: Meta-Analytic Evidence on a Moderated Mediation Model**

*Justin Jansen, Erasmus University-Rotterdam*

*Marjorie Lyles, Indiana University*

*Raymond Van Wijk, Erasmus University-Rotterdam*

### WEDNESDAY

TRACK F | SESSION 196 | 11:30-12:45

**Group Polarization on Corporate Boards: Theory and Evidence on Board Decisions About Acquisition Premiums**

*Hongquan Zhu, Arizona State University*

### WEDNESDAY

TRACK K | SESSION 104 | 11:30-12:45

**Employee Mobility, Employee Entrepreneurship and the Effects on Parent Firm Performance**

*Rajshree Agarwal, University of Illinois-Urbana Champaign*

*Benjamin Campbell, Ohio State University*

*April Franco, University of Toronto*

*Martin Ganco, University of Illinois-Urbana Champaign*

### WEDNESDAY

TRACK K | SESSION 104 | 11:30-12:45

**The Influence of Technological Interdependence on Employee Entrepreneurship and Mobility: Evidence from the Semiconductor Industry**

*Martin Ganco, University of Illinois-Urbana Champaign*

## SMS BEST CONFERENCE PAPER FOR PRACTICE IMPLICATIONS AWARD

The following five papers have been selected as finalists out of all nominated papers for this award. You will find these five papers indicated throughout the program. The winning paper will be announced at the Tuesday Awards Luncheon.

### MONDAY

TRACK J | SESSION 122 | 12:45-14:00

**Strategists in an Uncertain World**

**Christophe Torset**, *National Arts and Business Conservatory*

**Stephanie Dameron**, *University of Paris-Dauphine*

### TUESDAY

TRACK G | SESSION 141 | 14:30-15:45

**Immigrant Agglomeration, Firm Heterogeneity, and FDI Location Choice: Evidence From the United States**

**Exequiel Hernandez**, *University of Minnesota*

### MONDAY

TRACK G | SESSION 142 | 17:15-18:30

**An Offer You Cannot Refuse?: Organized Crime and Multinational Companies**

**Alvaro Cuervo-Cazurra**, *University of South Carolina*

### TUESDAY

TRACK C | SESSION 178 | 14:30-15:45

**Do Incumbents Really Fail to Innovate? The Role of Exploratory Search and Structural Contexts**

**Alexander Zimmermann**, *University of St Gallen*

**Sebastian Raisch**, *University of St Gallen*

### TUESDAY

TRACK B | SESSION 124 | 10:00-11:15

**Licensing as a Source of Financing**

**M. Isabella Leone**, *LUISS Guido Carli University*

**Raffaele Oriani**, *LUISS Guido Carli University*

## SMS EMERGING SCHOLAR AWARD 2009

The recipient of the 2009 SMS Emerging Scholar Award presents and discusses current research.

### TUESDAY

TRACK E | SESSION 236 | 10:00-11:15

**Future Research Directions in Computational Modeling in Strategy**

#### Session Chair

**Michael Lenox**, *University of Virginia*

#### Panelists

**Ramon Casadesus-Masanell**, *Harvard University*

**Scott Rockart**, *Duke University*

**Michael Ryall**, *University of Toronto*

**Sidney Winter**, *University of Pennsylvania*



## ✿ SMS BEST CONFERENCE PHD PAPER

The following 9 papers have been selected as finalists from 57 submitted for this award competition. You will find these papers indicated throughout the program. The five winning papers will be announced at the Tuesday Awards Luncheon.

### MONDAY

TRACK A | SESSION 188 | 12:45-14:00

**Institutions, Entrepreneurship and the Adoption of Voluntary Standards: Evidence from the Green Building Industry**

Jeffrey York, *University of Virginia*  
Michael Lenox, *University of Virginia*

### TUESDAY

TRACK F | SESSION 226 | 14:30-15:45

**An Integrated Perspective on Corporate Scope, Structural Complexity, and Corporate Divestment**

Joe Beck, *University of California-Irvine*  
Margarethe Wiersema, *University of California-Irvine*

### TUESDAY

TRACK C | SESSION 176 | 10:00-11:15

**Growth Rings: Patterns of Resource Bundle Emergence and Dynamics in New Ventures**

Renee Rottner, *University of California-Irvine*

### TUESDAY

TRACK G | SESSION 141 | 14:30-15:45

**Immigrant Agglomeration, Firm Heterogeneity, and FDI Location Choice: Evidence From the United States**

Exequiel Hernandez, *University of Minnesota*

### TUESDAY

TRACK B | SESSION 127 | 11:30-12:45

**The Choice of Project Team Structure in R&D Alliances: The Antecedents of Project Team Complexity**

Mahmut N. Ozdemir, *Erasmus University-Rotterdam*  
Jan Van den Ende, *Erasmus University-Rotterdam*

### WEDNESDAY

TRACK F | SESSION 125 | 11:30-12:45

**Do Opposites Attract? An Industry-dyad Perspective of the Effect of Environmental Uncertainty on Diversification**

Jason Park, *University of Pittsburgh*  
Ravi Madhavan, *University of Pittsburgh*

### TUESDAY

TRACK E | SESSION 165 | 11:30-12:45

**Knowledge Sharing and Ambidexterity in Self-Managing Teams: A Multi-Level Analysis of Team and Individual Characteristics**

Michiel Tempelaar, *Erasmus University-Rotterdam*  
Justin Jansen, *Erasmus University-Rotterdam*

### WEDNESDAY

TRACK K | SESSION 104 | 11:30-12:45

**The Influence of Technological Interdependence on Employee Entrepreneurship and Mobility: Evidence from the Semiconductor Industry**

Martin Ganco, *University of Illinois-Urbana Champaign*

### TUESDAY

TRACK B | SESSION 128 | 14:30-15:45

**The Liability of Connectedness: Mortality Rates in Interorganizational Networks**

Maud Pindard-Lejarraga, *University Carlos III-Madrid*  
Isabel Gutierrez, *University Carlos III-Madrid*

## Recommended Dress

Business casual attire is recommended for all conference sessions.

## Monday Evening Event

Our conference will take you on a walk through the history of aviations and space during our private dinner and museum viewing at the National Air & Space Museum. The dress for this event is business casual & nametags are required for entrance to the museum.

## Name Badges

Name badges must be worn by attendees, guests and exhibitors at all times. Your name badge will be your ticket to luncheons and evening events. Access to these functions will be denied if you are without your name badge.

## 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.

## No Smoking Policy

In consideration of all attendees, we request that there be no smoking during all sessions and meal functions. Please note that the entire hotel is non-smoking. There is smoking allowed only outside the hotel.

## Exchange of Handouts and Presentations

Upload and download functionality is available on the conference website and we have invited presenters to make their handouts and presentations available through this mechanism. If presenters have accepted this invitation, you will find a download button next to the presentation on the particular session page of the conference website.

## Internet Café

An Internet Café will be available in the registration area. The Internet Café will be open from 13:00-18:00h on Sunday and 08:00-18:00h Monday and Tuesday and 08:00-14:00h on Wednesday.

## Speaker Ready Room

Located in Meeting Room 19 on Ballroom Level. The Speaker Ready Room will be provided for speakers to prepare for their presentations. The Room will be will be open from 08:00 – 18:00h on Monday and Tuesday, and 08:00 – 11:00h on Wednesday.

## The Business Center

There is a full service Fed Ex/Kinkos located on the Ballroom Level of the Hotel. They are open daily from 07:00-17:00.

# SMS 30TH ANNUAL INTERNATIONAL CONFERENCE



# ROME

SEPTEMBER 12-15, 2010

## SAVE THE DATE

### Strategic Management at the Crossroads

**PROGRAM CO-CHAIRS**

<b>Giovanni Battista Dagnino</b> Rosario Faraci University of Catania	<b>Gianmario Verona</b> Maurizio Zollo Bocconi University
---	---

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The individuals listed below worked with this year's Program Co-Chairs, Marjorie Lyles and Jeffrey Reuer, to select the proposals and compose the sessions for the different conference tracks, pre-conference sessions and awards. We appreciate and gratefully recognize the tremendous amount of time and effort spent making this a successful event.

Bjoern Ambos  
Véronique Ambrosini  
Duncan Angwin  
Africa Ariño  
Mason A Carpenter  
David Deeds  
Paul Friga

Anil Gupta  
Idie Kesner  
Dovev Lavie  
Christoph Lechner  
Michael Leiblein  
Joseph Mahoney  
Cathy Maritan

Sharon Matusik  
William Newbury  
Robert Nixon  
Sotirios Paroutis  
MB Sarkar  
Gianmario Verona  
Henk Volberda

Margarethe Wiersema  
Robert Wiseman  
Bill Wooldridge  
Maurizio Zollo

The Strategic Management Society sincerely thanks and gratefully recognizes the time and effort of the following persons who served as reviewers for the SMS 29th Annual International Conference.

Tunji Adegbesan  
Rajshree Agarwal  
Sascha Albers  
Todd Alessandri  
Alexander Alexiev  
Luís Almeida Costa  
Sharon Alvarez  
Tina Claudia Ambos  
Torben Juul Andersen  
Shahzad Ansari  
Asli Musaoglu Arikan  
Jean-Luc Arregle  
Mathias Arrfelt  
Kazuhiro Asakawa  
David Audretsch  
Norbert Bach  
Daniela Baglieri  
Manuel Becerra  
Lars Bengtsson  
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Daniela Blettner  
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Mary Yoko Brannen  
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Andrea Lipparini  
Andy Lockett  
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Mona Makhija  
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Akbar Zaheer  
Shaker Zahra  
Hossam Zeitoun  
Yan Zhang  
Giuseppe Zollo  
Christoph Zott

## SUNDAY, OCTOBER 11, 2009

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- 08:00 – 20:00 Conference Registration Open
- 10:00 – 11:30 Parallel Interest Group Session I
- 11:30 – 13:00 Lunch
- 13:00 – 14:30 Parallel Interest Group Session II
- 14:30 – 15:00 Coffee Break
- 15:00 – 16:30 Parallel Interest Group Session III
- 16:00 – 18:30 Exhibits Setup
- 16:30 – 17:30 Interest Group Meetings
- 17:30 – 18:30 Interest Group Officers Meeting
- 18:45 – 19:30 SMS Business Meeting
- 19:00 – 21:00 Opening Reception

## MONDAY, OCTOBER 12, 2009

---

- 07:30 – 18:00 Conference Registration Open
- 07:30 – 18:00 Exhibits Open
- 08:30 – 09:00 Program Chair Welcome
- 09:00 – 10:00 Keynote Speaker: Future of Globalization: Pankaj Ghemawat (IESE)
- 10:00 – 10:30 Coffee Break
- 10:30 – 11:30 Keynote Plenary Panel: Future of Strategy: Yves Doz (INSEAD), C.K. Prahalad (University of Michigan) & Mark Spelman (Accenture)
- 11:45 – 12:45 Luncheon
- 12:45 – 14:00 Parallel Paper/Common Ground/ Panel Sessions
- 14:15 – 15:15 Plenary Panel: Operating Models for Competing in a Multi-Polar World
- 15:15 – 15:45 Coffee Break
- 15:45 – 17:00 Parallel Paper/Common Ground/ Panel Sessions
- 17:15 – 18:30 Parallel Paper/Common Ground/ Panel Sessions
- 19:30 – 22:30 SMS Monday Night Event at the National Air & Space Museum  
\*Shuttles leave hotel beginning 19:00 (7pm)

## TUESDAY, OCTOBER 13, 2009

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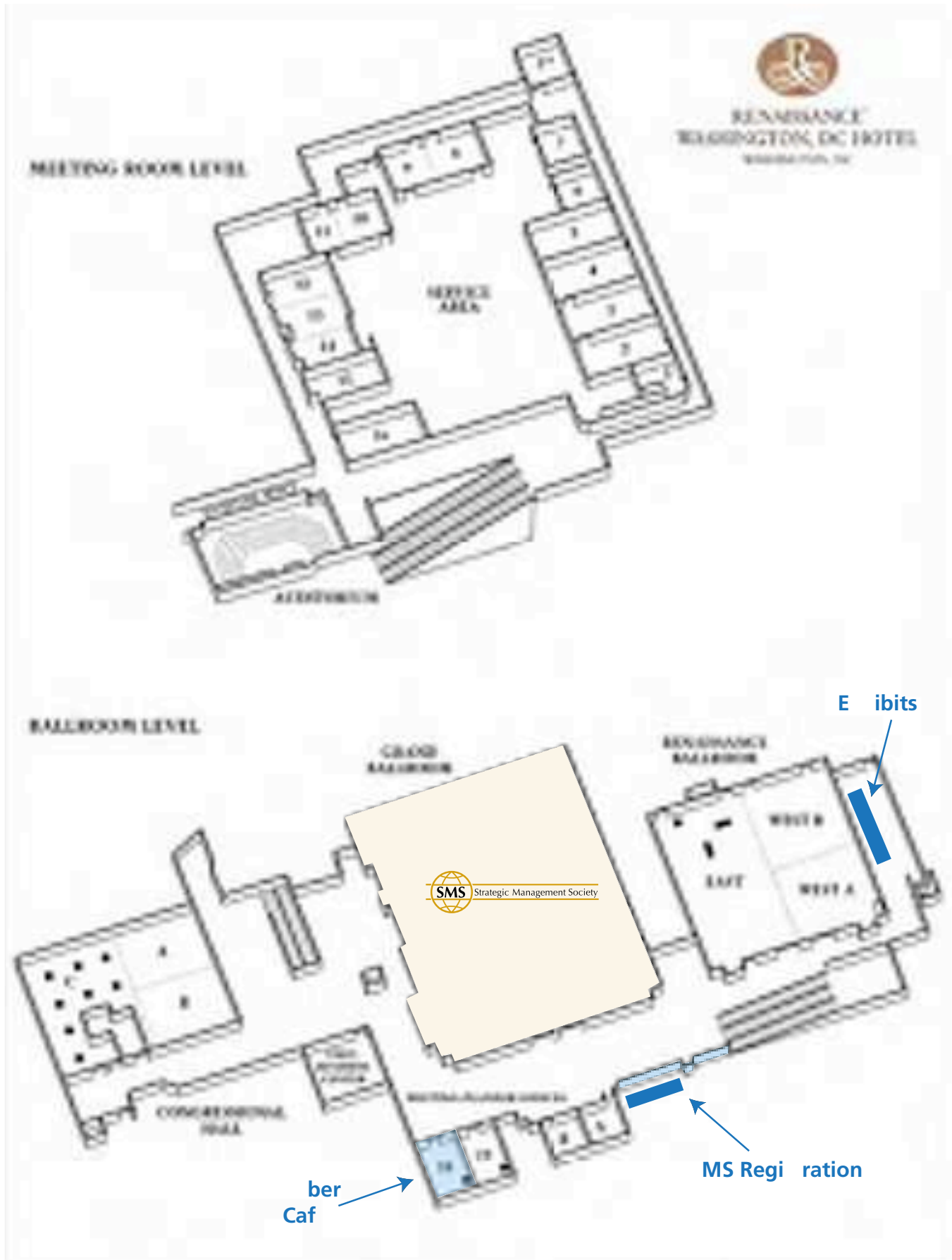
- 07:30 – 18:00 Conference Registration Open
- 07:30 – 18:00 Exhibits Open
- 08:30 – 09:30 Plenary Panel: Innovation Agendas at General Electric
- 09:30 – 10:00 Coffee Break
- 10:00 – 11:15 Parallel Paper/Common Ground/ Panel Sessions
- 11:30 – 12:45 Parallel Paper/Common Ground/ Panel Sessions
- 12:45 – 14:30 Awards Luncheon
- 14:30 – 15:45 Parallel Paper/Common Ground/ Panel Sessions
- 15:45 – 16:15 Coffee Break
- 16:15 – 17:30 Plenary Panel: Showcase Panels
- 18:30 – 19:30 SMS Cocktail Reception: Sponsored by University of Maryland
- 19:30 – Evening on Your Own

## WEDNESDAY, OCTOBER 14, 2009

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- 07:30 – 11:00 Conference Registration Open
- 07:30 – 11:00 Exhibits Open
- 08:00 – 09:30 Plenary Panel: Meltdown of the Financial System
- 09:30 – 10:00 Coffee Break
- 10:00 – 11:15 Parallel Paper/Common Ground/ Panel Sessions
- 11:30 – 12:45 Parallel Paper/Common Ground/ Panel Sessions

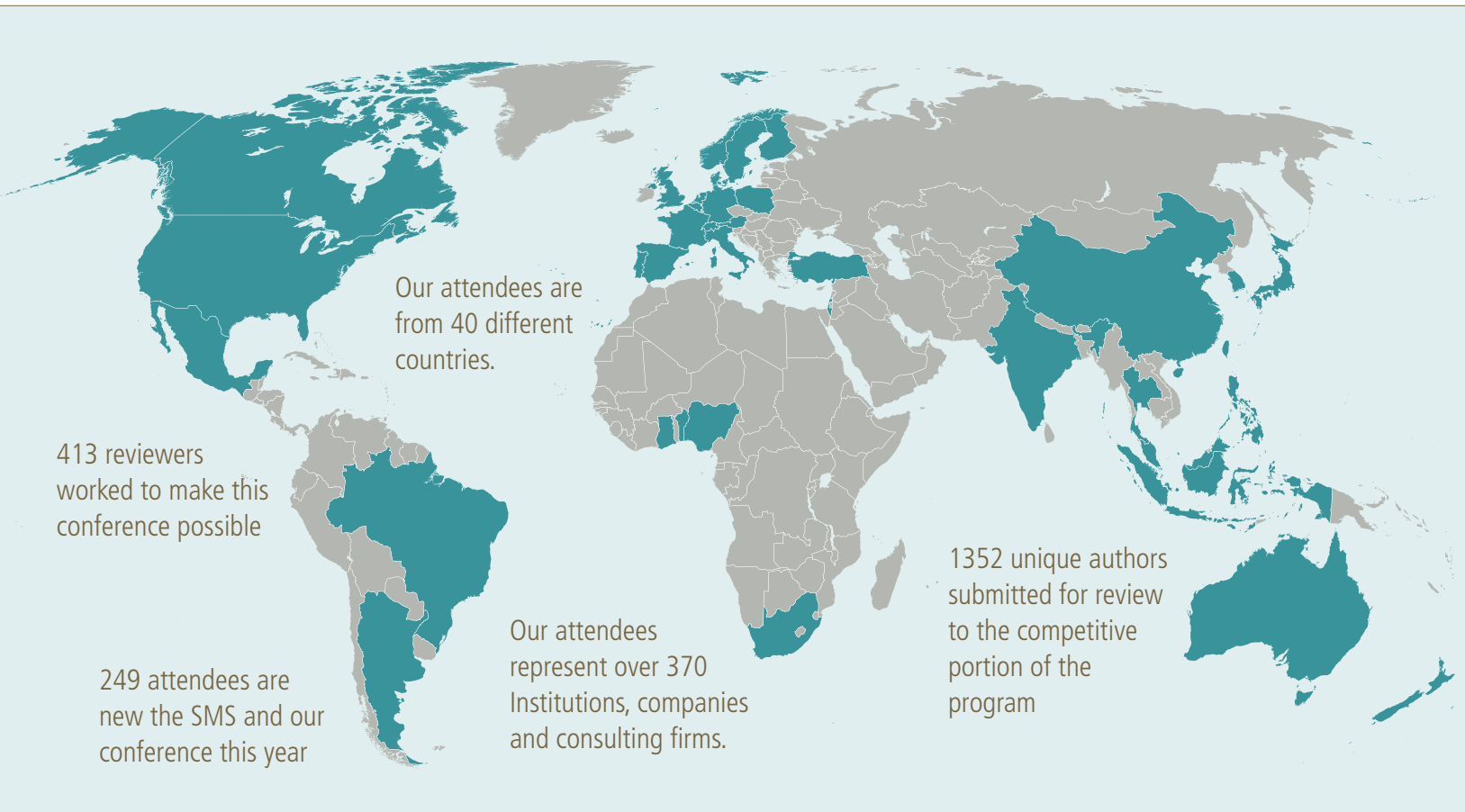






# REGISTERED ATTENDEES DISTRIBUTION

The countries printed in blue indicate the geographical distribution of this year's conference attendees. All data as of September 23rd, 2009.



CONFERENCE STATISTICS		SMS 2009 ATTENDEES BY REGION				
<b>Total number of competitive sessions</b>		<b>Conference Attendees By Region</b>		<b>Conference Presenters By Region</b>		
Paper	81	North America	397	47%	276	45%
Common Ground	32	Europe	322	39%	268	44%
Panel	5	Asia	62	7%	41	7%
<b>Total number of non-competitive sessions</b>		Australia/New Zealand	30	4%	16	3%
Interest Group	20	Africa	6	1%	1	>1%
Teaching Track	6	Latin America	7	1%	5	>1%
Showcase Panels	4	Middle East	8	1%	4	>1%
Plenaries and Keynotes	5		<u>832</u>		<u>611</u>	



<b>SUNDAY, OCTOBER 11, 2009</b>				
10:00 – 11:30	Interest Group Session I	SESSION	ROOM	PAGE #
11:30 – 13:00	<b>Lunch</b>			
13:00 – 14:30	Interest Group Session II	SESSION	ROOM	PAGE #
14:30 – 15:00	<b>Coffee Break</b>			
15:00 – 16:30	Interest Group Session III	SESSION	ROOM	PAGE #
16:30 – 17:30	<b>Interest Group Meetings</b>			
17:30 – 18:30	<b>Interest Group Officers Meeting</b>			
18:45 – 19:30	<b>SMS Business Meeting</b>			
19:00 – 21:00	<b>Opening Reception</b>			

<b>MONDAY, OCTOBER 12, 2009</b>				
08:30 – 09:00	<b>Program Chair Welcome</b>			
09:00 – 10:00	<b>Keynote Speaker: Pankaj Ghemawat (IESE)</b>			
10:00 – 10:30	<b>Coffee Break</b>			
10:30 – 11:30	<b>Keynote Plenary Panel: The Future of Strategy</b> <i>Yves Doz (INSEAD), C.K. Prahalad (University of Michigan) &amp; Mark Spelman (Accenture)</i>			
11:45 – 12:45	<b>Luncheon</b>			
12:45 – 14:00	Parallel Paper/ Common Ground/ Panel Sessions	SESSION	ROOM	PAGE #
14:15 – 15:15	<b>Plenary Panel: Operating Models for Competing in a Multi-Polar World</b>			
15:15 – 15:45	<b>Coffee Break</b>			
15:45 – 17:00	Parallel Paper/ Common Ground/ Panel Sessions	SESSION	ROOM	PAGE #
17:15 – 18:30	Parallel Paper/ Common Ground/ Panel Sessions	SESSION	ROOM	PAGE #
19:30 – 22:30	<b>SMS Monday Night Event at the National Air &amp; Space Museum</b>			

<b>TUESDAY, OCTOBER 13, 2009</b>			
<b>08:30 – 09:30</b>	<b>Plenary Panel: Innovation Agendas at General Electric</b>		
<b>09:30 – 10:00</b>	<b>Coffee Break</b>		
<b>10:00 – 11:15</b>	Parallel Paper/ Common Ground/ Panel Sessions	SESSION	PAGE #
<b>11:30 – 12:45</b>	Parallel Paper/ Common Ground/ Panel Sessions	SESSION	PAGE #
<b>12:45 – 14:30</b>	<b>Awards Luncheon</b>		
<b>14:30 – 15:45</b>	Parallel Paper/ Common Ground/ Panel Sessions	SESSION	PAGE #
<b>15:45 – 16:15</b>	<b>Coffee Break</b>		
<b>16:15 – 17:30</b>	<b>Showcase Panels</b>		
<b>18:30 – 19:30</b>	<b>SMS Cocktail Reception: Sponsored by University of Maryland</b>		
<b>19:30 –</b>	<b>Evening on Your Own</b>		

<b>WEDNESDAY, OCTOBER 14, 2009</b>			
<b>08:00 – 09:30</b>	<b>Plenary Panel: Meltdown of the Financial System</b>		
<b>09:30 – 10:00</b>	<b>Coffee Break</b>		
<b>10:00 – 11:15</b>	Parallel Paper/ Common Ground/ Panel Sessions	SESSION	PAGE #
<b>11:30 – 12:45</b>	Parallel Paper/ Common Ground/ Panel Sessions	SESSION	PAGE #



SESSION 256

**COMPETITIVE STRATEGY**

<b>TRACK E</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	10:00 – 11:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 2

**Discipline Based Theories: What Do Theories of the Firm Say About Organizational Dynamics**

**Session Chair**

Michael Leiblein, *Ohio State University*

**Panelists**

Richard Langlois, *University of Connecticut*

Tammy Madsen, *Santa Clara University*

Todd Zenger, *Washington University-St. Louis*

This session is designed to explore factors that affect the evolution of organizational forms. The increasing de-integration of organizational value chains and renewed emphasis on innovation suggest the importance of understanding the causes and consequences of changes in firm boundaries. The panelists will offer presentations on factors affecting the evolution of organizational forms from dynamic transaction cost, problem solving, and evolutionary perspectives paying particular attention to the assumptions associated with these perspectives, the association between organizational evolution and the evolution of productive capabilities, and opportunities for future impactful research. Audience participants may expect to engage in discussion regarding associations between exogenous (consumer, technological, or regulatory) changes to the selection environment, the influence of path dependency, and the development of superior activities or capabilities relative to one’s competitors.

SESSION 260

**CORPORATE STRATEGY AND GOVERNANCE**

<b>TRACK F</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	10:00 – 11:30 h
<b>Interest Group Workshop</b>	<b>Room</b>	Meeting Room 3

**Writing Workshop for Doctoral Students and Junior Faculty**

**Session Chair**

Robert Wiseman, *Michigan State University*

**Panelists**

Brian Boyd, *Arizona State University*

Mason A Carpenter, *University of Wisconsin-Madison*

Robert Hoskisson, *Rice University*

William Judge, *Old Dominion University*

Gerry McNamara, *Michigan State University*

Gerry Sanders, *Rice University*

Margarethe Wiersema, *University of California-Irvine*

In this workshop several members of the editorial boards of AMJ, AMR, SMJ and OS, will review manuscripts submitted by doctoral candidates or junior faculty and provide informal feedback on how to improve the manuscript for submission to the top tier journals in our field. The feedback will be done in person during the workshop in a round-table format in which each reviewer will meet with all the authors assigned to them and discuss how each manuscript could be improved

SESSION 270

**GLOBAL STRATEGY**

<b>TRACK G</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	10:00 – 11:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 4

**Globalizing the Young Venture: A Conversation with Four High Tech CEOs**

**Session Chair**

Anil Gupta, *University of Maryland*

**Panelists**

Dev Ganesan, *Aptara Corporation*

Wei-Wu He, *Origene Technologies*

D.P Venkatesh, *mPortal*

Tien Wong, *Opus8*

Each panelist will present his company as a case study and draw lessons regarding (a) what opportunities and challenges he and his team faced in leveraging the world’s resources and markets from the very early days, (b) how they addressed these opportunities and challenges, and (c) what still remain the tough issues in leading a young global venture. After these presentations, Anil Gupta will moderate a Q&A session with the audience.

SESSION 264

**KNOWLEDGE AND INNOVATION**

<b>TRACK I</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	10:00 – 11:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 13

**Strategy in an Uncertain World: “Black Swan” Implications for K&I Scholars**

**Session Chair**

Sharon Matusik, *University of Colorado-Boulder*

**Panelists**

Gary Dushnitsky, *University of Pennsylvania*

Gary Hansen, *University of California-Santa Barbara*

Jason Mendelson, *Foundry Group Venture Capital*

Mary Tripsas, *Harvard Business*

Nassim Taleb’s best selling book, “The Black Swan: The Impact of the Highly Improbable” focuses on the role of outliers, or Black Swans. These Black swans can have extreme effects, as he illustrates through examples such as 9/11 and the dot com bubble. He has since gone on to discuss how the current financial crisis also is a Black Swan. His main tenet is that we rely on the past to predict the future and ignore (or inaccurately assume away) the possibility of events that fundamentally reshape our world. His controversial insights have been especially noted as they apply to those interested in predicting financial markets. In this preconference session, panelists will comment on how the ideas related to “Black Swans” might shape the research of scholars interested in knowledge and innovation, specifically those interested in research questions related to how firms search for, or create a Black Swan. This panel will discuss implications of these ideas for the theory and methods we use to study knowledge and innovation in and across organizations.

## SESSION 267

**THE PRACTICE OF STRATEGY**

<b>TRACK J</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	10:00 – 11:30 h
<b>Interest Group Workshop</b>	<b>Room</b>	Meeting Room 15

**Learning from Practice: Opening the Black Box of Consulting Engagements****Session Co-Chairs**

Paul Friga, *University of North Carolina-Chapel Hill*  
Sotirios Paroutis, *University of Warwick*

In this first session of the day for the Practice of Strategy Interest Group we will investigate in depth the intricacies and challenges of consulting engagements. The session will address the following questions: What are the characteristics of a consulting engagement? How are these engagements changing under the current challenging economic conditions? How can consulting engagements be improved? Practitioners and practitioner-oriented academics are encouraged to bring their own experiences to this interactive session. The focus will be on sharing the experience and knowledge of business people, consultants, and academics to improve strategy practice.

## SESSION 254

**ENTREPRENEURSHIP AND STRATEGY**

<b>TRACK K</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	10:00 – 11:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 16

**Developing a Game Plan for Strategy Research on Social Entrepreneurship****Session Co-Chairs**

Anita McGahan, *University of Toronto*  
MB Sarkar, *Temple University*

**Panelists**

Charlie Brown, *Ashoka's Changemakers*  
Peter Klein, *University of Missouri*  
Joseph Mahoney, *University of Illinois-Urbana Champaign*  
Mark Milstein, *Cornell University*

This panel discusses the implications of the major business issues of this century for the fields of strategic management and entrepreneurship. The issues include the financial-system crisis, the end of oil, the demographics of the work force, effective health care, and digitization, among others. Each carries opportunity for entrepreneurship and requires incisive strategic thinking on a large scale. Each also challenges institutions at different levels, opens up new industry architectures, and requires new ways of thinking. All are demanding new research and curricula from business-school faculty. To retain our relevance, we must confront these issues squarely. This panel aims to describe some of the principal opportunities for researchers in our field that arise as a result.

## SESSION 257

**COMPETITIVE STRATEGY**

<b>TRACK E</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	13:00 – 14:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 2

**Applying Theories: What Does Strategy & Organization Say About Health Care?****Session Chair**

Michael Leiblein, *Ohio State University*

**Panelists**

Anita McGahan, *University of Toronto*  
Will Mitchell, *Duke University*  
Vivian Riefberg, *McKinsey*

This session is designed to examine opportunities to apply theories of strategy and organization to contemporary debates regarding health care reform. The panelists will offer their thoughts on whether the concept of firm-specific competitive advantage is appropriate for today's health care industry, consider sources of inefficiency in today's US system, and whether and how theories of strategy and organization may ultimately contribute to dialogue regarding the future of national (and international) healthcare systems. Participants may expect a discussion of significant issues confronting health care industry policymakers and alternative responses to these issues suggested thought leaders active in this field.

## SESSION 261

**CORPORATE STRATEGY AND GOVERNANCE**

<b>TRACK F</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	13:00 – 14:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 3

**Shareholder Primacy and Corporate Policy****Session Chair**

Robert Wiseman, *Michigan State University*

**Panelists**

Leonard Bierman, *Texas A&M University*  
Parthiban David, *University of Oklahoma*  
Yuri Mishina, *Michigan State University*  
Christine Shropshire, *University of Georgia*  
Chris Tuggle, *University of Missouri*

This workshop examines shareholder primacy by exploring the motives of different investor groups, and how these differences may affect corporate policy, strategy and performance. Corporate governance research in the Management literature has largely focused on the role of incentive structures and board monitoring, giving some but limited attention to the possible influence of investors on corporate policy and performance. Some of the issues addressed in this workshop consider the extent to which corporate "poison pill" bylaws limiting voting rights of large shareholders may affect blockholder dynamics, whether the presence of specific investor groups can in fact influence corporate policy, firm strategy, governance structure or performance, and how different investor groups should be identified and measured.



SESSION 271

**GLOBAL STRATEGY**

<b>TRACK G</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	13:00 – 14:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 4

**The Duke Offshoring Research Network Project: Implications for Research and Practice**

**Session Chair**

Arie Lewin, *Duke University*

**Panelists**

Torben Pedersen, *Copenhagen Business School*

Joan E Ricart, *IESE Business School*

Global sourcing of business services, from contact centers and IT to engineering and R&D has emerged as a widely accepted business practice across the developed world. It is a topic that has also attracted attention of policy makers and academic research spanning functional areas of business such as marketing, information systems, operations management, strategy, international business, human resources, and social science disciplines of economics, political science, as well cross disciplinary industry studies. The intersection of academic research, policy and business practices reflect several independently unfolding and overlapping dynamics. National policy makers in developed countries are concerned about implications of global sourcing for employment and national competitive advantage. Developing countries see global sourcing as opening new opportunities to stimulate economic development beyond attracting low wage manufacturing activities. Leading edge global sourcing companies sense promise of transforming their organizations and organizing their processes on a global basis. Academic scholars are attracted by opportunity to observe emergence of new organizational forms and the potential to test and inform long held theories of international business, competitive advantage of nations, transaction cost economics, managing innovation processes, role of advances in ICT, and industry evolution. The Offshoring Research Network is a unique longitudinal international research program investigating the offshoring phenomenon with overall goal to both inform management practice and advance conceptual and empirical understanding of this rapidly unfolding space, by uniquely combining large scale fine grained survey data on offshoring companies, in-depth qualitative research on selected company cases, and surveying service providers in host countries. The panel will address findings and implications from ORN project along three main themes. Professor Joan-Enric Ricart addresses relationship between outsourcing and employment. Professor Torben Pedersen compares EU and US companies outsourcing

SESSION 259

**STRATEGY PROCESS**

<b>TRACK H</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	13:00 – 14:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room5

**The State of Strategic Process Research: Critical Observations and Suggestions for the Future**

**Session Chair**

Bill Wooldridge, *University of Massachusetts*

**Co-Organizer**

William Judge, *Old Dominion University*

**Panelists**

James Fredrickson, *University of Texas-Austin*

Henk W. Volberda, *Erasmus University-Rotterdam*

At this session two prominent strategy process researchers will present their ideas on what we know and what we need to know about two key streams within the strategy process literature. The session is intended to be interactive, attendees will have the opportunity to raise questions and engage presenters on strategy process research issues and concerns. A key objective of the session is to identify high-priority research topics, provide a venue for participants to have their questions addressed, and provide an executive summary of this session a few weeks after it occurs.

SESSION 265

**KNOWLEDGE AND INNOVATION**

<b>TRACK I</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	13:00 – 14:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 13

**The Changing Governance Landscape: Implications for Knowledge and Innovation Scholars**

**Session Chair**

Sharon Matusik, *University of Colorado-Boulder*

**Panelists**

Garry Bruton, *Texas Christian University*

Ronald Kaiser, *National Association of Corporate Directors*

Igor Filatotchev, *City University London*

Robert Hoskisson, *Rice University*

Jay Lorsch, *Harvard University*

Edward Zajac, *Northwestern University*

This panel will discuss how the changes in the governance landscape, from increasing focus on compliance related issues associated with SOX to increased scrutiny in light of the recent financial crisis, has shaped the nature of governance and what the implications of these changes are for the theory and practice related to innovation and knowledge creation.

## SESSION 268

**THE PRACTICE OF STRATEGY**

<b>TRACK J</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	13:00 – 14:30 h
<b>Interest Group Workshop</b>	<b>Room</b>	Meeting Room 15

**Conducting Practice Studies: Introduction, Methods and Challenges****Session Co-Chairs**

Sotirios Paroutis, *University of Warwick*  
Robert Wright, *Hong Kong Polytechnic University*

**Panelists**

Paul Knott, *University of Canterbury*  
Thomas Lawton, *Cranfield University*  
Leif Melin, *Jonkoping University*  
David Stiles, *University of Canterbury*

While practice research is a rich and expanding area, scholars can also be confronted by a number of challenges, spanning theoretical, conceptual and methodological issues. The purpose of this session is to introduce participants to the key ideas behind the practice approach and generate a dialogue on the challenges and benefits when conducting a practice study. The panelists will share their experiences and insights in: conceptualizing, designing, conducting and publishing practice research. Specifically we will discuss the following key questions: how can practice be conceptualized, what are the key theories that scholars can use, how can a practice study be designed, what are the challenges in publishing practice studies and how can these be dealt with. The panelists will give brief introductory remarks, after which we will have a lively discussion among the panelists and the audience, addressing specific questions.

## SESSION 253

**ENTREPRENEURSHIP AND STRATEGY**

<b>TRACK K</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	13:00 – 14:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 16

**Knowledge Spillovers and Strategic Entrepreneurship****Session Chair**

Rajshree Agarwal, *University of Illinois-Urbana Champaign*

**Panelists**

David Audretsch, *Max Planck Institute of Economics*  
Jay Barney, *Ohio State University*  
Michael A. Hitt, *Texas A&M University*  
Lori Rosenkopf, *University of Pennsylvania*

Knowledge spillovers represent a powerful lens through which to investigate questions that are central to strategic entrepreneurship, namely the formation of new ventures, the origin and development of firm capabilities, strategic renewal, the dynamics of innovation and macro-economic growth. This panel has two purposes: first, to create inter-linkages between knowledge spillovers and parallel theoretical lenses such as networks, real options, technology and innovation strategy, spatial agglomeration, organizational learning and diffusion of innovations among others, and second, to showcase the special issue of the Strategic Entrepreneurship Journal on this topic.

## SESSION 258

**COMPETITIVE STRATEGY**

<b>TRACK E</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	15:00 – 16:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 2

**Integrating Theories of Problem Formation (Co-sponsored with Session 266)****Session Chair**

Michael Leiblein, *Ohio State University*

**Panelists**

Pamela Barr, *Georgia State University*  
Trish Clifford, *managetolearn.com*  
Patricia Gorman Clifford, *McKinsey & Company*  
Ian Mitroff, *University of California, Berkeley*  
Jackson Nickerson, *Washington University-St Louis*

This session will discuss theories of problem formulation. In contrast to theories and frameworks used by strategy scholars that aim to identify and describe methods for solving well-defined business problems, the panelists in this session will describe theoretical and practical efforts to conceptualize problem types, design problem formulation processes, and align problem formulation processes with particular problem types. Participants may expect a discussion of significant issues and potential solutions to efficient problem formulation, knowledge development, and innovation.

## SESSION 262

**CORPORATE STRATEGY AND GOVERNANCE**

<b>TRACK F</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	15:00 – 16:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 3

**The Role of Government in M&A Activity****Session Chair**

Kimberly Ellis, *Florida Atlantic University*

**Panelists**

Duncan Angwin, *University of Warwick*  
Michael Lord, *Wake Forest University*  
Taco Reus, *Erasmus University-Rotterdam*

The purpose of this workshop is to address the need to expand strategic management research to investigate business/government interaction within the realm of acquisition strategy. This workshop brings together a variety of scholars with different theoretical perspectives to achieve three primary goals: (1) to gain a better understanding of how government involvement affects different stages of the M&A decision-making process; (2) outline theoretically grounded models that can be tested to examine whether government involvement is productive or counter-productive to firm performance/survival; and (3) develop a collaborative research agenda for scholars interested in pursuing this line of inquiry.



SESSION 272

**GLOBAL STRATEGY**

<b>TRACK G</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	15:00 – 16:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 4

**Location, Knowledge, and Competitive Dynamics: New Research Directions**

**Session Chair**

Wilbur Chung, *University of Maryland*

**Panelists**

- Joel Blit, *University of Toronto*
- Christopher Liu, *Harvard University*
- J Muir Macpherson, *Georgetown University*
- Richard Wang, *University of California-Berkeley*
- Minyuan Zhao, *University of Michigan*

This session will focus on new research directions pertaining to the antecedents and consequences of location decisions, especially as they relate to knowledge transfer and competitive dynamics.

SESSION 263

**STRATEGY PROCESS**

<b>TRACK H</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	15:00 – 16:30 h
<b>Interest Group Workshop</b>	<b>Room</b>	Meeting Room5

**Interactive Strategy Process Work-in-Progress Workshop**

**Session Chair**

Bill Wooldridge, *University of Massachusetts*

**Co-Organizer**

William Judge, *Old Dominion University*

**Panelists**

- Jay Barney, *Ohio State University*
- Bala Chakravarthy, *IMD*
- James Fredrickson, *University of Texas-Austin*
- William Judge, *Old Dominion University*
- Robert Kazanjian, *Emory University*
- Henk W. Volberda, *Erasmus University-Rotterdam*
- James Westphal, *University of Michigan*

During this session, a panel of experienced strategy process researchers will review, and provide feedback and suggestions for “work in progress” and proposed research projects. Attendees wishing to participate in this session should submit an abstract of a strategy research project that is currently underway or planned for the near future. Prior to the session, abstracts will be posted on a website for review by session participants. Based on commonalities among projects, attendees will break into small groups to discuss their projects and/or ask questions of the panelists.

SESSION 266

**KNOWLEDGE AND INNOVATION**

<b>TRACK I</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	15:00 – 16:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 13

**Integrating Theories of Problem Formation (Co-sponsored with Session 258)**

**Session Chair**

Sharon Matusik, *University of Colorado-Boulder*

**Panelists**

- Pamela Barr, *Georgia State University*
- Trish Clifford, *managetolearn.com*
- Patricia Gorman Clifford, *McKinsey & Company*
- Jackson Nickerson, *Washington University-St Louis*
- Ian Mitroff, *University of California, Berkeley*

Co-sponsored with the competitive strategy interest group, this session will discuss theories of problem formulation. In contrast to theories and frameworks used by strategy scholars that aim to identify and describe methods for solving well-defined business problems, the panelists in this session will describe theoretical and practical efforts to conceptualize problem types, design problem formulation processes, and align problem formulation processes with particular problem types. Participants may expect a discussion of significant issues and potential solutions to efficient problem formulation, knowledge development, and innovation.

SESSION 269

**THE PRACTICE OF STRATEGY**

<b>TRACK J</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	15:00 – 16:30 h
<b>Interest Group Workshop</b>	<b>Room</b>	Meeting Room 15

**Promising Research Directions Using a Practice Approach**

**Session Co-Chairs**

- Ludovic Cailluet, *University of Toulouse*
- Maureen Meadows, *Open University*
- Sotirios Paroutis, *University of Warwick*
- Timo Santalainen, *Helsinki School of Economics/STRATNET*

**Panelists**

- Véronique Ambrosini, *Cardiff University*
- Tomi Laamanen, *Helsinki University of Technology*
- Sari Stenfors, *Stanford University*

In the third session, we will be discussing the future directions for Practice studies. This session will focus on ways to develop new theory and questions informed from practice literature and practice. The panelists will briefly present where the interesting and promising areas of the field are currently emerging and comment on the future research questions that need to be addressed. Attendees will then break into small groups based on the presentations and hold a dialogue on the likely future directions of the practice approach. Final reports from groups will conclude the session. This penultimate session will help you network with other researchers/practitioners and form the basis for future research collaborations.



## SESSION 252

**ENTREPRENEURSHIP AND STRATEGY**

<b>TRACK K</b>	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	15:00 – 16:30 h
<b>Interest Group Panel</b>	<b>Room</b>	Meeting Room 16

**Key Issues and Emerging Questions in Entrepreneurial Strategy Research****Session Co-Chairs**

David Hsu, *University of Pennsylvania*  
Arvids Ziedonis, *University of Michigan*

**Panelists**

Rajshree Agarwal, *University of Illinois-Urbana Champaign*  
Jay Barney, *Ohio State University*  
Anil Gupta, *University of Maryland*  
Toby Stuart, *Harvard University*

What key questions remain unresolved in entrepreneurial strategy research? What are the most exciting areas in need of further study? What obstacles must researchers overcome to move fruitfully in these directions? Four distinguished panelists will reflect on and debate these important questions. Open discussion and debate from the floor and among the panelists will follow. Please join us for what promises to be a very lively and interactive session.

## SESSION 253

**SMS BUSINESS MEETING**

	<b>Date</b>	Sunday, Oct 11
	<b>Time</b>	18:45 – 19:30 h
<b>Business Meeting</b>	<b>Room</b>	Meeting Room 5

**Session Chair** Joan Enric Ricart, *IESE Business School*

**COMPETITIVE STRATEGY**

<b>TRACK E</b>	<b>Date</b>	Sunday, October 11
	<b>Time</b>	16:30-17:30 h
<b>Business Meeting</b>	<b>Room</b>	Meeting Room #2

**Chairperson:** Laura Cardinal  
**Program Chair:** Gianmario Verona  
**Associate Program Chair:** Michael Leiblein

**CORPORATE STRATEGY & GOVERNANCE**

<b>TRACK F</b>	<b>Date</b>	Sunday, October 14
	<b>Time</b>	16:30-17:30 h
<b>Business Meeting</b>	<b>Room</b>	Meeting Room #3

**Chairperson:** Harry Barkema  
**Program Chair:** Mason Carpenter  
**Associate Program Chair:** Robert Wiseman

**GLOBAL STRATEGY**

<b>TRACK G</b>	<b>Date</b>	Sunday, October 14
	<b>Time</b>	16:30-17:30 h
<b>Business Meeting</b>	<b>Room</b>	Meeting Room #4

**Chairperson:** William Newbury  
**Program Chair:** Bjoern Ambos  
**Associate Program Chair:** Anil Gupta

**STRATEGY PROCESS**

<b>TRACK H</b>	<b>Date</b>	Sunday, October 14
	<b>Time</b>	16:30-17:30 h
<b>Business Meeting</b>	<b>Room</b>	Meeting Room #5

**Chairperson:** Annette Ranft  
**Program Chair:** Christoph Lechner  
**Associate Program Chair:** Bill Wooldridge

**KNOWLEDGE AND INNOVATION**

<b>TRACK I</b>	<b>Date</b>	Sunday, October 14
	<b>Time</b>	16:30-17:30 h
<b>Business Meeting</b>	<b>Room</b>	Meeting Room #13

**Chairperson:** Pamela Barr  
**Program Chair:** Maurizio Zollo  
**Associate Program Chair:** Sharon Matusik

**PRACTICE OF STRATEGY**

<b>TRACK J</b>	<b>Date</b>	Sunday, October 14
	<b>Time</b>	16:30-17:30 h
<b>Business Meeting</b>	<b>Room</b>	Meeting Room #15

**Chairperson:** Sari Stenfors  
**Program Chair:** Veronique Ambrosini  
**Associate Program Chair:** Sotirios Paroutis

**ENTREPRENEURSHIP & STRATEGY**

<b>TRACK K</b>	<b>Date</b>	Sunday, October 14
	<b>Time</b>	16:30-17:30 h
<b>Business Meeting</b>	<b>Room</b>	Meeting Room #16

**Chairperson:** William Schulze  
**Program Chair:** David Deeds  
**Associate Program Chair:** MB Sarkar



SESSION 300

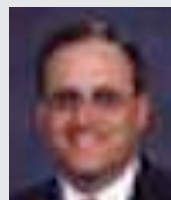
**MARJORIE LYLES AND JEFFREY REUER**

<b>PLENARY</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	08:30 – 9:00 h
<b>Keynote Speaker</b>	<b>Room</b>	Grand Ballroom

**Program Chair Welcome**



*Marjorie Lyles is the OneAmerica Chaired Professor and Professor of International Strategic Management at Indiana University Kelley School of Business. Her research addresses organizational learning, international strategies, management of technology, and alliances, particularly in emerging economies.*



*Jeffrey Reuer is the Blake Family Endowed Chair in Strategic Management and Governance at the Krannert School of Management, Purdue University. His research is in the area of corporate strategy, and his current work uses information economics and real options theory to examine corporate investments such as alliances and acquisitions. He was the recipient of the 2007 SMS Emerging Scholar Award.*

SESSION 301

**KEYNOTE SPEAKER: PANKAJ GHEMAWAT**

<b>PLENARY</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	09:00 – 10:00 h
<b>Keynote Speaker</b>	<b>Room</b>	Grand Ballroom

**The Future of Globalization**

Much of the current discussion about the future of the global economy focuses on how long it will take to recover. It thereby misses out on the most fundamental lesson of the current crisis: that it pays to think of multiple possible futures, rather than just one. This keynote will provide an illustration of a reset instead of a recovery scenario as well as some broader propositions about how to think about the future(s) of globalization.



*Pankaj Ghemawat is the Anselmo Rubiralta Professor of Global Strategy at IESE Business School at the University of Navarra. Professor Ghemawat earned his A.B. degree in Applied Mathematics from Harvard College, and his Ph.D in Business Economics from Harvard University. He then worked as a consultant at McKinsey & Company in London before joining the Harvard Business School (HBS) faculty in 1983. In 1991, he was appointed the youngest full professor in HBS's history. He joined the IESE faculty in 2006. Pankaj Ghemawat's current teaching and research focus on globalization and strategy.*

SESSION 302

**KEYNOTE PANEL: FUTURE OF STRATEGY**

<b>PLENARY</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	10:30 – 11:30 h
<b>Keynote Panel</b>	<b>Room</b>	Grand Ballroom

**Panelists**

- Yves Doz, *INSEAD*
- C.K. Prahalad, *University of Michigan*
- Mark Spelman, *Accenture*

Each panelist will provide a brief introduction, each from a distinct perspective: strategy process, strategic agility, and the dynamics of strategy and adaptation (Yves Doz) and a perspective on global governance, public-private collaboration in addressing global issues, and the need for governance innovation (CK Prahalad). This will be followed by a dialogue among the three panelists and an open conversation with the audience.



*Yves Doz is the Timken Chaired Professor of Global Technology and Innovation at INSEAD and Visiting Professor at the Helsinki School of Economics. He was Dean of Executive Education (1998-2002) and Associate Dean for Research and Development (1990-1995) at INSEAD. Yves Doz also was Director of the Management of Technology and Innovation programme at INSEAD, a multi-disciplinary effort involving about 20 faculty members and researchers that ran from 1987 to 1994. Yves Doz received his Doctoral degree from Harvard University and is a graduate of the Ecole des Hautes Etudes Commerciales (Jouy-en-Josas, France). He has also taught at the Harvard Business School, Stanford's Graduate School of Business, and Aoyama Gakuin University in Tokyo.*



*Mark Spelman leads Accenture's Global Strategy practice and runs the company's global macro economic and political think-tank called the Accenture Institute for High Performance. He is responsible for the firm's strategic relationship with the World Economic Forum (WEF). At Accenture Mark Spelman has almost two decades of experience working at board level in senior management and business strategy positions.*



*C.K. Prahalad is the Paul and Ruth McCracken Distinguished University Professor of Strategy, Ross School of Business, The University of Michigan. He is a Fellow of the Strategic Management Society. His focus of his work continues to be on "next practices". His most recent books are The Fortune at the Bottom of the Pyramid (2004, 2009) and The New Age of Innovation (coauthored, 2008).*

11:45 - 12:45  
**LUNCHEON**

## SESSION 237

**TEACHING TRACK**

<b>TRACK T</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Special Panel</b>	<b>Room</b>	Meeting Room 8

**Strategy in 2009: Are We Teaching the Right Stuff?****Session Chair**Kim Warren, *London Business School***Panelists**Page West, *Wake Forest University*Rob McNish, *McKinsey & Co.*Suparno Banerjee, *Global Government Industry: EDS, Inc*

The 2008-09 recession has, like that of 2001-02, triggered debate about how well business schools develop key capabilities for current and future executives, but this session will focus specifically on training and education in strategic analysis and management. The strategy consulting firms seem not to value the strategy techniques which their MBA-hires are taught, and corporate executives seem not to employ the field's tools to a significant degree. The panelists will be asked to reflect on this worrying evidence and offer ideas for change. The panel will include a senior consulting partner, a CEO of a MBA-hiring firm, and a senior strategy academic.

## SESSION 188

**MARKET PRESSURE, SOCIAL RESPONSIBILITY AND FIRM PERFORMANCE**

<b>TRACK A</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 13

**Session Chair** dt ogilvie, *Rutgers University***The Association Between Market Orientation and Corporate Social Responsibility in Emerging Economies**Kamel Mellahi, *University of Sheffield*Belaid Rettab, *Dubai Chamber*Anis Ben Brik, *Dubai Chamber*

The current study examines the interactive effects of market orientation and corporate social responsibility on organizational performance. Building on insights from the resource-based perspective, market orientation activities are more likely to lead to higher performance when bundled with complementary activities such as corporate social responsibility (CSR). The study uses data from 280 firms operating in Dubai. The results provide strong support for the hypothesized association between market orientation, CSR, and organizational performance. The results show that the impact of CSR varies according to the subset of market orientation.

**Dissociative Organizational Identity Construction: Can Going Green be Bad for You**Shalei Simms, *Rutgers University*dt ogilvie, *Rutgers University*

The increased interest in firms developing green practices has resulted in firms experiencing pressures from external stakeholders

to 'go green'. As a result, these firms may resort to tactical behaviors to respond to these demands. We argue that the development of a dissociative organizational identity is such a tactic. We define DOIC as the creation of an alternative identity for the specific purpose of complying with exogenous pressures. We argue that while DOIC may have short-term advantages, it can have long-term disadvantages if not managed properly.

**Mapping Out Social Enterprises Development in an Uncertain World**Stephen Ko, *Hong Kong Polytechnic University*

We integrate the predictions of institutional theory, the threat-rigidity hypothesis, and prospect theory to map out how the development of social enterprises depends on whether social entrepreneurs perceive environmental shifts as threats or opportunities to resources-related and control-related legitimacy of their social enterprises. Given the apparent challenges and opportunities in the context, we propose some avenues for future development of social enterprises.

**✦ Institutions, Entrepreneurship and the Adoption of Voluntary Standards: Evidence from the Green Building Industry**Jeffrey York, *University of Virginia*Michael Lenox, *University of Virginia*

Voluntary certification standards, have gained popularity in recent years across multiple industries. However, the influence of public, government-sponsored institutions and private, voluntary institutions on the adoption of these programs has received less attention. We explore the relationship between government action, private organizations and the adoption of voluntary standards in a study of the adoption of the Leadership and Energy and Environmental Design (LEED) certification for green building. The results demonstrate that state policies have a greater impact in the presence of private efforts to create legitimacy for the new standard, and that market intermediaries have a greater impact on adoption in areas with low levels of entrepreneurship. Taken together, these findings illustrate that the institutional environment and particularly, entrepreneurship is a critical consideration for understanding the adoption of voluntary certification standards.

## SESSION 123

**THE CONFIGURATION OF ALLIANCE PORTFOLIOS: ANTECEDENTS AND CONSEQUENCES**

<b>TRACK B</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 14

**Session Chair** Werner Hoffmann, *Vienna University of Economics & Business***Balancing Knowledge Configurations in the Alliance Portfolio Internationalization**Rangga Almahendra, *WU Vienna*Shalini Rogbeer, *Vienna University of Economics and Business Administration*Bjorn Ambos, *WU Vienna*

When forming portfolios of alliances, firms are confronted with two strategic trade-offs. First, while knowledge diversified portfolios of



alliances bear considerable risks; they also produce superior combinations of added value. Second, the more international the portfolio of alliances, greater the potential to reach geographically scattered knowledge, but also the higher the costs of managing these internationally distant partners. In this paper we investigate these two trade-offs by building on the notion that firms need to reconcile the paradoxical demands of exploitation and exploration in their alliance portfolios to maximize knowledge acquisition. Further, we elucidate the contingent effect of alliance portfolio internationalization on the relationship between the explorative and exploitative balance and knowledge acquisition. We test our hypotheses on firms operating in the biotech-pharmaceutical sector.

### Dynamics of Strategic Alliance Portfolio Management: An International Business Perspective

Markus Paukku, *Helsinki School of Economics*  
Terhi Johanna (TJ) Vapola, *Nokia*

This paper investigates the dynamics of alliance management strategies of MNCs as they manage ever growing strategic alliance portfolios. By extending the Integration – Responsiveness (Prahalad and Doz, 1987) framework beyond firm boundaries we assess the alliancing patterns of five case MNCs over a period of 10 years. The results of the longitudinal analysis show that alliance portfolios of MNCs differ significantly with respect to partner integration and partner heterogeneity. The MNCs alliancing strategies are seen to evolve over time in accordance with the MNCs international business strategic orientation. The preliminary empirical results indicate that as MNCs seek to become more global or transnational (Bartlett and Ghoshal, 1989) the firms increase the number of integrated alliance partners and the degree of heterogeneity within their alliance portfolios, respectively.

### How Alliance Portfolio Complexity Affects Firm Performance

Werner Hoffmann, *WU Vienna*  
Florian Heitzenberger, *WU Vienna*  
Katharina Wratschko, *Vienna University of Economics & Business Administration*

Our study aims at analyzing the interaction between alliance portfolio configuration -- in particular the complexity (diversity) of the alliance portfolio -- on the one hand and firm strategy and the firm's alliance capability on the other hand and at clarifying how these interactions influence firm performance.

### You Have to Start Early: Alliance Portfolio Emergence and its Consequences in New Organizations

Claudia Schoonhoven, *University of California-Irvine*  
Christine Beckman, *University of California-Irvine*  
Renee Rottner, *University of California-Irvine*

This paper addresses the origins and consequences of alliance portfolio variation in 105 new semiconductor organizations. In this proposal, we briefly describe hypotheses, research methods, measures, and results for pooled cross section GEE analyses predicting portfolio variation and hazard models predicting performance from portfolio variation. Initial results show that board of director prestige, and the presence of founders and their proportion of ownership have a significant impact on alliance portfolio variation. We then show that alliance portfolio variation has a significant positive effect on the likelihood a new

organization will reach revenue milestone events of \$10, \$20, and \$50 million. We finish with a brief discussion of the theoretical significance of this study and these initial results.

#### SESSION 173

### PROACTIVE STRATEGIES TO MANAGE AN UNCERTAIN WORLD

#### TRACK C

Date Monday, Oct 12  
Time 12:45 – 14:00 h  
Room Meeting Room 11

#### Common Ground

Facilitator Jatinder Sidhu, *Erasmus University-Rotterdam*

### Environmental Uncertainty, Foresight and Strategy Formulation: An Integrated Theory

Riccardo Vecchiato, *Polytechnic University of Milan*  
Claudio Roveda, *Polytechnic University of Milan*

This paper focuses on the role and effectiveness of foresight activities, in particular environmental scanning and future-oriented techniques, for managing uncertainty. Based on an intensive and inductive study of two large corporations we argue that the viability and advantages of future-oriented techniques depend on the kind of uncertainty to be faced by organizations, the rate of development of new trends and drivers of change and their endogenous or exogenous nature. We introduce the key distinction between "Level 0 Uncertainty" and "Level 1 Uncertainty" regarding the components of the business micro environment and conclude by outlining a theory of foresight as dynamic capabilities which may help bridge the gap between the planning and the learning schools, while assessing the appropriate role of prediction in strategic management.

### Managerial Forecasting and Intuition in the Music Industry

Matthias Seifert, *University of Cambridge*  
Allegre Hadida, *University of Cambridge*

This research examines the role of intuition in managerial forecasting. It offers to test the effects of task ambiguity, domain-specific expertise and individual and group judgments on the efficiency of intuition in model-manager predictions. Results from an experimental field study carried out in the music industry indicate that task ambiguity moderates the predictive performance of managers and of analytical models. The study goes on to delineate the conditions in which collective intuition is most likely to increase judgmental accuracy. Finally, key findings challenge the robustness of previous research proposing an optimal 50:50 split between analytical and intuitive cognition to engineer higher quality decisions.

### Megatrend Electric Vehicles or How Technological Progress, Political Discretion, and Economic Crisis Will Shake Major Industries

Frithjof Pils, *The Advisory House*

The fuel for individual mobility of the future may be electric power. This seems now not only technologically feasible but also politically wanted. In fact, if players from the automobile and petrol industries do not position now, the imminent megatrend towards electrically powered cars will seriously threaten current business models. At the same time, huge opportunities arise for firms from the utility sector. Drawing on case study and expert interview methodologies this paper elaborates on

MONDAY 12:45 - 14:00

and discusses a) how major players from traditionally strong industries react to the threats and opportunities that arise as a consequence of dramatic environmental change, and b) how utilities seek to grasp a share of the future growth market for electrically powered vehicles by developing innovative solutions for individual mobility.

### Organizational Perception: Scanning & Interpretation of Collective Mind

Peter Gallo, *University of North Carolina-Chapel Hill*

In this study we use the collective-level construct of "organizational perception" to help study how the patterns of social relations in a firm impact its responsiveness to uncertainty. While much of the organizational literature has focused on how managers and executives perceive changes in the firm's environment, we suggest that these perceptions are limited by how the collective mind of the organization focuses the attention of individual members. We develop several propositions on organizational perception and its performance consequences. We suggest that these propositions can be developed into hypotheses and tested in a single-industry panel study for which we are currently collecting data.

### Towards a Theoretically Founded Model of Planning and Performance: Planning as Dynamic Capability

Daniel Schulze Lammers, *University of St. Gallen*

This paper integrates recent findings about dynamic capabilities and organizational learning to build a conceptual and theoretically founded model on the link between strategic planning and performance. Planning is argued to be a third-order dynamic capability that creates lower-level capabilities, namely exploration and exploitation. Hypotheses are deduced that connect frequently studied characteristics of planning with exploration and exploitation. The latter are considered to be linked to performance and moderated by capabilities to sense, seize and reconfigure and environmental conditions.

#### SESSION 181

#### SUSTAINING INNOVATION

TRACK C	Date	Monday, Oct 12
Paper	Time	12:45 – 14:00 h
	Room	Meeting Room 6

Session Chair Francesco Perrini, *Bocconi University*

### All Eggs in One Basket: How Uncertainty Affects Firms' Scope of Innovative Activities

PuayKhoon Toh, *University of Minnesota*  
Taekyu Kim, *University of Minnesota*

This paper examines the effect of technological uncertainty on firm's scope of innovative activities. Contrary to conventional wisdom, we propose that greater uncertainty over which competing technologies will emerge as the dominant one will lead a firm to increase its technological focus, to generate superior technologies in the race against competitors and in doing so resolve the uncertainty in its favor. By elucidating the endogenous role of firm scope on resolution of technological uncertainty, we essentially stress that firms do not merely adjust their organization structure to adapt to uncertainty. This

potentially challenges the conventional way we view contingencies in the study of organization design and boundaries, and suggests that crucial environmental characteristics are factors that firms attempt to change, rather than adapt to.

### Funnels Revisited: Antecedents to NPD Portfolio Selectivity in Uncertain Markets

Ronald Klingebiel, *University of Cambridge*  
Sven Metscher, *University of Cambridge*

How do organisations strategically manage their new product development (NPD) portfolio over time? In this paper we explore why six case study firms display varying portfolio selectivity although theories of investment management under uncertainty and funnel concepts would suggest otherwise. We concentrate on the organisational antecedents to NPD portfolio selectivity, discussing eight factors which seem to not yet have informed the theoretical discourse on NPD management. Organisational realities such as process complexity, product interdependence, and commitment indivisibility caution the use of funnel-representations in theories of portfolio decision-making under uncertainty. In fact, funnels seem only indicative of superior management and performance if enabling conditions are present. Our findings identify important areas for further research.

### Learning Dynamics of Corporate Sustainability Integration: A Process-Based View

Clodia Vurro, *Bocconi University*  
Stefano Brusoni, *Bocconi University*  
Francesco Perrini, *Bocconi University*

Despite an increasing recognition of the need for integrating corporate sustainability into daily practices and corporate strategies, the learning dynamics by which organizations shift to integrated managerial models for sustainability are still open to debate. Presenting the longitudinal reconstruction of a large oil and gas company's experience, our study opens the view on the learning dynamics occurring at each stage, and clarifies the drivers hindering or facilitating the process. Findings show how in the shift from reactive to accommodative to affirmative responsiveness postures, the organization upgraded its social adaptation capabilities by changing the configuration of roles and responsibilities, integrating internal decision making and response mechanisms, improving its ability to interact with internal and external stakeholders in a deliberate, systematic way.

### Sustaining Innovation in the Global Corporation: The Role of Managers, Entrepreneurs and Leaders

Philip Dover, *Babson College*  
Udo Dierk, *MEL-Institute*

How can we understand the role of key personnel in sustaining innovation within corporations around the globe? This article presents the results from the pilot study of a two-stage research project. It is underpinned by the concept that three basic archetypes exist – managers, entrepreneurs and leaders. We tested a new tool: the MEL-Index, a numerical and graphical representation of executives' evaluation of their own and their corporation's performance as managers, entrepreneurs and leaders. It was shown to have considerable diagnostic potential. Improvements were made in the test instrument, which will form part of a subsequent extended study.



SESSION 159

**STRATEGIC FACTOR MARKETS: ANTECEDENTS, CONSEQUENCES AND DYNAMICS**

<b>TRACK E</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 4
<b>Session Chair</b>	Jay Barney, <i>Ohio State University</i>	

**Information, Complementarity, and Resource Complexity in Strategic Factor Markets**

Anthony Scime, *Purdue University*  
 Mona Bahl, *Purdue University*  
 Aldas Kriauciunas, *Purdue University*  
 Charlotte Ren, *Purdue University*

This paper extends strategic factor market theory through the development of an additive model to jointly consider how information and complementarity influence resource-picking. The model incorporates the complexity of the resource and the economic state (over-priced market or under-priced market) in which resource-picking occurs. Our findings indicate that when information advantages and complementarity advantages favor different firms, asymmetries between firms determine resource acquisition and performance. Further, information asymmetry is more influential for high-complexity resources and complementarity asymmetry is more influential for low-complexity resources.

**Interactive Effects of Firm Resources and Actions on Performance**

David Major, *University of Maryland*  
 Ken Smith, *University of Maryland*  
 Curtis Grimm, *University of Maryland*  
 Richard D'Aveni, *Dartmouth College*

Though valuable, rare, inimitable, and non-substitutable resources have the potential for enduring impact on performance, it is still unclear how they impact performance. Expressly, how resources combine with firm actions to generate performance for a firm is yet underexplored. This study tests direct and interactive effects of firm resources and actions on performance. Using RBV and competitive dynamics, it examines the extent to which firm resources and firm actions each directly predict variation in performance; and the extent to which the impact of resources on performance is moderated by actions. The study sheds new light on the resource-performance "black box" using a ten-year, longitudinal sample drawn from the US automobile market – consisting of 980 model-years of resource stocks and 3,439 firm competitive actions.

**Opportunities and Rents: The Relationship Among Routines, Path Dependence, and Sustained Competitive Advantage**

Sharon Alvarez, *Ohio State University*  
 Jay Barney, *Ohio State University*

The central assertion of resource-based theory is that valuable and costly to copy resources and capabilities are heterogeneously distributed across competing firms can be sources of sustained competitive advantage. While progress continues in developing the assertions of resource-based theory, relatively little work examines where these resources come from in the first place. This paper links two core resource-based concepts—path dependence and the development of resources and capabilities and routines with ideas developed in entrepreneurship.

This paper develops a Bayesian learning model of the path dependent process by which firms build routines in exploiting these different types of opportunities. Routines developed in discovery settings are less likely to have sustained competitive advantage, whereas routines developed in creation settings are likely to have these attributes.

**Resource Learning and the Dynamics of Strategic Factor Markets**

Thorbjørn Knudsen, *University of Southern Denmark*  
 Michael Christensen, *Strategic Organization Design*  
 Nils Stieglitz, *University of Southern Denmark*

The strategy literature assumes too much knowledge about resource value among owners and sellers of resources. We relax this assumption and explore resource trading in contexts where both sellers and buyers have limited information about the resources they trade. We develop a modeling structure to study the learning processes of sellers and buyers and how they influence trading on markets for resources. Our results reconcile contradictory empirical evidence showing that trade does not vanish even if buyers of resources are often short-changed. The consideration of resource scarcity, grades of idiosyncratic resources, and different contexts of resource learning (stable technology, continuous or discontinuous technological improvement) offer detailed insights into conditions where resource learning is a source of trading advantage in strategic factor markets.

SESSION 166

**COMPETITIVE STRATEGY AND THE BUSINESS OF SCIENCE**

<b>TRACK E</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 9

**Session Chair** Arnaldo Camuffo, *Bocconi University*

**Looking But Not Leaping: Whither and When Academic Research Leads to Commercial Products in an Emerging Technology**

Fiona Xiaoying Ji, *Virginia Tech*  
 Donald E Hatfield, *Virginia Tech*  
 Linda Tegarden, *Virginia Tech*  
 William Lamb, *Ohio University*

In this study, we discuss that it is the firm's knowledge strategy which leads an incumbent firm probe and eventually to develop a commercial product based upon the emerging technology field. Meanwhile, we build upon Mitchell's (1989) classic research by bringing more managerial strategy into Mitchell's perspective by arguing that Mitchell's three attributes lead to managerial awareness of an emerging technology. While specialized assets, rivalry and the threat of an emerging technology may lead a firm to begin looking, it is the firm's knowledge development strategy (academic research) which interacts with managerial awareness and allows it to begin leaping into commercialize products. We develop propositions, and test these, in the context of the 1968-1994 emerging fiber optics industry.

**Science and Competitive Advantage: An Analysis of Firms' Scientific Publications, Value Creation and Value Appropriation**

Francisco Polidoro, *University of Texas-Austin*

MONDAY 12:45 - 14:00

Prior research has established an important link between science and competitive advantage by showing how scientific research affects firms' ability to create innovations. This study furthers our understanding of the link between science and competitive advantage by showing that science affects competitive advantage not only by enhancing firms' ability to create innovations, as prior research highlighted, but also by affecting the extent to which firms appropriate the value inherent in the innovations that they create. When examining the impact of science on value appropriation, this study considers both firms' ability to convert innovations into commercial success (primary appropriation) and the extent to which firms capture the generative potential of their innovations to create subsequent innovations (secondary appropriation).

### Strategic Groups and Environmental Change in the UK Pharmaceutical Industry

Graham Leask, *Aston University*

This paper explores the relationship between changes in strategy and environmental pressures within the UK Pharmaceutical Industry during a ten- year period. Two stable strategic time periods (SSTPs) were identified each of five years duration. Within each time period seven strategic groups were found but 11 out of 29 firms (37.9%) changed strategic groups membership during the period studied. The break between these two SSTPs was found to coincide with a sharp increase in the substitution of branded pharmaceuticals by cheaper parallel imports. A significant relationship was found between firms that changed groups and both their continent of origin and nationality. Firms whose home markets are more vulnerable to substitution were more likely to switch strategic groups.

### The Role of Research Networks in Highly Regulated R&D Contexts: Network Effects in Clinical Research

Federica Brunetta, *Catholic University of Sacred Heart*  
Paolo Boccadelli, *LUISS Guido Carli University*

This paper aims to explore the creation and structure of research networks in highly regulated R&D settings and environments, where legal, regulatory and environmental constraints tend to influence the behaviour of network agents. A definition of how networks are created and structured in highly regulated industry, and how their structure influences the performance of involved firms is given, with regards to the constraints or opportunities on the operational model, that might affect their creation and evolutionary paths. The conceptual framework is used to articulate research questions that are investigated with respect to the pharmaceutical industry and the specific area of clinical trials, that appears of deep interest seen the regulatory and environmental constraints that influence the behaviour of network agents, and the evolution over time.

SESSION 228

## BUSINESS GROUPS, ALLIANCES, AND CONTRACTS

<b>TRACK F</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 7

**Facilitator** James Lincoln, *University of California-Berkley*

### Corporate Control, Reputation and Governance in Business Groups: Evidence from India

Apalak Khatua, *Indian Institute of Management-Calcutta*  
Sushil Khanna, *Indian Institute of Management-Calcutta*  
Pradyot K Sen, *University of Cincinnati*

In the context of family controlled business groups, where principal-principal issue is more crucial, agency theory offers a partial view. This study investigates the relationship between the implied cost of capital and reputation of the business groups. Our main thesis is that the spread between the cash flow right and control rights is perceived to be a risk factor by the market for the low reputation business groups, and it will increase the implied cost of capital for not so reputed business groups. On the other hand market allows cross investments to highly reputed business groups. The implied cost of equity might be low for reputed business groups, when the crossholding is directed towards protecting the minority shareholders from the exploitation of entrenched management.

### Fit to be Tied: Using Contracts Strategically to Ensure Partner Performance

Susan Perkins, *Northwestern University*  
Mary-Hunter Morris, *Northwestern University*  
Edward Zajac, *Northwestern University*

This study offers a theoretical and empirical analysis of how firms can strategically use contractual clauses in shareholder agreements to create successful partnerships. We examine the contract specifications used in over 400 shareholder agreements of Bovespa-listed firms in Brazil from 1998-2008. We develop a unique shareholder protection index to measure shareholder's motives in contractual clauses and assess the effects on performance. We argue that success in strategic contracting is contingent on the composition of the shareholder group. Control groups composed of group-affiliates, family members, or many small stakeholders perform better with contract clauses that create and maintain control. However, partnerships between business group affiliated firms and minority shareholders perform better when employing anti-tunneling clauses and conciliatory control concessions that reduce the risk of expropriation.

### From Cooperation to Autonomy: When do Former Partner Firms Switch to Independent Operations?

Louis Mulotte, *Tilburg University*

Accumulated theory and empirical evidence have suggested that access to new resources is a prime motive for collaborative ventures. In parallel, research indicated that inter-organizational knowledge transfers may enable firms to enhance their resource base. This study aims to integrate both perspectives. We investigate to what extent firms can form collaborations in order to acquire the resources necessary to subsequently expand independently. Data on new product introductions in the aircraft industry indicate that collaborative know-how enhances the ability of firms that were formerly in collaborations to unveil their own designs whereas the level of causal ambiguity of the resources accessed in cooperation and the time elapsed since the latest collaborative efforts decrease it. We then discuss how our study contributes to the inter-organizational learning literature.



## Intracompany Governance and Innovation

Sharon Belenzon, *Duke University*  
Tomer Berkovitz, *Columbia University*

This paper investigates the effect of financial development on the incentives to form business groups. We examine how this relation varies across exogenous industry conditions, legal environments, and firms' life cycle. Since correlations from cross-country regressions are hard to interpret in the causal sense, we use exogenous industry measures to investigate the channel through which financial development affects group affiliation. Using a new comprehensive firm-level dataset on group affiliation covering fifteen European countries, we find that countries with less developed financial markets have a disproportionately higher percentage of group affiliates in industries with high levels of external financial dependence and asymmetric information. We interpret this finding as an indication that firms in less developed equity and debt markets join business groups to benefit from their significant internal capital markets.

## Risk Minimizing and Gain Satisficing: Choosing Partners in Exploration and Exploitation

Amanda Christensen, *Brigham Young University*  
Mark Hansen, *Brigham Young University*

This paper argues that, in choosing partners with whom to share knowledge, people work harder to avoid risk than to seek gains. Because of this natural inclination towards risk avoidance and a propensity to search as directly as possible, people merely satisfice when it comes to gains from exploration and exploitation. Although gain maximization is often the stated objective, we argue that it is rarely a reality. We develop a decision making model in which people seek to minimize risk and satisfice gains by calculating the likely interactional outcomes of working with a partner as a function of trust, accessibility, and complementary assets. We show that when trust is high, the proclivity to search based on risk minimization is attenuated and gain maximization becomes a distinct possibility.

## Shopping For the Family: How Intra-Firm Organization Affects the Use of Inter-Firm Alliances

Minyuan Zhao, *University of Michigan*  
Pranav Garg, *University of Michigan*

Resource allocation in multi-divisional firms is often characterized by information asymmetry and agency behavior of divisional managers. We argue that the effect of divisional interests on resource allocation is contingent on the nature of projects: "Socialist" cross-subsidies are more likely to occur when projects are risky and when their identification requires more divisional expertise. Examining the knowledge-sourcing alliances of the world's 50 largest pharmaceutical firms from 1999 to 2004, we find that weakly-positioned therapeutic areas form more alliances involving highly ambiguous and risky early-stage technologies. In contrast, strongly-positioned therapeutic areas tend to obtain less risky but costlier late-stage technologies. The results highlight a challenge that multi-divisional firms face: The unique divisional expertise that facilitates inter-firm alliances also reduces the efficiency of intra-firm coordination.

SESSION 198

## PERSPECTIVES ON CEO SUCCESSION

<b>TRACK F</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 3

**Session Chair** Guoli Chen, *INSEAD*

## Do You Get What You Pay For? Compensation of New CEOs Hired in Turnaround Situations

Guoli Chen, *INSEAD*

This paper investigates the initial compensation package of new CEOs hired in turnaround situations. I argue that firms in turnaround situations pay their new CEOs more than do comparable firms that are not in turnaround situations, and that they tend to use a higher percentage of stock-based pay. Such relations are stronger for externally appointed CEOs. I further argue that higher pay attracts talented executives who are more capable, experienced, and well connected to acquire critical resources, and thus will improve post-succession performance. With 98 new CEOs hired in turnaround situations and 431 peers in non-turnaround situations, I find general support for my arguments. I discuss the implications of my study on CEO compensation, corporate governance and corporate turnaround literature.

## The Decision to Fire a CEO Immediately versus Retain a Lame Duck: Industry Factors

Richard Gentry, *West Virginia University*  
Jennifer Knippen, *University of Florida*

Much attention in the CEO succession domain has focused on predicting the antecedents of a CEO leaving his or her office. There has been a great deal of work focusing on what performance and environmental concerns lead to the a CEO leaving office and considerable effort focused on how a CEO can avoid being forced out. Much less examined is the process that firms adopt when the decision has been made to replace the incumbent CEO. This paper examines the effect of environmental factors on the likelihood of replacing the incumbent CEO immediately, versus using his/her tacit knowledge to ease the transition of the incoming CEO.

## The Effects of CEO Succession on Corporate Restructuring and Strategic Change

Shih-chi Chiu, *University of Missouri-Columbia*  
Richard Johnson, *University of Missouri*  
Seemantini Pathak, *University of Houston*  
Robert Hoskisson, *Rice University*

Drawing from behavioral agency theory, this paper examines the effects of CEO succession and CEO origin (inside versus outside) on the strategic actions of firms undergoing portfolio restructuring. We argue that differential risk orientations between insiders and outsiders can influence subsequent restructuring strategies. Counter to the conventional assumption regarding the strategic change associated with an outside succession, we argue that inside successors would perform more intense divestiture activities than outside successors due to more risk experienced by such insiders from outside owners. Additionally, we posit that insiders prefer selling related businesses and outsiders prefer selling unrelated businesses because of their different risk preferences. Finally, we examine the moderating effects of ownership concentration and board independence on reducing a CEO's intention to select a restructuring strategy that helps minimize executive employment risk at the expense of shareholder interests.



## The Moderating Roles of Human and Social Capital in CEO Successions

Hao Chen, *University of Texas-Dallas*  
Haibin Yang, *City University of Hong Kong*  
Zhiang Lin, *University of Texas-Dallas*

While there is a general recognition on the importance of firm performance in CEO successions, much less is known about the social and human capital conditions that may moderate such a relationship. This study develops a comprehensive theoretical framework of CEO successions based on the resource based view (RBV) and the social network perspective. We show how successors' human and social capital, as complement and substitute for performance considerations, can alter how firms select their CEO successors (outsiders vs. insiders, as well as contenders vs. followers). Our initial analyses of the U.S. computer industry for 14 years have largely supported our framework.

SESSION 138

### DOING BUSINESS IN CHINA

<b>TRACK G</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 15

**Session Chair** Anja Tuschke, *University of Munich*

### Experiential Effects on Strategic Preferences: The Case of the Chinese Upper Echelons

Gerry Sanders, *Rice University*  
Anja Tuschke, *University of Munich*

Firms facing similar institutional and competitive environments often pursue different strategies. Some of this strategic heterogeneity is a function of varying resource and capability endowments. However, firms' upper echelons (e.g., top management and board of directors) also possess varying experiences, which shape their views of the competitive landscape and affect their perceptions of attractive opportunities. Firms directed by upper echelons possessing more diverse experience sets should manifest different strategic preferences in the face of global complexity. In this study, we explore how the educational and professional experiences of the corporate upper echelons of large Chinese public firms influence these firms' strategic direction through resource allocations and other strategic commitments. Specifically, we focus on the (a) international education, (b) foreign assignment work experiences, and (c) political and professional embeddedness ties within the Chinese socio-political system as antecedents of the likelihood of strategic commitments.

### How Executives' Evaluations of Foreign Direct Investment Opportunities in China Differ: Buyer's and Seller's Perspectives

Beverly Tyler, *North Carolina State University*  
Jeffrey Reuer, *Purdue University*  
Shujun Zhang, *Sun Yat-Sen University*

Despite the growing literature on FDI in China, little is known about what the Chinese executives selling the equity in their business are looking for in an IJV partner. Even less known regarding the differences between what the executives looking to invest (buyer) and executives accepting the investment (seller) focus on when evaluating

Chinese investments and investor selection opportunities respectively. In this research, we apply multiple theoretical perspectives and use a policy capturing technique to investigate differences in information processing of U.S. top executives, as they evaluate FDI opportunities in China, and Chinese executives, as they evaluate potential U.S. investors in their company. Our research makes several theoretical and practical contributions to research on executive decision making and foreign direct investment.

### Is There a Liability of Foreignness or Localness in China? Local Chinese Firms' Perspectives

Fuming Jiang, *Australian National University*  
Bruce Stening, *Peking University*

This study provides an extension to the conventional model of liability of foreignness (LOF), positing that local Chinese firms could face a liability of localness (LOL) due to the presence of foreign firms. Based on survey data from 185 purely local Chinese firms, we tested several hypotheses. Local Chinese firms were found to enjoy significant location-based advantages over their foreign counterparts, contributing to LOF. However, the adverse effects of LOF on foreign firms appear to be offset by the foreign firms' superior firm-specific and multinationality advantages over local Chinese firms. Conversely, due to a lack of firm-specific and multinationality advantages, local Chinese firms may face significant LOL at home.

### Managing Uncertainty in International Mergers and Acquisitions: Ownership Strategies of Chinese Firms

Jiatao Li, *Hong Kong University of Science & Technology*  
Zhenzhen Xie, *Hong Kong University of Science & Technology*

The evidence on the relationship between uncertainty and ownership strategies in international mergers and acquisitions has been inconclusive in the strategy literature. We reexamine this relationship by decomposing uncertainties from two different resources. Relational uncertainty due to investors' unfamiliarity with the host environment is expected to increase the investor's ownership stake in acquisitions abroad; while external uncertainty due to exogenous instability in the host environment is expected to reduce the acquirer's ownership stake. The hypotheses are largely supported with data on 260 international mergers and acquisitions (M&A) made by Chinese firms during the 1987-2004 period.



SESSION 155

**LANGUAGE, EMOTION AND LEARNING IN STRATEGY PROCESSES**

<b>TRACK H</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 2

**Session Chair** Christopher Simmons, *University of Alabama*

★ **An Emotion Based Account of Strategy Implementation Success**

Rune Lines, *Norwegian School of Economics & Business Administration*

Josune Saenz, *University of Deusto*

Aramburu Goya, *University of Deusto*

Olga Rivera, *University of Deusto*

In this paper, we report from an empirical study of how emotional reactions that are experienced during implementation of strategy influence organizational citizenship behaviour (OCB), organizational commitment (OC), and successful implementation of change. Our theoretical arguments for linking emotions to OCB and OC are grounded in the Affect Infusion Model (AIM) developed by Forgas (1995, 2002). This model suggests that under high levels of uncertainty and ambiguity, emotions are used as information and bias human information processing in an emotion-consistent direction. In order to gather information about the relevant variables of the research, a questionnaire has been applied in 230 Norwegian companies and structural equation modeling based on partial least squares has then been used in order to test the research hypotheses.

**Crisis Management & Organizational Learning: How Organizations Learn from Natural Disasters**

Christopher Simmons, *University of Alabama*

Managing a large scale crisis often presents a substantial challenge for an organization that may even threaten its survival. However, we argue that organizations can embrace such challenges to learn from crises. Through examining how organizations learn from the process of crisis management, we offer new implications for organization theory and management practice. We do so through conducting a longitudinal case analysis of how organizations learned from a series of similar national disasters. We examine how organizations learn from the management of crises and develop a three-stage approach to organizational learning in crisis management. We conclude with a discussion of the implications of our analysis for theory and practice.

**Further Exploring the Causes of Short-termism: What Can Be Learned from Emerging Countries?**

Valerie Claude-Gaudillat, *Audencia Nantes School of Management*

Minh Tran Duc, *IBM Vietnam*

Recent economic events at a global level have reminded us that managers do not always make optimal or even rational economic decisions and hence may compromise value creation. Short-termism has often been cited as a cause leading to such sub-optimal economic decisions. Despite the importance of this topic, the related literature is still under development. Drawing on previous work, this paper aims at further developing the literature on the causes of short-termism and managerial myopia, more specifically in the context of emerging countries. Primary

and secondary data collected on a short-termism incident reveals that this incident originated from poor corporate governance, myopic pressure of specific economic events, and misuse of managerial practices. Our findings also add new insights to managers' myopic behaviors.

**The Languages of Strategy: Trapped in Your Jargon or Lost in Translation?**

Mary Yoko Brannen, *INSEAD*

Yves Doz, *INSEAD*

The quality of the language a firm uses in creating strategy conditions its strategic agility. We have observed firms be overly dependent on a context-specific language and find it difficult to move beyond the territory they know well and often the business domains they created. Conversely we also observed firms over confident in the conceptual richness of their language make bold strategic moves ignoring, at their own risk, the potential lack of fit between their strategic concept and the contexts they venture into. In order to be strategically agile firms need to use a language that combines contextual specificity and conceptual richness. We point to how firms can overcome conceptual abstraction and contextual dependency to exploit language as an enabler of strategic agility.

SESSION 212

**TECHNOLOGICAL INNOVATION**

<b>TRACK I</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 12

**Facilitator** Alfonso Gambardella, *Bocconi University*

**Exploring the Generality of General Purpose Technologies**

Elena Novelli, *Bocconi University*

General Purpose Technologies (GPTs) have been defined as technologies with broad applicability across sectors (Bresnahan and Trajtenberg, 1995). While extant research recognized the importance of GPTs, very little is known about the inner nature of these technologies. As a direct consequence, extant contributions do not provide but weak prescriptive indications toward the development of GPTs. This paper aims to understand whether generality represents an intrinsic characteristic of the technology or whether it is the result of a process involving relevant interactions between the new knowledge developed and the external technological environment. Results of this paper show that the generality of a technology depends only partially on its inner characteristics; environmental factors exert, instead, a larger role in determining the subsequent scope of application.

**GrantBack Clause Effect in the Race For Next Generation of Inventions**

Keld Laursen, *Copenhagen Business School*

Maria Isabella Leone, *LUISS Guido Carli University*

Toke Reichstein, *Copenhagen Business School*

This paper is an empirical analysis of how the grant-back clause embedded in license agreements couples with the innovativeness of the licensee and licensors. The paper considers the market for technology as being characterized by imperfect substitutes and an institution at which demand and supply find each other according to preferences and gains. Evidence suggests that licensees and licensors who sign grant-

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back clause licenses display lower ex post inventiveness. We propose that licensees that use technology license agreements as an integrated part of their invention strategy do not engage in contracts that include grant back clauses. Licensors that make use of a grant back clause do so due to lack of complementary resources leaving them to rely on the licensee to develop their technology.

### Modularity for Value Appropriation - Drawing the Boundaries of Intellectual Property

Joachim Henkel, *Munich Technical University*  
Carliss Baldwin, *Harvard University*

Existing theory of modularity explains how modular designs create value. We extend this theory to address value appropriation. A product or process design that is modular with respect to intellectual property (IP) allows firms to better capture value in situations where knowledge and value creation are distributed across many actors. We use case studies to develop an inductive theory of "IP modularity," from which we derive testable propositions and managerial implications.

### Realizing the Commercial Value of Employee Leisure Time Invention

Lee Davis, *Copenhagen Business School*  
Jerome Davis, *Dalhousie University*

Managerial ability to access and effectively combine different sources of employee knowledge can help firms to respond quickly to emerging market opportunities, and enhance creativity and innovation. There are many examples of inventions where the key "flash of genius" occurred while the inventor was away from work – including the Wright Brothers' airplane and 3M's Post It Notes. But a novel leisure time insight does not necessarily lead to a useful invention. This paper discusses four problems managers face in realizing the commercial value of leisure time invention: encouraging employees to disclose knowledge about their invention, transferring this knowledge to the firm, minimizing "leisure time shirking," and dealing with the quandary of employee retention. We suggest what measures might be implemented, and generate propositions about how this research agenda might be tested empirically.

### The Impact of Internal and External Basic Science on Research Productivity in the Pharmaceutical Industry

Bart Leten, *Catholic University Leuven*  
Stijn Kelchtermans, *HU Brussel*  
Rene Belderbos, *Catholic University of Leuven*

This study examines the impact of basic science on the research productivity of private for-profit firms in the pharmaceutical industry. We distinguish between the effects of in-house self-performed basic scientific research (internal basic science) and the exploitation of public basic scientific research (external basic science). We hypothesize that firms that engage in internal basic science increase their research productivity, in particular when these activities are undertaken in collaboration with university scientists. In addition, a positive impact of the exploitation of external basic science on firms' technological performance is expected. Further, we posit that firms are positioned heterogeneously to benefit from the exploitation of external basic science, depending on their involvement in internal basic science. We

test hypotheses on a panel data set of the patent and publication activities of 71 of the world's largest R&D spending pharmaceutical and biotechnology-based firms.

### When Do Firms Use Public Research? The Determinants of Knowledge Flows from Universities and Government Labs to Industrial R&D

Michael Roach, *University of North Carolina-Chapel Hill*

This paper examines the factors that condition knowledge flows from public research while accounting for endogeneity arising from self-selection. Using a novel dataset the compares a survey measure of knowledge flows to backward citations to patent and non-patent references (e.g., scientific publications) I find that while firm basic research increases the probability that a firm uses public research, it has little effect on knowledge flows from public research. Instead, a firm's scientific capabilities are a key driver the exploitation of knowledge flows, and entrepreneurial ventures exploit more knowledge flows than established firms. By unpacking a firm's scientific absorptive capacity, this paper provides a nuanced view of the specific roles of firm research activity and capabilities in the exploitation of extramural knowledge.

#### SESSION 201

### 50TH ANNIVERSARY OF PENROSE'S (1959) THE THEORY OF THE GROWTH OF THE FIRM

TRACK I	Date	Monday, Oct 12
	Time	12:45 – 14:00 h
<b>Panel</b>	Room	Auditorium

#### Session Chair

Yasemin Kor, *University of South Carolina*

#### Panelists

Joseph Mahoney, *University of Illinois-Urbana Champaign*  
Margaret Peteraf, *Dartmouth College*  
Christos Pitelis, *University of Cambridge*  
Maurizio Zollo, *Bocconi University*

Edith Tilton Penrose's (1959) classic, *The Theory of the Growth of the Firm*, has proved to be one of the most influential books in the field of management. In honoring and celebrating the 50th anniversary of Penrose's (1959) classic, a diverse group of scholars will present their views, interpretations, and critiques of the seminal contributions of Edith Penrose in connection to the contemporary research efforts in strategic management. Scholars will provide insights for a future research agenda that highlights under-explored concepts and intuitions from Penrose, and identify synergistic connections to current research inquiries in strategic management. The panel presenters include Yasemin Kor, Joe Mahoney, Margie Peteraf, Christos Pitelis, and Maurizio Zollo. The panel discussion will be followed by a Q&A session.



SESSION 122

**STRATEGIZING IN UNCERTAIN TIMES**

<b>TRACK J</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 16
<b>Facilitator</b>	Robert Wright, <i>Hong Kong Polytechnic University</i>	

**A Risk-Based Approach to Strategy Execution**

Norman Sheehan, *University of Saskatchewan*

Firms looking to increase their bottom line in a recession need to improve their strategic execution capabilities. This article proposes integrating risk management with management control and compliance into a risk-based approach to strategy execution. Given that uncertainty is currently mounting and firms are only reimbursed when they successfully manage risk, the design and application of a firm's management control system must flow from an assessment of risk. Based on this assessment, the firm's management control system is designed to monitor/manage those risks which are seen to have the greatest probability to positively and negatively impact the firm's revenues and costs. The primary advantage of an integrated risk-based management control system is that it allows managers, in real time, to steer the firm towards the good things that were outlined in its strategy and to avoid any of the bad things that were either expected or unexpected.

**Augmenting the Explanatory Power of the Resource-Based View: Organisational Change in an Unstable Institutional Environment**

Sarah Dixon, *University of Bath*  
 Marc Day, *Henley Management College*

This paper uses case research to explore one of the theoretical limitations of the resource-based view of strategy by examining the reasons for the success and subsequent failure of the Russian oil company, Yukos. Organisational transformation and the development of new resources and capabilities in Yukos outpaced the changes in the institutional environment. In converting too rapidly to a Western business and the conditions of a market economy Yukos failed to co-evolve with its institutional environment. The case of Yukos demonstrates the importance for managers of maintaining strategic flexibility to seek multiple objectives, in the pursuit of both market and non-market strategies.

**Case-Based Reasoning For Supporting Strategic Decision Making in Turbulent Environments For SMEs**

Jerzy Surma, *Warsaw School of Economics*

The practice of strategic management proves that when the management board is strongly limited in its capacity to take rational actions, specifically in the context of great decision complexity and uncertainty, it is good practice to refer to experience through reasoning by analogy. In this paper we would like to concentrate on supporting strategic decisions for SMEs in real turbulent environments. Complexity of analogy-based reasoning has its roots in an attempt to solve new problems basing on past cases from a different domain, while we will focus on case-based approach for a single domain. Therefore we have chosen a case-based reasoning as a suitable decision making paradigm. We present the STRATEGOS case-based reasoning system for supporting strategic decision making by SME management board.

**Strategic Issues Interpretation as Discourse in an Uncertain World**

Robert Wright, *Hong Kong Polytechnic University*  
 Andrew Brown, *University of Bath*  
 Daniela Blettner, *University of Southern Mississippi*

Strategic issues have important implications for organizational performance. More compelling is how these issues are interpreted using strategists' own language in the performance of their strategic activities. How strategists' interpret and make sense of strategic issues provides the impetus for their decisions and subsequent actions. We gained access into two companies in the retail industry undergoing increasing competition and uncertainty to elicit top and middle managers' strategic discourse of how they make sense of critical business issues to help the business. Using a multi-theory perspective we attempt to develop a more engaged model of strategic issues diagnosis to help strategy practitioners better perform this important strategic work. Implications to strategy-as-practice theory building and practice are discussed.

**Strategists in an Uncertain World**

Christophe Torset, *National Arts and Business Conservatory*  
 Stephanie Dameron, *University of Paris-Dauphine*

The globalized financial crisis put the stress on financial criteria, but the study of strategy and people who actually do strategy could be one way to better understand how problems occur and how they can be solved. This paper aims at analyzing strategy formation with the framework developed by the strategy-as-practice perspective. 84 strategy practitioners (leaders, managers and experts) were interviewed. We show that these multiple-levels individuals have to face four main tensions and that they do not act the same : inside strategists (leaders and managers) use intuition and participative processes, whereas outside strategists focus on tools and market-oriented thinking.

**Understanding Uncertainties at the Network-Level - Lessons for Practitioners**

Marcel van Gils, *Strategy Works*

Managers of infrastructural megaprojects are struggling to define adequate strategies to realise these projects with appropriate quality, legitimacy and at reasonable cost. In this paper I present two major perspectives that have been identified by a variety of scholars as contributing to understanding uncertainties at the network-level. It allows us to indicate the overlap and main differences between both perspectives (static network / dynamic system). Next I shall illustrate how a combination of both perspectives improves our understanding of the uncertainties and describe the relevant lessons for practitioners. These lessons serve as a solid ground for discerning intervening strategies.

SESSION 244

**ENTREPRENEURSHIP IN EMERGING AND TRANSITION ECONOMIES**

<b>TRACK K</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 10
<b>Facilitator</b>	Garry Bruton, <i>Texas Christian University</i>	

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## Environmental Uncertainty and the Global Financial Crisis: Implications for Entrepreneurial Orientation in Latin America

Charlene Nicholls-Nixon, *IPADE*  
José Antonio Dávila, *IPADE*

This qualitative study addresses the question, how does increased environmental uncertainty influence entrepreneurial orientation (EO)? EO refers to the strategy making processes and styles associated with the pursuit of new business opportunities and/or new market entry. Although EO has been positively associated with firm performance when environmental uncertainty is high, it is unclear whether environmental uncertainty triggers changes in EO. We address this gap in the literature by using the current financial crisis as a natural experiment to yield insights about the nature and level of entrepreneurial orientation in Mexican enterprises and whether/how it is changing. This study extends EO research to the developing economies of Latin America and explores the antecedents and elements of EO at a fine-grained level of analysis.

## Managerial Resources and New Venture Performance in Emerging and Established Economies: A Meta-Analytic Review

Souren Arzlanian, *VU University-Amsterdam*  
Wouter Stam, *The Hong Kong University of Science and Technology*  
Tom Elfring, *VU University-Amsterdam*

Human capital and social capital represent key managerial resources that may facilitate the performance of new ventures. Yet notwithstanding the importance of managers' prior experience and social networks, empirical evidence on the relative impact of these resources and their different dimensions on performance are mixed. In an effort to reconcile past research results, we conduct a meta-analysis on the link between human capital, social capital, and new venture performance. We particularly focus on the potential moderating role of industry context by comparing effect sizes across new ventures operating in emerging and established economies. In so doing, our meta-analytic review contributes to a better understanding of how sampling, research design, and operationalization influence the link between managerial resources and new venture performance.

## Product Diversification and IPO Performance in Transition Economies: Evidence from China

William Wan, *Texas Tech University*  
Daphne Yiu, *Chinese University of Hong Kong*  
Xiaodan Wang, *Texas Tech University*

Research on IPOs has not paid sufficient attention to the unique institutional context of transition economies. In addition, the study of product diversification is one of the most important topics in strategic management; however, extant research has not studied if and how IPO performance would be affected by product diversification. Our study fills this gap in the literature by examining the relationship between product diversification and IPO performance in transition economies. Furthermore, many firms in transition economies have significant state ownership and are organized into business groups. We posit that the relationship between product diversification and IPO performance would be moderated by these two salient institutional characteristics in transition economies. To test the hypotheses, we use a sample of IPOs in China in recent years.

## R&D Resources, Management and Innovation: Evidence of Mediation

Kai Xu, *Xi'an Jiaotong University*  
David Sirmon, *Texas A&M University*  
Shanxing Gao, *Xi'an Jiaotong University*

Understanding the antecedents of innovation is important to theory and practice alike. Drawing from recently developed "resource management" theory, we extend our understanding of innovation by moving beyond the direct effects of R&D-related resources to investigate a mediating factor: R&D management. Specifically we hypothesize that R&D management actions mediate the relationship between social, human and financial capital and innovation. Based on data from Chinese manufacturing firms, our structural equation models show that indeed, R&D management fully mediates the relationship between social and human capital and innovation, while financial capital is partially mediated. The implications of this research are discussed with respect to both academic and practitioners.

## The Leaders Role in Resetting Strategy: Empirical Assessment of Radical Change in a State-Owned Enterprise

Prithwiraj Choudhury, *Harvard University*  
Tarun Khanna, *Harvard University*

There is relatively less economic scrutiny of performance improvement at state owned entities where privatization may not be feasible. We document evidence of 42 government laboratories in a key emerging market starting from a base of almost no U.S. patenting, collectively being granted more U.S. patents than all domestic private firms combined. The labs are then able to license several of these patents to multinationals to reduce their dependence on government budgetary support. This change in strategy follows leadership change at labs, an event whose timing is plausibly exogenous being dictated by rigid government employment rules. Our empirical analysis is based on hand-collected data from the Council of Scientific and Industrial Research in India from 1993-2006, supplemented by data from CVs of 593 senior scientists.

## Understanding Business Groups Origins: The Role of Institutional Environment

Natalya Totskaya, *Concordia University*

This paper reviews the alternative perspectives on business groups origins. The paper argues that the great variety of institutional profiles and developmental paths requires an integration of competing hypotheses. A multi-theoretical perspective combining institutional theory and path dependency approach may be useful for better understanding of business groups development. By identifying the common features of institutional environment of transition economies, this paper links business groups to the specific configurations of national institutions. The paper offers a preliminary framework for analysis of institutional transformations. Paper suggests that the business group development is subject to the complex processes of institutional change. The role and origins of business groups are affected by the centralization of authority, and by the degree of openness of transition economies.



## SESSION 102

**NETWORKS, ALLIANCES AND ENTREPRENEURSHIP**

<b>TRACK K</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	12:45 – 14:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room5

**Session Chair** Ronaldo Parente, *Rutgers University*

### **A Strategic Alliance Framework to Harness Entrepreneurial Skills in Developing Countries**

Dawn Harris, *Loyola University-Chicago*  
Thomas Derdak, *Global Alliance for Africa*

In many countries marked by deep poverty, such as Africa, entrepreneurs have the desire to build world-class businesses. These entrepreneurs face a multitude of barriers. How can multinational corporations assist entrepreneurs and still make profits? We propose a strategic alliance framework where each partner contributes a strength that creates a mutual gain for the other partners—the NGO (non-governmental organization) has an understanding of the local conditions, the corporation uses resources to assist the entrepreneur and purchase their product, and the university can measure and assess the results on successes and failures of the entrepreneurial projects. These strategic alliances encourage long-term sustainability with economic returns as well as social development goals.

### **Influencing Innovation: Social Capital as a Determinant of Technological Breadth**

Erin Pleggenkuhle-Miles, *University of Texas-Dallas*  
Theodore Khoury, *Oregon State University*

Strategic alliances and organizational collaborations have become a prevalent phenomenon among a number of industries—especially within the high-technology industries, yet we make assumptions about their influence on innovation. This paper studies how a firm's social capital (embedded within the larger network) influences its technological diversification. We propose that a firm can expand its technological breadth through its ability to internalize resources captured through exploratory strategies and accessed through two dimensions of its social capital. We also suggest that exploitative strategies will lead to a narrow technological breadth. This study contributes to the ambidexterity (exploration versus exploitation) literature through the extension of Koka and Prescott's (2002) multidimensional construct of social capital in examining the differential effects of social capital. Such clarification also offers better prescriptions for managers in managing the firm's network structure.

### **Technology Convergence in the Life Sciences: The Contingency Role of Network Ties**

Anne York, *Creighton University*  
Mark Ahn, *Victoria University of Wellington*

How does breakthrough innovation emerge in response to complex problems such as those found in biotechnology? While much research into information technology and digital convergence has been undertaken, currently, the path to technology convergence in the biosciences, which is rapidly emerging as the largest industry in the world, is poorly understood. Using wound healing products as an example, we examine the role of diversity in early-stage innovation, when varied disciplines develop multiple solutions independently which increases the diversity of the innovation system and probability of a convergent

breakthrough. Our analysis suggests that a stage-based model based on both market demand and the emergence of a significant catalyst, which converts weak redundant ties into strong unique ties, is needed to describe technology convergence in the life sciences.

### **Value Appropriation and Strategic Alliance Partner Selection in Entrepreneurial Firms**

Daniela Baglieri, *University of Messina*

This paper empirically investigates the determinants of entrepreneurial firms' partner selection choice in strategic alliances from a rent appropriation rationale. While prior work has focused largely on value creation rationale, we believe that differential ability to capture and protect the returns to value creation from the forces of competition represents a key capability to sustain the survival and the early growth of entrepreneurial firms. This is particularly significant when they can not leverage prior general and partner-specific alliance experience. In this vein, we develop and test a framework which describes how entrepreneurial firms may select their potential partner taking into the risks of opportunism. Using a unique dataset of Italian-based, privately held biotechnology firms, we test and find support for our arguments

## SESSION 303

**OPERATING MODELS FOR COMPETING IN A MULTI-POLAR WORLD**

<b>PLENARY</b>	<b>Date</b>	Monday, Oct 13
	<b>Time</b>	14:15 – 15:15 h
<b>Plenary Panel</b>	<b>Room</b>	Grand Ballroom

**Moderator** Robert Thomas, *Accenture*

**Panelists**

Srinivasa Addepalli, *Tata Communications*

Stéphane Girod, *Accenture*

Terry Kramer, *Vodafone*

Mark Spelman, *Accenture*

Emerging-market multinationals represent a growing strength in the world economy. They even shape a new phase of globalization, that Accenture calls the multi-polar world, because they challenge the economic dominance of triad-based multinationals. Yet, little is known about how emerging-market multinationals execute on their international strategy. To manage the high uncertainty of emerging markets, to be locally responsive in their developed-market operations, and to integrate their activities globally, they may use different organizational capabilities. They may have created new global operating models (organizational strategies) that may give them a competitive advantage over their developed-market peers. This panel will assess whether it is the case. It will present the conclusions of a primary research project which compares the global operating models of leading emerging-market multinationals and their developed-market peers in the telecommunications and the oil and gas industries. To enrich the presentation and stimulate a debate, two C-suite executives from two emerging-market multinationals will discuss their experience.



**Srinivasa Addepalli, Sr. VP - Corporate Strategy & Marketing**, is responsible for strategy formulation and execution at *Tata Communications*. He manages all new strategic initiatives, including growth plans, entry into new markets and mergers & acquisitions. Srinivasa Addepalli holds a Masters in Business

Administration from the Indian Institute of Management (IIM), Ahmedabad. Earlier, he graduated with distinction in Electronics Engineering from the National Institute of Technology, Surat.



**Stéphane Girod** earned a Ph.D. in strategic management in 2008 and a Master of Science in management research in 2003 at the University of Oxford (Saïd Business School). His research interests lie in organizational design, organizational change, innovation, and strategic renewal in multinational enterprises. At *Accenture*,

he has led the global operating model research study with a particular emphasis on emerging-market multinationals.



**Terry Kramer** joined *Vodafone* in January 2005 as Chief of Staff to *Vodafone's* Group CEO, and was appointed Group HR Director in 2006. In 2008, he was named *Vodafone's* Group Strategy and Business Improvement Director. Key efforts included the update of *Vodafone's* strategy which identified

key mobile internet, mobile and fixed broadband and enterprise revenue growth initiatives as well as accelerated cost reduction. Terry Kramer holds an MBA from Harvard Business School and a BA in Economics from the University of California, Los Angeles.



**Mark Spelman** leads *Accenture's* Global Strategy practice and runs the company's global macro economic and political think-tank called the *Accenture Institute for High Performance*. He is responsible for the firm's strategic relationship with the World Economic Forum (WEF). At *Accenture* Mark Spelman has almost two decades

of experience working at board level in senior management and business strategy positions. His research interests lie in organizational design, organizational change, innovation, and strategic renewal in multinational enterprises. His doctoral dissertation explored the relationships between organizational restructuring modular reconfigurations ("patching") and economic performance in American corporations between 1985 and 2004. At *Accenture*, he has led the global operating model research study with a particular emphasis on emerging-market multinationals.



**Robert J. Thomas** is Executive Director of the *Accenture Institute for High Performance Business* based in Boston, Massachusetts and the John R. Galvin Professor of Leadership at the Fletcher School of International Affairs at Tufts University. He writes, teaches and consults about leadership and transformational change. Robert J. Thomas

has published articles on leadership and change in the *Harvard Business Review*, *Harvard Management Update*, the *Wall Street Journal* and *BusinessWeek.com*.

15:15 - 15:45

**COFFEE BREAK**

SESSION 238

**TEACHING TRACK**

<b>TRACK T</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Special Panel</b>	<b>Room</b>	Meeting Room 8

**Ethics in the Strategy Classroom: A Multi-Cultural Perspective**

**Session Chair**

Brian Boyd, *Arizona State University*

**Panelists**

Asli Colpan, *Kyoto University*

Rachel Davis, *National Univeristy of Singapore*

Timothy Devinney, *University of Technology-Sydney*

Boris Durisin, *Bocconi University*

Christoph Lechner, *University of St. Gallen*

James Robins, *WU Vienna*

This session will focus on two questions: What role does ethics play in the strategy curriculum? And, how does national culture affect the discussion of ethical issues? The proposed format for this session is a panel discussion. Once we have received a list of conference attendees, we plan to recruit panelists representing a broad geographic scope of universities.

SESSION 187

**MARKET CONDITIONS AND FIRM INTERNATIONALIZATION**

<b>TRACK A</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 13

**Session Chair** Tony Tong, *University of Colorado-Boulder*

**Real Options, Experience, and Foreign Entry: U.S. VC Firms' Investment in China**

Yong Li, *State University of New York-Buffalo*

Tony Tong, *University of Colorado-Boulder*

We propose a framework that integrates real options theory with the traditional theory of foreign investment, suggesting that host industry conditions and firm-specific characteristics jointly determine firms' foreign market entry. We tested our hypotheses by focusing on U.S. venture capital firms' investment in China. Results indicate that industries with greater growth opportunities in China are more likely to attract U.S. venture capital investment, and that industry demand uncertainty and growth opportunities have a positive interaction effect on investment. In addition, prior industry experiences of both the venture capital firm and its syndicate partners positively influence the firm's investment in China. Our theoretical framework and empirical focus have implications for research on foreign investment in general and cross-border venture capital investment in particular.

**Toehold Internationalization: The Option Growth Value of Emerging Economy's IJVs**

Marshall Jiang, *Brock University*

Oana Branzei, *University of Western Ontario*

This study develops and tests new theoretical arguments on the real option value of international expansion by foreign firms into emerging economies. Using 11,383 international joint ventures (IJVs) formed

by foreign firms with domestic partners in China over a ten year period (1998-2007), we model the antecedents of the level of toehold commitment by foreign firms and explore the subsequent effects of these toehold commitments on IJV growth option value. Data from the Annual Industrial Survey Database provided by the National Bureau of Statistics of China shows that foreign entrants are more likely to adopt a real option perspective the earlier they come, and the less favourable their entry conditions appear; yet these are precisely the conditions that increase the value of their IJV growth options.

**Profiting From Globalization: Structural Reforms, Firm Internationalization Strategy, and Firm Profitability in Developing Countries**

Luis Dau, *University of South Carolina*

I study the multinationalization strategy response of developing-country firms to structural (or economic) reforms. I argue that these firms tend to increase their profitability by establishing multinational operations in response to structural reforms, because doing so allows them to utilize and upgrade their knowledge capabilities to increase their economies of scale, reduce their costs, and increase their sales. However, I propose that the benefits are greater in the short term for firms that establish operations in equally or less developed countries relative to their home market, whereas they are greater in the long term for firms that establish operations in more developed countries. I plan to test these predictions on a panel of 5478 firms across 68 countries.

**International Mergers and Acquisitions Performance: The Role of Cultural Distance and Post-Acquisition Integration Approaches**

Shlomo Yedidia Tarba, *Open University*

Yaakov Weber, *College of Management-Israel*

The major objective of this paper is to provide a framework that deals with the effects of national and corporate culture differences and synergy potential on implementation of various post-acquisition integration approaches, and thereby elucidates factors influencing international M&A performance. According to suggested framework the cross-border M&A which approximate its 'ideal types' of post-acquisition integration approaches is likely to be more effective rather than other M&A. The presented framework can help managers engaged in cross-bored M&A in analyzing, assessing, and planning before the merger and in carrying out the actually selected integration approach after the M&A deal is struck.

SESSION 132

**UNCERTAINTY AND THE LEVERAGING OF RELATIONAL MECHANISMS IN ALLIANCES**

<b>TRACK B</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 11

**Facilitator** Africa Ariño, *IIESE Business School*

**Credible Commitments: Safeguards and Dispute Resolution Strategies in Alliance Management**

Yue Wang, *University of New South Wales*

In alliance management studies, credible commitments are an important yet under-developed concept. Credible commitments are both the cause and the solution to alliance opportunism and partnership uncertainty. As a solution, making and seeking credible commitments serve the purpose

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of safeguarding alliance partnership by creating a mutual holdup situation. But on the other hand, credible commitments often appear in conjunction with relation-specific investments and become a cause of opportunism. Disputes arise in alliance cooperation often because of the opportunistic exploitation of one partner's credible commitments in relation-specific assets by another. The paper proposes a framework to examine the role of credible commitments in safeguarding alliances and study possible links between the nature of alliance partners' credible commitments and dispute resolution strategies.

### Arbitration in Licensing Agreements

Valerie Duplat, *Louvain School of Management*  
Régis Coeurderoy, *Catholic University-Louvain*  
John Hagedoorn, *Maastricht University*

While the popularity of the arbitration mechanism is rising, our knowledge about the factors motivating firms to rely on arbitration is extremely limited. In this paper, we study the decision jointly made by licensing partners to include an arbitration provision in their contract. In order to develop our theoretical framework, we refer to the Transaction Cost Economics arguments. We argue that an arbitration provision will be included in the licensing contract when the transaction governed by this contract presents high risk of opportunism and imposes important level of contractual incompleteness. In order to test our hypotheses, we conducted a survey and gathered detailed information on 118 licensing contracts negotiated by firms in the Belgian technology industry.

### Constraints and Discretion in Relationship Governance: Examining Level of Investment by Corporate Venture Capital Investors

Anu Wadhwa, *Swiss Federal Institute of Technology-Lausanne*  
Sandip Basu, *California State University-East Bay*  
Suresh Kotha, *University of Washington*

Governance of inter-firm relationships is not a unilateral decision - it is driven by divergent motivations and concerns of both partners. We study equity investments made by established firms in entrepreneurial ventures and examine the determinants of the corporate investor's level of investment in a venture. The corporate investor and venture negotiate the level of investment to satisfy the expected needs from forming the relationship and minimize the uncertainty that accompany the partnership. We find that ventures with low resource needs or availability of alternative sources to fulfill those needs are more likely to limit a corporate investor's level of investment. Despite these constraints, corporate investors exercise considerable discretion and their investment-level decisions are driven by their strategic objectives and uncertainty about venture quality.

### Asymmetric Outcomes of Strategic Alliances

Birgul Arslan, *HEC-Paris*

This paper explores how the benefits of strategic alliances are distributed among partnering firms and identifies factors that lead to asymmetric outcomes of strategic alliances. Asymmetric outcome of a strategic alliance is defined as an unequal distribution of returns that parties of an alliance receive from their investments in that alliance. Alliance partners may derive three types of benefits from an alliance: common benefits, private benefits from defection and private benefits from internalization.

Asymmetric outcomes arise when partners earn differential levels of private benefits. The interdependencies among these benefits determine the incentive structure, and in turn, the level of collaboration within the alliance: a higher potential for private benefits from internalization may encourage collaboration among alliance members.

### The Emergence of Trust-Based Knowledge Ecosystems: The Case of Illycaffè in Brazil

Pierpaolo Andriani, *Durham Business School*  
Gianluca Biotto, *University of Udine*  
Alberto de Toni, *University of Udine*  
Daniele Ghezzi, *Catholic University of Sacred Heart*

The paper describes the emergence of the quality sector in the Brazilian coffee market following the end of protectionism in Brazil and the entry of the company Illycaffè at the beginning of the '90s. Illycaffè with the objective of finding high quality coffee implemented a simple but revolutionary procurement strategy, based on direct interaction with local farmers and the invention of an award for best quality beans. This strategy produced a series of long-lasting consequences and unintended effects that reshaped the Brazilian coffee industry. We analyze the role of reputation and knowledge sharing dynamics in the creation of a self-organising trust-based knowledge ecosystem. Our results provide interesting managerial implications for small firms to compete in markets in which decommoditisation is taking place.

### Calculative Versus Identity Based Trust in Inter-Organizational Relationships: An Empirical Examination of Boundary Conditions and Optimal Processes

Laura Poppo, *University of Kansas*  
Kevin Zhou, *University of North Carolina-Charlotte*  
Julie Li, *City University of Hong Kong*

While trust is a central focus for works that examine inter-organizational exchanges, under-examined are its distinct types, its boundaries, and the best processes to support its use. In this proposal we focus on two widely cited forms of trust: calculative and identity based trust. We review and develop alternative logic to determine which form of trust is more effective in enhancing exchange performance and whether two sources of vulnerability, market and behavioral uncertainty, function as boundary constraints, thereby limiting or augmenting the relationship between calculative or identity based trust and performance. Moreover, we study how calculative and identity based trust interact with two processes, socialization and monitoring, to affect exchange performance. We then empirically test our hypotheses using a unique data set of 211 buyer-supplier relationships.

#### SESSION 131

### MANAGING EXTERNAL RELATIONSHIPS: PERCEPTION, JUDGEMENT AND ACTION

TRACK B	Date	Monday, Oct 12
	Time	15:45 – 17:00 h
	Room	Meeting Room 14

Session Chair Zeki Simsek, *University of Connecticut*



## Alliance Portfolio Appropriateness: Origins and Implications for Firm Performance

Smriti Prabhakar, *University of Connecticut*  
 Zeki Simsek, *University of Connecticut*  
 Greg Reilly, *University of Connecticut*

We build and test a model of an appropriate alliance portfolio elaborating its origins and implications for firm performance. An alliance portfolio is appropriate to the extent it complements the focal firm's strategy by providing the firm with the needed resources and capabilities to successfully execute its strategy. In particular, drawing on the structural embeddedness perspective we identify properties of the top management team network that critically influence the firm's ability to develop an appropriate alliance portfolio. Further, we argue that while portfolio appropriateness might impart beneficial influences on firm performance, it's shaping influence on performance is critically conditioned by the level of dynamism in the environment. Our preliminary analyses, using multi-source firm-level data, show support for the relationships specified in our model.

## An Empirical Examination of the Influence of Stock Market Analyst Forecasts on Executive Behavior

Mark Washburn, *University of California-Irvine*

Relationships between managers who represent firms and the greater external market are partially moderated by the insights and endorsements of industry experts such as stock market analysts. This study utilizes target-based behavioral theory to examine how external analyst forecasts can influence managerial behavior. I hypothesize that as actual earnings per share (EPS) deviates from forecasted EPS, the likelihood that managers will take certain to influence analysts in the future will increase. Investigated actions include issuing their own forecast, forecast range, or commenting on existing analyst forecasts. Contrary to my hypothesis empirical findings suggest managers avoid behaviors when performance differs from forecasts. These effects persist after controlling earnings management, institutional ownership, and other factors. Implications of analyst forecasts on manager behavior are discussed.

## Does Performance Feedback Shape Risk Management in Mergers and Acquisitions?

Steven Dionne, *University of Alabama*  
 Duncan Angwin, *University of Warwick*

Using research on experiential learning in organizations, this study examines whether performance feedback impacts the strategies used to manage risk in mergers and acquisitions across a broad sample of transactions completed from 1993 through 2004. Although research on learning has focused on the effect of performance feedback on persistence, the effect of such learning on risk behavior in acquisitions has not been examined. The results support our predictions: (1) performance feedback is negatively related to risk management, including the likelihood of adopting contingent payments and contractual devices; and (2) judgments of similarity moderate the observed impact of feedback on risk management in acquisitions.

## Management of Alliances: Performance Effects of Project Managers' Participation

Ricarda Bouncken, *University of Greifswald*  
 William Lekse, *University of Michigan-Dearborn*

Research on alliances has largely neglected the people who bring the alliance into life and to a success. Project managers are strong but neglected drivers of alliances performance. This study empirically explores the performance effects through participation of project managers in alliances. Specifically, we investigate in two classes of effects; primary and secondary effects. Primary effects relate to the project management style followed in the alliance. Secondary effects are the core of alliance performance. We extend the investigation of participation into the affects of exogenous and endogenous uncertainties finding that technology uncertainty has a positive relation to a more social project management style. Through the project management styles, we found statistically significant implications for our three constructs of alliance performance: relational, innovation, and project management.

### SESSION 174

## THE EFFECT OF ENVIRONMENTAL CONDITIONS ON ORGANIZATIONAL RECONFIGURATION

<b>TRACK C</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 6
<b>Session Chair</b>	Heather Berry, <i>University of Pennsylvania</i>	

## Performance Effects of Aligning Information Technology with Organization and Product Market Strategy

Ferdinand Mahr, *University of Munich*  
 Tobias Kretschmer, *University of Munich*

The returns from information technology (IT) use have been studied in detail in recent years. The consensus in various disciplines is that there are complementarities between firm organization and IT and that the combination of decentralization and IT appear to work best, although some functions of IT also favour centralization. In this paper, we propose that the complementarities between organization and IT depend on a third factor, a firm's strategy or learning mode. Using a novel dataset on over 250 German manufacturing firms, we find that IT use and decentralization are indeed complements in firms exploring new and uncertain products and markets, while IT and centralization are complementary in firms exploiting cost advantages in established product-market domains.

## The Effects of Internal and External Turbulence on Structural Reorganization

Samina Karim, *Boston University*  
 Tim Carroll, *University of South Carolina*

This paper examines the effects of internal and external turbulence on structural reorganization. Structural reorganization is the creation, deletion, or recombination of business units within a firm. External turbulence refers to industry instability; internal turbulence refers to instability within the firm and includes attributes such as change in sales, market activities, executives and headquarter location. The study is motivated by the assertion in both dynamic capabilities and organization design literatures that firms faced with changing external environments will change their organizational form. Organization design theory also addresses how changing internal environments may drive structural change. Using a sample of 50 firms traced over 20 years, this paper examines both environmental mechanisms to determine which particular attributes are influential in affecting structural change.

## The Strategies and Structure of Multinational Corporations

Heather Berry, *University of Pennsylvania*

Considering a complex set of strategic, organizational and environmental factors, I examine the strategies and structures of multinational firms using a representative dataset of US firms. Robust cluster analysis results show five configurations of US firms, including a low cost regional configuration, a low cost global configuration, a regional outsourcing/exporting configuration, a differentiator global knowledge configuration and a differentiator global product configuration. These results show that firms respond to multiple factors when configuring their international operations and reveal the importance of considering complex interactions across internal and external firm factors when examining the strategies and structures of multinational firms.

## Uncertainty and Organizational Forms: An Examination of Spanish Industrial Firms

Cesar Camison Zornoza, *University Jaume*

Ana Villar-Lopez, *University Jaume*

After a long period of time in which the value of hierarchical, vertically-integrated businesses was upheld against firms that organized themselves more flexibly through inter-organizational cooperation, many authors now claim it is necessary to evolve towards organizational models allowing firms to concern themselves only with their core activities, while outsourcing those which do not add value. This has been due mainly to the new competitive challenges firms must face, given to the current hyper-competitive environment. Therefore, it is necessary to analyze how organizational forms have evolved. In this study, we develop a taxonomy of organizational forms with the aim of knowing how are evolving organizational forms in Spain. We carry out a cluster analysis taking a sample of 159 Spanish firms. Results show that Spanish firms are distributed in four kinds or organizational models: "integrated", "independent SME", "multidivisional", and "network", by this order of importance.

### SESSION 183

## MANAGING COLLECTIVE EMOTIONS UNDER STRATEGIC UNCERTAINTY

<b>TRACK C</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Panel</b>	<b>Room</b>	Auditorium

### Session Chair

Henk W. Volberda, *Erasmus University-Rotterdam*

### Panelists

Quy Huy, *INSEAD*

Ronald Kitlas, *LG Electronics USA, Inc*

Bernd Riggers, *Lufthansa Technik Tulsa Corp.*

Joseph Volk, *Via Rail Canada Inc.*

Christoph Zott, *IESE Business School*

This panel of academics and executives will explore the management of collective emotions that arise in the highly uncertain context of strategic restructuring. Particularly, how can firm executives manage various stakeholder groups' collective emotions in a way that mobilize these groups to keep providing resources to the firms facing adverse economic conditions.

### SESSION 220

## CONTEMPORARY CHALLENGES TO ORGANIZATION THEORY

<b>TRACK E</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 7

**Facilitator** Xavier Martin, *Tilburg University*

## From Core to Periphery and Back: Sources of Differentiation in Network-to-Network Competition

Andrea Lipparini, *University of Bologna*

Gianno Lorenzoni, *University of Bologna*

Simone Ferriani, *University of Bologna*

Paolo Aversa, *University of Bologna*

In networks where know-how is broadly dispersed, small firms are usually not expected to have ambidexterity in managing different strategic approaches. In this paper, data from extensive fieldwork conducted in the successful Italian motorcycle components industry show the co-existence of a deliberate dual network strategy, based on a efficiency-driven and a knowledge-driven approach. Thus provides an innovative contribution by shifting the focus of analysis from the core-firms in a network to the peripheral actors, that have been only partially considered in the analysis of differential performance. Secondly it shows how different strategies such as the knowledge-based and the efficiency-based can be orthogonally managed by small firms, providing flexible, diverse and effective support to the core companies' value creation.

## From Strategy To Practice of Green Supply Chain: An Institutional Perspective

Valerie Moatti, *ESCP-EAP*

Valentina Carbone, *ESCP-EAP*

Most companies have now adopted the "green attitude", i.e. claiming their interest for integrating an environmental dimension into their business practices. After studying both the strategic intent and the supply chain decisions, we found it relevant to further analyze how firms are responding to environmental pressures within their supply chain. More specifically, thanks to the institutional theoretical perspective, we show that green supply chain strategy and practices are following different patterns. We point out here that green-washing represents a primarily needed step towards further concrete actions and results. Further, we expect that different institutional contexts (coercive versus normative or mimetic) lead to different types of green supply chain behaviours. We started by confirming our predictions through a large-scale survey of 600 international companies.

## Institutionalization, Intent and Implementation: A Meta-Analysis of Firm Size and Proactive Environmental Strategy

Frances Bowen, *University of Calgary*

Jessica Dillabough, *University of Calgary*

Do large firms adopt more proactive environmental strategies than small firms? Researchers routinely include firm size as a predictor of proactive corporate environmental strategy, but with mixed results. We use arguments from new institutional theory on ceremonial adoption, and changing institutional pressures over time, to hypothesize that this relationship is moderated by (1) the type of environmental strategy,



whether based on intent or implementation, and (2) the phase of institutionalization. Provisional results from meta-analyzing 104 effect sizes from 45 published studies support our arguments. Overall, we find a positive and significant, but weak, relationship between firm size and proactive environmental strategy. We also find evidence suggesting early ceremonial environmental strategy at larger firms, but that ceremonial adoption diminishes over time.

### Reputation Dynamics in Industries with Transgressing Rivals: From Blessings in Disguise to Collateral Damage

Anastasiya Zavyalova, *University of Maryland*  
 Michael Pfarrer, *University of Georgia*  
 Rhonda Reger, *University of Maryland*  
 Debra L. Shapiro, *University of Maryland*

We test a reputational dynamics model via longitudinal analysis of U.S. children's products industries during a period of product recalls, injuries and even death. Results suggest that firms with recalls enjoy long term positive reputation equal or greater to that of firms without recalls. We suggest recalls might be "blessings in disguise". We also find an association between firms' responsive actions and reputation. For guilty firms, symbolic actions are associated with higher reputation, while substantive actions associate with lower reputation. For innocent firms, substantive actions associate with lower reputation; symbolic actions have no effect on reputation. Innocent firms might suffer the fallout of "collateral damage" from the bad acts of peers. We offer a theory of reputational dynamics including type of reputation-restoring action, temporal, and spillover effects.

### The Intensity of Legal Conflicts Among Corporations: The Role of Tangible and Intangible Resources

Jean-Philippe Bonardi, *University of Lausanne*  
 Cyril Bouquet, *IMD*  
 Fabrice Lumineau, *IMD*

In spite of the large literature on firms' transactions and contractual arrangements, little attention has been paid to what might happen later on if things turn wrong: legal battles between firms. What determines the intensity of these legal battles? Do firms' tangible and intangible legal resources play an important role in this? In order to address these questions, this paper builds on the rational choice literature regarding wars between countries. Hypotheses are tested using a unique database of legal battles among European firms. Results suggest that the larger the size asymmetry between the two firms, the shorter and less intensive the legal battle. Moreover, the uncertainty about the opponents' resources and capabilities seem to matter to explain the intensity of legal conflicts in our sample.

### The Paradox of Knowledge Retention and Organizational Downsizing

Achim Schmitt, *Columbia University*  
 Stefano Borzillo, *CERAM Business School*  
 Gilbert Probst, *University of Geneva*

According to the knowledge-based view of the firm, sustainable competitive advantage is based on exploiting, exploring, and retaining a firm's knowledge. While exploitation and exploration have received extensive attention within the literature, knowledge retention has been relatively neglected. This paper explores how a firm's knowledge retention capability can be preserved over time. In particular, we develop a set of

propositions about the use and effectiveness of knowledge retention strategies by linking three elementary antecedents (type of knowledge, distribution of knowledge, strategic relevance of knowledge) to a firm's knowledge retention capability. By introducing employee downsizing as a research context, we believe that we present a promising research framework to empirically examine knowledge retention in practice.

### SESSION 160 EMERGING STRATEGIES IN ACQUISITION

<b>TRACK E</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 4
<b>Session Chair</b>	Maurizio Zollo, <i>Bocconi University</i>	

### M&A and Innovation Strategy: A Competitive Dynamics Perspective

Giovanni Valentini, *Bocconi University*  
 Sara Sgubbi, *McKinsey & Company*

In this study, we combine the literature on competitive dynamics, M&A, and technology management to study the impact of M&A on the patenting output and impact of the competitors of the firms involved in the deals. Using data from the pharmaceutical sector, we find that M&A deals have conflicting effects on competitors' patenting output and patents' impact. While they exert a negative effect on the number of patents a firm applies for, they increase patents' (average) impact. These results indicate that M&A carried out by competitors change organizational incentives, shifting them towards the pursuit of more radical innovations. Further, we find that technological relatedness between merging and non-merging firms plays a relevant moderating role.

### Self-organized Criticality in Gibrat's Law: Evidence from Merger Waves

Jason Park, *University of Pittsburgh*  
 Benoit Morel, *Carnegie Mellon University*  
 Ravi Madhavan, *University of Pittsburgh*

Our research seeks to understand better the persistence of Robert Gibrat's power-law distribution for firm sizes by examining the structure of merger waves. While extant wave theories are generally unilevel, reductionist, and Gaussian, we argue that waves are multilevel, holistic and Paretian. Using complexity theory, we argue that waves return a self-organized critical economy to dynamic equilibrium. A power law distribution for U.S. merger waves from 1895-2008 suggests that waves are emergent expressions of an adaptive ecology of firms in an underlying dynamic of recurrent instability, like that of avalanches or earthquakes. Observing this empirical regularity found in many natural, biological and social science phenomena leads to a better understanding of Gibrat's legacy through a more holistic and integrative account of waves.

### The Complexity of Learning in Acquisitions: Advisor Effects

Alexander Sleptsov, *Tulane University*  
 Carmen Weigelt, *Tulane University*

This paper studies the acquisition performance as a function of the interaction between the experience levels of acquirer and its advisor. We suggest that whether an acquirer can benefit from its advisor's prior acquisition experience depends on both the type of experience and the acquirer's own experience level. We find that acquirers with

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well-performing prior acquisitions tend to experience a “clash of wills” effect with experienced advisors that interferes with the acquirer’s ability to use the advisor’s experience effectively. In contrast, acquirers with experience in complex acquisitions benefit from their advisor’s experience with complex transactions, suggesting an important role of the acquirer’s absorptive capacity. The empirical context is 1827 acquisitions that 928 acquirers completed with investment bank advisors between 1986 and 2007.

### The Impact of Strategic Disclosure and Geographic Distance on Target Selection

Miguel Ramos, *University of Texas-El Paso*

Sharon James, *Ohio State University*

The active role of the target in the target selection process has been/ remains largely unexamined. This paper explores the effect of potential targets’ voluntary strategic disclosure on the likelihood of their selection. Because strategic disclosure tends to be credible, we argue that voluntary disclosure reduces adverse selection in the market for intangibles, thereby increasing the likelihood the likelihood of selection of disclosing firms. Building on prior research, which has shown that the likelihood of acquisition decreases with geographic distance between the acquirer and the target, we further argue that voluntary disclosure mitigates the effect of geographic distance. We test these predictions on a sample of R&D intensive firms in the chemicals, computer, communications equipment and pharmaceutical industries.

#### SESSION 230

### OWNERSHIP DETERMINANTS AND CONSEQUENCES

#### TRACK F

**Date** Monday, Oct 12  
**Time** 15:45 – 17:00 h  
**Room** Meeting Room 16

#### Common Ground

**Facilitator** Jean McGuire, *Louisiana State University*

### CEO Succession in Family Controlled Firms: The Impact of Leaving and Succeeding CEOs Characteristics on Firm Performance

Alessandro Minichilli, *Bocconi University*

Guido Corbetta, *Bocconi University*

Mattias Nordqvist, *Jönköping University*

Despite considerable attention from both strategic management and family business scholars, CEO succession research is far from being conclusive. This is especially true in family controlled firms, in which family membership, family relations and ‘outsiderness’ of successors have a peculiar influence on firm results. Further, overlaps between managerial and ownership positions in such firms is likely to make CEO succession more traumatic. In this article we rely on a sample of 167 firms over 10 years to explore relationships between both CEO succession per se, and ‘leaving’ and ‘succeeding’ CEOs’ characteristics on financial performance and firm leverage. We also test the impact of TMT’s turnover following a succession. Preliminary results support our hypotheses, suggesting that CEO succession should be carefully planned in family firms.

### Determinants of Ownership Concentration

Christian Weiss, *European Business School*

Building on the work of Demsetz/Lehn (1985), Hansmann (1996) has suggested that an analysis of the allocation of ownership rights needs to take into account all costs associated with and influenced by a firm’s ownership structure. However, his theory has not been tested empirically in a comprehensive fashion. Therefore, I construct a holistic framework considering the complete business operations of a firm to identify the key drivers of ownership concentration. Using a sample of 1939 firms from eight industries across eleven countries I find that the risk and value of a firm, the shareholder protection and the uncertainty avoidance significantly influence the ownership concentration. The results suggest analyzing the relative importance of firm-, industry-, and country specific factors of ownership concentration to gain further insights.

### Exploring What Goes Into Corporate Reputation: Decomposing Firm, Industry and Time Factors

Sujit Sur, *Dalhousie University*

Carol-Ann Tetrault Sirsly, *Carleton University*

Reputation is an embedded intangible asset that cannot be distinctly valued or traded. The ambiguity as to how reputation is derived in our uncertain world confounds attempts to fully understand its causal factors or antecedents. Furthermore, as firm reputation is nested within industry reputation, both evolving over time, it is imperative to address these factors simultaneously. With a random coefficient modeling technique we utilize a ten year sample of Fortune’s Most Admired Companies to decompose the change in corporate reputation over time, and between firms and industries. Factors we examine include financial and market performance, corporate governance and ownership characteristics. We find that half the variation in reputation is firm specific, yet the commonly accepted factors explain less than 26% of the variation.

### Ownership Structure and Divestiture Performance: Evidences From Thirteen European Countries

Enzo Peruffo, *LUISS Guido Carli University*

Raffaele Oriani, *LUISS Guido Carli University*

Alessandra Perri, *LUISS Guido Carli University*

This article analyses how ownership structure affects divestiture performance, using an Agency theoretical framework. In the light of the conflict between shareholders and managers, ownership concentration should drive divestiture performance, thanks to the monitoring power of owners on managers. However, we argue that the relationship between concentration and divestiture performance depends on the identity of the blockholder and on its propensity to extract private benefits, to the detriment of minority shareholders. Following Faccio and Lang (2002) approach, we reconstruct the identity and the control stake of the ultimate owner, and test our hypotheses on a sample of 263 divestiture transactions from thirteen European countries.



## Ownership, Identity and Shareholder Behavior: A Grounded Theory

Katarina Sikavica, *University of Munich*  
Anja Tuschke, *University of Munich*

Arguing that current theorizing on organizational ownership falls short of explaining shareholder behavior in all its facets, we adopt a grounded theory approach to explore how shareholder identities impact on shareholders' involvement in organizations. We conduct semi-structured interviews and use qualitative data analysis techniques in order to develop a novel typology of shareholder identities. We find that shareholders exhibiting different psychological dispositions towards ownership of the organization have different individual and social identities. These identities impact on the way how shareholders relate to the organization and thus on the extent to which they become involved in organizational decisions.

## Shareholder-Specific Resources, Ownership Structure and Firm Performance: Empirical Evidence from China

Hao Cui, *Sun Yat-Sen University*  
Changqi Wu, *Peking University*  
Dean Xu, *University of Hong Kong*

This study explores the relationship between the largest shareholder-specific resources and the performance of such firms. Our theoretic model shows that the largest shareholder-specific resource is positively associated with the economic performance of the listed firms in China although this relationship is contingent on the ownership structure of the firms. We use the technical efficiency frontier approach to measure the valuable and inimitable resources of the largest shareholders.

SESSION 229

### ALLIANCES AND CORPORATE STRATEGY

<b>TRACK F</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 9

**Session Chair** Beverly Tyler, *North Carolina State University*

## International Alliance: Impact on Creativity and Performance of Professional Service Firms-Study of Indian Advertising Agencies

Somnath Dutta, *Indian Institute of Management-Calcutta*

Is international alliance detrimental to the creativity and performance of Professional Service firms? This proposal addresses this question by looking at the unique context of a panel of Indian advertising firms. The impact of the partner resource, the search behavior and standardizations associated with an international alliance on the human capital intensive and knowledge intensive nature of the advertising firm is expected to throw counter intuitive insights. The study proposes the innovative use of advertising awards as a measure of firm creativity and hopes to make valuable addition to the extant alliance and creativity literature.

## Organizational Differences between Partners and Their Consequences for Alliance Performance

Dovev Lavie, *Technion-Israel Institute of Technology*  
Pamela Haunschild, *University of Texas-Austin*  
Poonam Khanna, *University of Texas-Austin*

How do organizational differences between alliance partners affect alliance performance? We argue that in non-equity alliances, congruence of partners' organizational routines is more critical to alliance performance than the cultural alignment of the two firms. Our analysis of 420 alliances in the information technology industry supports this assertion and demonstrates how differences in partners' task orientation undermine relational mechanisms -- mutual trust, social embeddedness and relational commitment -- which in turn impact alliance performance. We also show that partners that acknowledge their latent organizational differences can overcome some of these negative consequences. We advance alliance research by uncovering the multifaceted nature of organizational differences and their performance effects, and by demonstrating how these effects are mediated by relational mechanisms.

## Target Selection and Value Appropriation: The Role of Board Interlocks in Research Intensive Industries

Matthew Higgins, *Georgia Institute of Technology*  
Tunji Adegbesan, *Pan-African University*

High levels of uncertainty and information asymmetries often make accessing external technology markets a difficult proposition. Alliances are viewed as a mechanism in which to help alleviate some of these concerns. This "try before you buy" approach allows firms to assess a technology and continue with its development in a less costly manner. Missing from this approach is a discussion on how appropriate alliance partners are chosen and whether these choices have an impact on value appropriation. This paper explores the role board interlocks play in alliance formation and subsequent value appropriation between parties. We find that board interlocks serve to help alleviate information asymmetries, which in turn facilitates future alliances. In addition to target selection we find that board interlocks serve as a mechanism to appropriate more value.

## The Effect of Alliance Portfolio Orientations on Radical and Incremental Innovation in the US Biopharmaceutical Industry

Turanay Caner, *North Carolina State University*  
Beverly Tyler, *North Carolina State University*

In this study we integrate the organizational learning literature on exploration and exploitation, alliance portfolio research, and research on absorptive capacity. We argue that the more exploratory firms' alliance portfolios the more successful they will be in producing radical innovations, while the more exploitative firms' alliance portfolios the more successful they will be in producing incremental innovations. Furthermore, drawing on absorptive capacity arguments we posit how firms' knowledge stock moderates these relationships. Finally, we test to see if firms with balanced alliance portfolio orientations produce more innovations than those with exploratory or exploitative orientations using a sample of U.S. biopharmaceutical companies. We contribute to both alliance and innovation literature by demonstrating the differential effects of alliance portfolio orientation on radical and incremental innovation.

## SESSION 139

**OFFSHORING & OUTSOURCING****TRACK G**

**Date** Monday, Oct 12  
**Time** 15:45 – 17:00 h  
**Room** Meeting Room 15

**Paper**

**Session Chair** Annique Un, *University of South Carolina*

### Charting Value from Global Innovation Outsourcing: Insights from Six Longitudinal Case Studies

Christiane Prange, *EMLYON*  
 Manfred Janda, *HAK-Innsbruck Business School*

Over the last years, it has become common practice for most firms to outsource basic business functions to low-cost countries. Recently, this has also included critical core competences like innovation. Beyond traditional cost concerns, it has been argued that accessing external capabilities and transforming internal knowledge are desirable benefits. However, the few extant studies on innovation outsourcing show mixed results and hint at a variety of potential pitfalls, such as capability erosion and revenue decline. In this article, we propose a research model based on the current and future importance as well as the maturity of existing capabilities. Six longitudinal case studies highlight multinational firms' outsourcing trajectories, their propensity to outsource innovation as well as their respective management approaches to balance associated risks and returns.

### Quality Risk in Offshore Manufacturing

John Gray, *Ohio State University*  
 Aleda Roth, *Clemson University*  
 Michael Leiblein, *Ohio State University*

Does offshoring pose a quality risk? We discuss the mechanisms by which the distance introduced when offshoring may lead to a quality risk. To evaluate a plant's quality risk, we use a heuristic procedure, developed with industry experts, that is applied to Food and Drug Administration inspection data. We then compare the quality risk posed by matched pairs of plants owned by the same company in the US mainland and Puerto Rico. We find that the offshore plants have significantly higher quality risk than plants in the mainland. We discuss the generalizability of these results to other industries and other offshore locations.

### Technology Offshore Outsourcing and Firm Performance

Annique Un, *University of South Carolina*

I study the impact of technology offshore outsourcing on firm performance. Theoretical arguments from the knowledge-based view suggest that technology offshore outsourcing has a negative influence on firm performance because this action erodes the firm's learning capabilities and future competitive advantage. I propose that we need to theoretically separate the outsourcing dimension from the offshoring dimension and argue that technology offshore outsourcing has a positive impact on firm performance. Whereas the outsourcing dimension may limit learning and performance, the offshoring dimension improves learning and performance, because it enables the firm to acquire new technologies that may not be available in the home country and develop cross-border learning capabilities. Results indicate

that technology offshore outsourcing has a positive impact on firm performance, while technology domestic outsourcing has no significant influence on performance.

### The Antecedents of Offshoring Advanced Tasks

Torben Pedersen, *Copenhagen Business School*  
 Peter D. Ørberg Jensen, *Copenhagen Business School*

This article focuses on the antecedents of advanced offshoring, exploring what causes firms to offshore some of their more advanced tasks. Our findings indicate that while the lower cost of unskilled, labor-intensive processes is the incentive for firms that offshore less advanced tasks, a desire to broaden and deepen global networks of new knowledge spurs highly knowledge-intensive companies to offshore more advanced tasks. We propose that offshoring should be analyzed on a more disaggregated level than is the norm in mainstream offshoring literature as this would allow finer distinctions between the offshoring of more or less advanced activities.

## SESSION 149

**RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT****TRACK H**

**Date** Monday, Oct 12  
**Time** 15:45 – 17:00 h  
**Room** Meeting Room 3

**Paper**

**Session Chair** Matthias Brauer, *University of St. Gallen*

### Firm Behavior and the Strategic Action of Acquiring External Resources in the Biopharmaceuticals Industry: A Multi-Level Conceptual Framework

Sotiris Rompas, *University of Warwick*  
 Sotirios Paroutis, *University of Warwick*

External resource acquisition (ERA), the strategic action to acquire critical resources, has been a core activity for firm survival. We challenge the resource-based rationale of most current ERA studies that firms' strategic actions are solely directed by their resource endowments- and propose instead that it is top managers' interpretations of their competitive environment driving firms to engage in ERA. We draw upon the upper echelons perspective to unpack the processes through which top managers take external resource acquisition decisions when faced with resource-related actions by their competitors. Using insights from the biopharmaceutical industry, we suggest that ERA behavior is more complex than previously assumed and develop a multi-level conceptual framework that provides firm- and TMT-level explanations of ERA patterns among competing firms.

### ★ How Capital Budgeting Differs as Uncertainty and Controversy Vary: Bridging Bower and Brealey & Myers

Hyoung-Goo Kang, *Ewha Womans University*  
 Richard Burton, *Duke University*  
 Will Mitchell, *Duke University*

Capital budgeting is a contentious subject. Financial economists emphasize NPV-like quantitative approaches, while strategy scholars have argued that socio-political conflicts interfere with financially-oriented capital budgeting methods. We bridge these competing views by extending the Behavioral Theory of the Firm, emphasizing



the notions of Knightian uncertainty and controversy. Fourteen case studies of Korean Chaebols find that the financially-oriented standard capital budgeting model is common when Knightian uncertainty and controversy are low, while firms turn to Bower-like socio-political methodologies when uncertainty and controversy are high. We complete the uncertainty-controversy matrix with two other situations: high uncertainty-low controversy (the "Plausibility" cell) and low uncertainty-high controversy (the "Negotiation" cell). This approach helps explain variation in firms' capital budgeting methods.

### Portfolio Restructuring Decision Making: The Interaction of Consensus and Comprehensiveness

Thorsten Kahlert, *University of St. Gallen*  
Matthias Brauer, *University of St. Gallen*

While numerous studies have examined the performance impact of portfolio restructuring through acquisitions and divestitures their findings still remain somewhat inconclusive. One main reason seems to be that we have gained only little insight into portfolio restructuring processes in general and decision-making in particular. We argue that two so far unrelated themes in the strategic decision-making literature – consensus and comprehensiveness – are crucial to explaining deal performance. Consistent with our theoretical predictions, our data on 80 business portfolio decisions show that both factors have a direct positive impact on performance, while their interaction effect is negative. While our findings do not suggest using either comprehensiveness or consensus, they call for greater awareness that "overboarding" consensus may blunt the effectiveness of analytics and thus deteriorate deal performance.

### Why and How CEOs Reconfigure the Corporate Portfolio: A Process Perspective

Hamid Bouchikhi, *ESSEC Business School*

Corporate restructuring has generated a continuous flow of research over the last three decades. Most of extant research has dealt with antecedents and/or consequences of divestitures. While they have produced divergent findings, researchers have shared a preference for longitudinal, hypothesis testing quantitative research methods. This methodological convergence has not enabled the field to hear Hoskisson et al. (1992) early call for more fine grained studies of restructuring processes. This research deals with a special case of corporate restructuring, namely situations where CEOs undertake a simultaneous string of acquisitions and divestitures, with the intent to reengineer radically the firm's portfolio. We follow a grounded theory approach and seek to a) build a process model of portfolio reconfiguration and b) articulate theoretical conjectures for further quantitative testing.

#### SESSION 218

#### LET THE KNOWLEDGE FLOW...

<b>TRACK I</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 2
<b>Session Chair</b>	Georg Von Krogh, <i>ETH Zurich</i>	

### Contextual Ambidexterity as Catalyst for Intraorganizational Knowledge Transmission

Wolfgang H Guettel, *University of Hamburg*  
Stefan Konlechner, *Vienna University of Economics & Business Administration*

Organizations must resolve tensions between the opposing development modes of exploration and exploitation to evolve. The contradiction between exploratory and exploitative learning modes is highlighted in the research on ambidexterity. In this paper, we focus on the concept of contextual ambidexterity (ambidexterity that derives from a context that allows employees to pursue exploratory and exploitative activities). Based on a case study approach, we characterize several elements (formal structures and cultural values and norms) that constitute the context of contextual ambidexterity. Furthermore, we show that the major advantage of contextual ambidexterity is that it permits a fast intraorganizational knowledge transmission between exploratory and exploitative learning domains, which is necessary for the rapid development of innovative and applicable solutions.

### Human Resource Slack and Innovation: How Does Downsizing Affect Innovation Output?

Kamel Mellahi, *University of Sheffield*  
Adrian Wilkinson, *Griffith University*

This study extends current research on the association between slack and innovation by focusing on the effects of reduction in slack level following downsizing on innovation output. Specifically, this study aims to answer three questions: When organizations engage in slack reduction through downsizing, what is the impact of the level of slack reduction on innovation? Does the impact of slack reduction vary over time? If so, what is the nature of this variance? We developed two hypotheses to examine the total effects and varied yearly effects. We tested our hypotheses with data from a panel of UK firms that downsized between 1997 and 2003. The results show that the level of downsizing only has temporary effects on innovation output.

### Motivating Employees to Share Knowledge in a Temporary Knowledge Repository: The Mediating Effect of Experience Recall

Jan Henrik Sieg, *ETH Zurich*  
Martin Wallin, *ETH Zurich*  
Georg Von Krogh, *ETH Zurich*

Brainstorming plays a crucial role in generating ideas in the early stages of the innovation process. To harness the distributed knowledge of individuals, a temporary knowledge repository can facilitate brainstorming. Yet, little is known what (a) motivates individuals to share knowledge in a temporary knowledge repository and (b) whether there are mediators between motivation and knowledge sharing. Using large-scale survey data (N=1,116), we test a structural model linking individual motivation to experience recall and knowledge sharing. Preliminary results indicate that neither intrinsic nor extrinsic motivation have a significant direct effect on knowledge sharing, but a significant positive indirect effect through experience recall.

### Organizational Knowledge Flow and Firm Performance in the Biopharmaceutical Industry

Zeynep Erden, *ETH Zurich*  
David Klang, *ETH Zurich*  
Renato Sydler, *ETH Zurich*  
Georg Von Krogh, *ETH Zurich*

According to the knowledge-based view of the firm, the firm creates transfers and utilizes organizational knowledge that impacts on its performance. Incorporating recent research on the knowledge-based view, we review and test the impact of knowledge flows on firm performance

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on a global sample of public bio-pharmaceutical companies. Our research is timely, because in the past 10 years the biotechnology industry has significantly matured, giving rise to populations of specialized firms (e.g. biopharmaceuticals). This paper makes three major contributions. First, our model identifies precise variables and fine-grained items to measure organizational knowledge flows. Second, we test for a nonlinear impact of knowledge flows on firm performance. Third, we employ a longitudinal analysis to assess the relationships between knowledge flow and firm performance variables.

## SESSION 223

**EXPLORATION AND NOVELTY**

<b>TRACK I</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room 12
<b>Session Chair</b>	Thomas Durand, <i>Ecole Centrale Paris</i>	

**Embedded Exploration: An Empirical Study of Firm Selectors For Problemistic Search**

Rafael Corredoira, *University of Maryland*

This paper advances and tests a model supporting the thesis of increased search efficiency when the exploration is embedded on social ties and conducted among the alternatives already known by others. Larger benefits are derived from searching in areas where the firm has better access to knowledge. The phenomenon is explained by increased alternative assessment accuracy. A study of exploration citations (those patents cited for the first time) on the semiconductor industry provides empirical evidence that firms focus their exploration efforts on the knowledge of those they have better understanding of. In this case, market competitors, firms connected through alliances and mobility, and geographically proximate firms have significant impact, even when controlling for a host of alternative explanations.

**Knowledge Acquisition Modes in New Ventures**

Thomas Paris, *GREG HEC*  
Sylvain Bureau, *ESCP-EAP*  
Sihem Ben Mahmoud-Jouini, *HEC School of management*

The process of knowledge development is an important issue of strategic management, specifically as far as innovation is concerned. But the specific issue of how knowledge acquisition is achieved in new ventures needs further investigation and can help to understand how knowledge creation is managed. Our paper addresses the following question: how do ventures acquire knowledge during the entrepreneurial process, and specifically in the phase of the opportunity construction? Through a longitudinal, case study methodology, focused on two innovative new ventures, we could identify three distinct modes of knowledge acquisition that we describe as open capture, focused creation, and active generation.

**Reasoning About Novelty in Markets: A Model of Coherence**

Timo Ehrig, *Max Planck Institute for Mathematics in the Sciences*  
Louis Kauffman, *University of Illinois-Chicago*

Our proposed paper presents a model to conceptualize reasoning in novel markets, in particular the valuation of novel types of companies.

Narratives are a key element in the knowledge generation between entrepreneurs, investors, analysts and customers. Our proposed paper presents a novel methodological approach to code the knowledge generation mediated by texts, and a model to conceptualize the reasoning process of an idealized investor who makes sense of a novel situation after reading through texts. The proposed model conceptualizes how investors form optimally consistent beliefs on novel phenomena. The model conceptualizes how beliefs on theories that are articulated in the verbal domain (like "Google is a media company.") organize the evaluation of factual knowledge that is available at present (like Google's current earnings per share.).

**Repeated Innovations in the Long Run: How Some Organizations Maintain Intrapreneurial and Innovative Capabilities**

Sébastien Ronteau, *ESSCA Graduate School of Management*  
Thomas Durand, *Ecole Centrale Paris*

This paper aims at better understanding how some firms have built and maintained capabilities to innovate repeatedly in the long run. We deal with large organizations that delivered successful innovations again and again over decades. We aim at identifying the underlying strategic and organizational dynamics that made it possible to maintain this ability over time. We first review the literature on innovation and intrapreneurship. We then present the results of four case studies of companies known for their long and solid track record regarding innovation. From this, we infer a theoretical comprehensive framework designed to capture how innovating repeatedly within existing organizations can be institutionalized via a set of sub-processes. We finally present a simplified version of the model stressing the role of managerial leaders.

## SESSION 100

**FOUNDERS, FOUNDING CONDITIONS AND HUMAN CAPITAL**

<b>TRACK K</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 10
<b>Facilitator</b>	Sharon Alvarez, <i>Ohio State University</i>	

**Differentiating the Role Played by Founders' Human Capital in the Performance of Firms**

Joana Mendonça, *Technical University of Lisbon*  
Rui Baptista, *Technical University of Lisbon*  
Francisco Lima, *Technical University of Lisbon*

We study the performance of new firms in knowledge based sectors, created in Portugal between 1991 and 2003. We follow the impact of human capital on firms' sales and survival, differentiating between general and specific human capital, distinguishing the employee and employer human capital, accounting for different moments in time. Our results show that entrepreneur's characteristics and decisions in the beginning of the firm have a role in determine how the firm will perform. Firms from more educated business owners are more likely to succeed; business owners' with previous managerial and sector specific experience are more likely to survive and present better sales performance. In addition, the results indicate that a more experienced workforce may lead to lower survival probabilities, but to higher sales increase.



### For How Long Do Founding Conditions Matter?

Jose Mata, *New University of Lisbon*  
 Pedro Portugal, *New University of Lisbon*

This paper explores the effects that founding conditions have on the survival of new firms. The effect of founding conditions is estimated taking also into account that survival may be affected by current market conditions. Further, the model allows the effects of founding conditions to be transitory, and provides a way to assess how long such effects last. Using data on 118,114 Portuguese new firms observed over the period 1983 – 1993, we find that founding effects are important determinants of exit rates, and in some cases, they are more important than current conditions. In most cases, founding effects seem to persist without much of an attenuation in their effect on survival rates for at least several years after the founding of the firm.

### Founders to Firms: Examining the Institutionalization of Founder-CEO Social Capital

Bret Fund, *University of Colorado-Boulder*

This article examines how organizations protect themselves from the potential negative performance consequences associated with the loss of a key member’s personal social capital. I draw from the executive succession stream of literature along with the knowledge transfer and social capital literatures to develop hypotheses. To test these hypotheses I analyze survey data from 126 venture-backed startups and find that the ventures that actively engage in actions targeted to institutionalize a founder-CEO’s social capital experience better performance in a very delicate and unstable period in the organization’s history. The models I use in this study provide a basis for not only understanding how social mechanisms influence economic organization, but also provide prescriptions regarding how to think about succession and compensation in a new venture context.

### Specific Human Capital as a Source of Above Normal Returns

Pankaj Patel, *University of Louisville*  
 James Fiet, *University of Louisville*

We assess the effectiveness of property rights to provide incentives for new venture employees to invest in specific human capital. The greater necessity of deploying specific human capital increases the necessity of ceding greater residual rights. The extent of the ceded residual rights will be contingent on the degree of specific human capital required. We used a 10-year longitudinal sample of 205 new ventures to explore the opposing effects of TCE and RBV interpretations on venture survival. We identify 837 ventures that received venture capital financing in the 1987-1989 editions of the *Venture Capital Journal*. We use piece-wise Weibull event history model with time varying industry covariates. We further explore the two-way and three-way moderating effects of capabilities, asset specificity, and environmental uncertainty. Event history studies typically do not plot interactions. We contribute to the literature by plotting and explaining 2-way and 3-way interactions in the survival models.

### The Effect of Faculty Founders on New Technology Based Firms

Anne Fuller, *California State University-Sacramento*  
 Frank Rothaermel, *Georgia Institute of Technology*

We examine the growing phenomena of U.S. academic entrepreneurship. Building on prior work demonstrating the embryonic state of science and engineering research that is licensed through the university (Jensen & Thursby 2001), we extend this framework to include university inventions commercialized by a new technology-based firms (NTBFs). We posit that the presence of faculty inventor founders will be beneficial to the NTBF. This is tested with a uniquely constructed dataset representing a variety of university and industry settings. Initial results indicate firms with faculty founders have a higher likelihood to experience an IPO or become acquired than other similar new firms. We interpret this to be an indication that the specific human capital brought in with the academic founder is useful in moving the technology into the commercial marketplace.

### Why Do Entrepreneurial Stories Matter? Obtaining Legitimacy and Resources by Recounting a Coherent Mission

Jatinder Sidhu, *Erasmus University-Rotterdam*  
 Bettina Wittneben, *University of Oxford*  
 Shahzad Ansari, *Erasmus University-Rotterdam*

This article carries the cultural-entrepreneurship literature forward by arguing that the substance of entrepreneurial narratives is the critical ingredient that distinguishes between stories that triumph and those that fail in drumming up support behind a new business in an uncertain world. By drawing on the mission concept from the strategic-management literature, we advance the thesis that stories recounting a coherent mission promote the legitimacy of a new venture and attract financial, human and institutional resources to it. This bequeaths an enterprise vital assets that are necessary for competing effectively and creating wealth. Our investigation reveals how, besides storytelling, story-enactment and story-adaptation processes also play a crucial role in mobilizing resources. We discuss the implications of our work for entrepreneurship research and practice.

#### SESSION 249

### EXAMINING ENTREPRENEURIAL PHENOMENA AT MULTIPLE LEVELS

<b>TRACK K</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	15:45 – 17:00 h
<b>Paper</b>	<b>Room</b>	Meeting Room5

**Session Chair** Kimberly Eddleston, *Northeastern University*

### Corporate Entrepreneurship in Established Organizations: Intrapreneurship At and Across Multiple Levels of Analysis

Lotte Glaser, *VU University-Amsterdam*  
 Wouter Stam, *The Hong Kong University of Science and Technology*  
 Tom Elfring, *VU University-Amsterdam*

Previous work on corporate entrepreneurship has focused on either organizational or individual levels of analysis. Macro-level researchers have examined the organizational characteristics that facilitate corporate entrepreneurship, yet has neglected the bottom-

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up processes that translate managers' individual behavior into organizational outcomes. Micro-level scholars, on the other hand, have studied the personal correlates of managers' entrepreneurial behavior but have overlooked the top-down effects of organizational context on individual behaviors. Accordingly, in this paper we propose that a micro or macro lens alone yields incomplete understanding at either level and attempt to integrate both research streams by developing a multilevel theoretical framework. Our model depicts the individual and contextual determinants of managers' entrepreneurial behavior and concentrates on middle managers' networks within the organization.

### **Do Family Firms Benefit From a (Home) Regional Orientation? The Moderating Role of Family Leadership**

Elitsa Banalieva, *Northeastern University*

Kimberly Eddleston, *Northeastern University*

The central contribution of this study is that it is the first study to analyze: (a) whether family-owned businesses are regional or global in their internationalization strategies; and (b) how do these strategies affect firm performance, conditional on the family leadership of the firm. We build our arguments on theories from international strategy and family business literatures. Using a sample of 165 family firms from U.K., Germany, and France during 1990-2006, we find that family leadership significantly moderates the relationship between Home Regional Orientation and Performance.

### **Dynamics of Threshold-Based Decision Making in the Entrepreneurial Process**

Brian McCann, *Vanderbilt University*

The purpose of this research is to provide a broader view of the evaluation stage of the entrepreneurial process, arguing that it consists of more than just the gathering of resources by fully committed entrepreneurs. Using the Panel Study of Entrepreneurial Dynamics, a nationally representative dataset of US adults working to start new businesses, it will demonstrate that entrepreneurs' expectations of financial performance and perceptions of environmental uncertainty undergo significant changes, consistent with a real options / learning view of the process. I will also provide evidence that the degree of these changes is influenced by entrepreneurs' information gathering activities. I finally investigate whether the main effect of information gathering activities is moderated by ex ante novelty / uncertainty and prior knowledge of the entrepreneur.

### **How Can a SME Develop a Global Brand? The Role of Social Networks**

Domenico Dentoni, *Michigan State University*

Thomas Reardon, *Michigan State University*

Social network theory has been largely applied to analyze the impact of embeddedness on the identification of potential market opportunities and foreign buyers. We explore how a SME can individually develop a global brand with into a new foreign market by making effective use of its social networks. We propose that the degree of a SME's embeddedness with social ties signaling credence attributes to a buyer is positively associated with the likelihood that a buyer chooses that SME as its supplier. We follow a "grounded theory" methodology, where the instrumental case of three small Italian single-estate olive oil producers from Liguria, Tuscany and Lazio regions provide support to our emergent theory.



SESSION 239

**TEACHING TRACK**

<b>TRACK T</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Special Panel</b>	<b>Room</b>	Meeting Room 8

**Evaluation: How to Assess Learning Outcomes in a Strategy Class**

**Session Chair**

Rachel Davis, *National Univeristy of Singapore*

Student Learning Outcomes (SLOs)–based assessment using Rubrics is a new requirement in the AACSB accreditation for both first-timers and those seeking reaffirmation. In many business schools, the onus of demonstrating that MBA and BBA students have the required business knowledge and capabilities falls on the integrative capstone strategy course, conveniently placed at the end of the program. Student Learning Outcomes (SLOs)–based teaching can be very useful in maintaining consistency in the strategy core course which is usually taught by multiple teachers. SLOs create a common platform while allowing individual teachers a fair amount of flexibility. When teaching is based on clearly defined SLOs, assessment and feedback on these SLOs becomes easy. The process of SLO-based objectives development, assessment and feedback including tools and rubrics development will be demonstrated.

SESSION 189

**RISK MANAGEMENT IN UNCERTAIN ENVIRONMENTS**

<b>TRACK A</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Paper</b>	<b>Room</b>	Meeting Room 13

**Session Chair** Lorraine Eden, *Texas A&M*

**Trust Production in an Emerging Economy: Credit Rating and Non-Participation in China**

Jiatao Li, *Hong Kong University of Science & Technology*  
Weiping Liu, *Hong Kong University of Science & Technology*

Although participation in credit rating has been widely recognized as a means for firms to establish credibility and has been widely adopted, some firms choose not to participate. This paper investigates firms' nonconformity behavior in an emerging economy context. We argue that, notwithstanding most of the other firms' participation, some firms choose to not to participate either because they have strong institutional endowments (e.g., state-owned firms and those with politically assigned CEOs in an emerging economy), or because they have strong resource endowments (e.g., human capital and slack resources). These endowments, as well as third-party certifications such as credit rating, provide complementary approaches for trust production in an emerging economy. The hypotheses are largely supported with survey data on 2,744 companies in China.

**Doing Harm by Doing Good: The Community Reinvestment Act and the U.S. Banking Crisis**

Lorraine Eden, *Texas A&M University*  
Stewart Miller, *University of Texas-San Antonio*  
Joanna Tochman Campbell, *Texas A&M University*

The Community Reinvestment Act (CRA) encourages banks to make loans and investments, and provide services, to low and middle income

households. Did this government regulation encourage excessively risky behavior by US banks that may have contributed to the current US banking crisis? When government regulations encourage firms to engage in activities that are socially desirable but are costly to the firms, can “doing good” end up “doing harm”?

**The Effect of Oil Price Volatility on Strategic Investment**

Irene Henriques, *York University*  
Perry Sadorsky, *York University*

Energy security issues and global warming are two of the most pressing problems facing society and both of these issues are likely to increase oil prices and oil price volatility in the coming years. This paper explores the relationship between oil price volatility and strategic investment at the company level. This paper develops and estimates a model of a company's strategic investment and shows how changes in oil price volatility can impact strategic investments decisions. The results should be useful to decision makers, investors, managers, policy makers and others who need to make strategic investment decisions in an uncertain world.

**The Evaluation of Competitive Strategy by Long-buyers and Short-sellers**

Margaret Hughes, *Michigan State University*  
Walter Ferrier, *University of Kentucky*

This study examines how key characteristics of a firm's competitive strategy -- strategic volume, complexity, and heterogeneity -- are differentially perceived by two classes of stock market investors, long-buyers and short-sellers. Owing to their use of different decision making processes, these investors react to competitive strategy in different ways, as evidenced by higher or lower stock prices, and the degree of “short interest” in a firms stock -- a new performance variable in strategy research. We tested our hypotheses on a sample of pharmaceutical firms. Our findings suggest that stock price and short interest vary in response to the characteristics of competitive strategy.

SESSION 126

**GETTING IT RIGHT: BUYER-SUPPLIER RELATIONSHIPS**

<b>TRACK B</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Paper</b>	<b>Room</b>	Meeting Room 14

**Session Chair** Anne Parmigiani, *University of Oregon*

**Making an End Run: When Do Firms Build Relationships with Distant Supply Chain Partners**

Anne Parmigiani, *University of Oregon*  
Jennifer Irwin, *University of Oregon*

Firms are vertically interconnected through supply chains to obtain materials, exchange information, and provide products to customers. Members in a supply chain include raw material producers, component suppliers, manufacturers, distributors, and end users. Although acknowledging several firms are involved, received literature focuses on dyadic relationships between buyers and suppliers. But, firms sometimes go around their closest supply chain partner and deal directly with a more distant firm, such as a component supplier working directly with a distributor. Motivations include leveraging market power, reducing information asymmetry, and mitigating environmental uncertainty.

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This paper explores when and why firms go around proximate partners to work with more distant firms, discusses implications of this behavior, and provides illustrations from the motorhome industry.

### When Product and Organizational Architectures Mirror Component Modularity and Supplier Relations in the Air-Conditioning Industry

Anna Cabigiosu, *University of Padova*  
Arnaldo Camuffo, *Bocconi University*

Analyzing a dataset of 100 components and supply relationships in the air conditioning industry, this study investigates if, to what extent and under which conditions the degree of coupling of product and organizational architectures mirror.

Our analysis shows that, under the condition of product architecture stability, supplier relations for loosely coupled components require less information sharing, which implies that the degree of coupling of product components varies with the degree of coupling of organizations. Also, the performance of supply relationships depends on the amount of buyer-supplier information sharing but not on the degree of modularity. Finally, component modularity negatively moderates the direct relationship between buyer-supplier information sharing and the performance of supply relationships, which confirms that modularity works as a substitute for inter-organizational integration mechanisms.

### Timing and Buyer-Supplier Negotiations

Fabrice Lumineau, *IMD*  
James Henderson, *IMD*

This paper analyzes how timing in a buyer-supplier disputes impacts subsequent negotiation strategies. We examine different facets of timing – when the dispute occurs during the contract, the process of negotiations unfolding and the time to respond to the other party – and their effects on the choice of a collaborative versus competitive negotiation strategy. Our empirical analysis employs a unique dataset of 2293 negotiation interactions in 102 disputes arising in buyer-supplier relationships.

### The Economic Value of Social Capital in De-Socialized Exchange

Todd Zenger, *Washington University-St. Louis*  
Daniel Elfenbein, *Washington University-St. Louis*

Organization scholars have consistently highlighted the virtues of social capital in supporting effective exchange. At the same time, however, scholars also recognize that social capital in exchange constrains the fluid matching of buyers and sellers and thus may undermine exchange performance. In response, a large number of organizations appear to actively seek to de-socialize exchange often through the use of online procurement auctions. In this paper, we examine whether value in social capital persists in settings where deliberate efforts are undertaken to de-socialize exchange. In particular, we examine the procurement activities of a large global manufacturer that extensively uses reverse procurement auctions. We find strong evidence that social capital persists in value despite these efforts to de-socialize value. We also find that the value of social capital varies predictably with the attributes of the exchange.

#### SESSION 185

### NEW FORMS AND GOVERNANCE MODES FOR COPING WITH UNCERTAINTY

<b>TRACK C</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 11

**Facilitator** Edward Zajac, *Northwestern University*

### Exploring Plural Governance: The Role and Interplay of Ambiguity, Volatility and Governance Mechanisms

Anna Krzeminska, *University of Technology-Sydney*  
Jochen Schweitzer, *University of Technology-Sydney*

This research aims to develop a new concept for understanding different types of uncertainty and a firm's subsequent governance choices. We frame uncertainty in terms of causal ambiguity, relational ambiguity, behavioral volatility and environmental volatility and discuss their impact on plural forms of governance as a function of governance mechanisms like control and monitoring, incentive and reward intensity, or coordination and adaptation. The conceptual framework builds on the behavioral theory of the firm and transaction cost economics. This research contributes to managerial theory and practice in that it helps understanding the effects of different types of uncertainty, the implications of certain governance choices in response to uncertainties and the appropriate use of governance mechanisms. A multi method research approach is suggested.

### Governance Costs in Headquarter-Subsidiary Relationships

Sverre Tomassen, *BI Norwegian School of Management*  
Gabriel R G Benito, *BI Norwegian School of Management*

Using foreign direct investments as a governance mechanism has a cost side that goes beyond mere production and input costs. The governance costs of foreign operations are often vague and underestimated, and sometimes even overlooked by companies when they set up a subsidiary in a foreign market. This article examines the nature of such costs within the context of MNC headquarters-subsidiary relationships. Our emphasis is on discussing how they vary and how they can be measured. Governance costs influence the performance of foreign operations, and our discussion demonstrates that managers in multinationals companies should be aware of governance costs and gain knowledge of how to deal with them.

### Heterarchies as a Solution for Environmental Uncertainties and Ambiguities

Tomislav Rimac, *University of Navarra*  
Johanna Mair, *University of Navarra*

We draw attention to cross-sector business groups (CSBGs), a nascent organizational form in the domain created by the blurring of the dividing line between private and public sectors. We argue that as sites of competing and coexisting value systems, CSBGs adopt heterarchical mode of organizing in order to enhance their ability to respond to unpredictable changes in their environments and modify these environments. Based on CSBGs' heterarchical attributes we develop a typology of CSBGs. Furthermore, due to their social missions, repertoires of employed collaborative strategies, strong sense of collective identity,



and high members' interdependencies, we conceptualize CSBGs as social movement organizations. Using two-level theorizing, we present a theoretical framework linking the CSBGs' resource attributes, level of resource control and capabilities with the CSBGs' viability.

### In Sight but Out of Mind: Strategic Thinking on Firms' Physical Organization

Linda M Cohen, *University of Hartford*

Offshoring and outsourcing are two examples of trends that are reshaping the physical boundaries of firms. What ideas can we draw on to understand the strategic relevance of new physical forms? And, has our strategy theory about firms' physical organization evolved over time? This paper explores how ideas about the strategic role of physical organization have evolved since the mid-twentieth century: while 'physical organization' was considered fundamentally strategic in early- and mid-twentieth century management theory, these ideas have been largely abandoned in contemporary mainstream management discourse. This paper revisits early ideas about firms' physical organization (e.g., Chandler, Simon, Penrose), which can help us to better understand the strategic implications of today's shifting organizational forms.

### Managing Uncertainty with Fuzzy Time-Series Strategic Neuron

Phannaphatr Savetpanuvong, *Chulalongkorn University*  
Uthai Tanlamai, *Chulalongkorn University*

This paper proposes an artificial intelligent tool in managing global uncertainties called Fuzzy Time-series Strategic Neuron®. Uncertainties, with unknown probabilities of relevant variables in strategic decision making, can be handled with fuzzy logic and time-series forecasting. Fuzzy logic provides flexible levels of truth more than yes and no. Time-series data of those possible external and internal variables help managers and strategists in select the most robust strategic alternatives by using pattern recognition of the analogous change. Fuzzy Time-series Strategic Neuron® can learn unpredictable nonlinear behavior of global business systems. It is expected to be the next generation strategic planning platform.

### Ownership and Performance of Italian NTBFs: A Methodological Approach

Samuele Murtinu, *Polytechnic University of Milan*  
Massimo Colombo, *Polytechnic University of Milan*  
Annalisa Croce, *Polytechnic University of Milan*

It is widely accepted that NTBFs lack the financial means and managerial expertise to acquire the resources and develop the capabilities they need in order to exploit the commercial potential of their technologies. Poor access to external financing may limit the performance and even threaten their survival. This is worrisome because of the key role these firms play in assuring dynamic efficiency in the economic system. We argue that agency problems can arise in raising external capital because of separation between ownership and control. We distinguish between "hands-off" investors (providing only financial resources) and "hands-on" investors (also providing managing or monitoring activities). While the entry of active investors produces positive effects on firm's productivity, hands-off investors generate agency costs that result higher than benefits provided.

#### SESSION 175

### THE INFLUENCE OF UNCERTAINTY ON INVESTMENT BEHAVIOUR OF FIRMS

#### TRACK C

Date Monday, Oct 12  
Time 17:15 – 18:30 h  
Room Meeting Room 6

#### Paper

Session Chair Tony Tong, *University of Colorado-Boulder*

### A Real Options Approach to Trade Remedies: A Study of the US Anti-dumping Process

Johan Lindeque, *Queen's University-Belfast*  
Steven McGuire, *Aberystwyth University*

Real options theory has attracted considerable interest as a tool for framing and analysing strategic choice under conditions of uncertainty. The theory draws on option theory from the field of finance to illuminate a range of strategic choices facing firms and is attractive not least because exercising options looks much like the incremental, emergent process of strategy formulation already well-established in the literature. In spite of its attractions, the application of real options remains contested in terms of the organisational level of application and degree to which it can be underpinned by robust modelling or should be best understood as a heuristic. This paper contributes to the development of real options theory through an application to the prosecution of antidumping cases in the United States.

### ★ Growth and Divestiture in a Recession: Evidence from Emerging Markets in East Asia

Abhirup Chakrabarti, *McGill University*

Firms actively engage in asset divestiture and growth while navigating economic crises. The existing research, however, does not present a consensus about which strategies are appropriate and if certain firms are in a better position to implement divestiture and growth. This study shows that restructuring helped firms survive the economic shock, but affected focused and diversified firms differently. Diversified firms had greater access to the relatively easier strategy of divesting poor performing assets but were not able to implement the more difficult strategy of strengthening their surviving businesses. Attempts to grow by diversified firms were associated with greater performance declines. The results may explain the diversification discount observed during recent emerging market crises, and has potential implications for firms navigating the current economic recession.

### Multinationality and Downside Risk: The Role of Option Portfolio Characteristics and Organization

Rene Belderbos, *Catholic University of Leuven*  
Tony Tong, *University of Colorado-Boulder*  
Shubin Wu, *Catholic University Leuven*

Real options theory holds that increased multinational investments lead to lower levels of downside risk for the firm, yet extant research has reported mixed findings on the theory's core prediction. We advance existing research in two ways: first, we suggest that when a firm's network of international operations comprises countries with heterogeneous factor and product market conditions, the potential for operating flexibility and downside risk reduction is increased; second, whether operating flexibility and risk reduction will materialize depends on effective coordination within the firm; therefore, firms with more effective coordination and control mechanisms in place are

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more likely to achieve the risk reduction benefit. We empirically test these predictions on a panel of 1164 Japanese manufacturing firms and their foreign affiliates during 1985-2006.

### Unpacking Uncertainty: Differences between Investment Horizon and Production Function Uncertainty

David Souder, *University of Connecticut*  
Greg Reilly, *University of Connecticut*

Recent research disaggregates the risk associated with corporate investments into three dimensions, one of which is the variance of the investment's potential outcomes. We propose additional segmentation of the variance dimension to account for differences between production function uncertainty – the reliance on unfamiliar technologies – and environmental uncertainty, which increases with longer horizon investments. Our hypotheses suggest that these are offsetting sources of variance that need to be treated separately instead of joined together.

#### SESSION 222

### CHALLENGING TRADITIONAL NOTIONS OF COMPETITIVE STRATEGIES AND COMPETITIVE ADVANTAGE

#### TRACK E

Date Monday, Oct 12

Time 17:15 – 18:30 h

#### Common Ground

Room Meeting Room 7

#### Facilitator

Ken Smith, *University of Maryland*

### Porter's Generic Strategies Under Uncertainty: A Formal Rationalization

Roland Bel, *Euromed Management*

Following the resource-based theory, we view the firm as a collection of strategic assets. In presence of uncertainty and incomplete contracts, firms must 'control' their strategic assets to protect ex-ante investments. We define control over an asset as enforceable access: A firm controls an asset if it can access it and no other firm can exclude the firm from using it. To avoid loosing control on its assets, a firm will have the choice between three strategies: (i) Increasing the marginal productivity of its assets; (ii) Decreasing the possibilities of substitution between its assets and other external assets; (iii) Decreasing the number of firms to which it is likely to be exposed. We rationalize Porter's generic strategies but with a twist. And if we show that there are no other possible strategies, we argue, against Porter, that efficient hybrid strategies are possible.

### Strategic Formulation in a Fragmented and Declining Industry: A Look at the U.S. Homebuilding Space

Richard Brown, *Temple University*

A view of industrial structure can help scholars gauge the overall level of uncertainty in a particular space. In industries where the market is both fragmented and in decline, uncertainty abounds. This study explores the U.S. Homebuilding Industry within the context of uncertainty and strategic implications. Taking a manipulated version of the HHI, I propose a new tool labeled the Concentration Continuum which puts the degree of consolidation in perspective better than the binary label of "Fragmented" versus "Consolidated." Additionally, I posit that most

of the leading firms in the industry are at risk of an insolvency event by calculating the Altman Z-Score of the leading firms. The interaction of fragmentation and decline are cause for concern in relation to strategic implications for relevant firms.

### The Challenge of Disruptive Strategy for Established Firms

Pierre Roy, *University of Montpellier*

This paper explores a new stream in the strategic management field, namely the way some firms manage to change the competitive rules of the game in their industry (i.e. a disruptive strategy). Our contribution lies in studying the specific case of established firms and the challenges they encounter when implementing a disruptive strategy in their industry. The study of the introduction of multiplex-type theatre in the French motion pictures industry helps understanding the strategic issues at stake. Tackled with a method triangulation, our case study provides results about the causes of the disruption, as well as key success factors within the process and implications for firms' performance and competitive dynamics

### Uncertainty in Positioning Strategy: Choose Distance when Categorical Identities are in Flux, Swiss Banks (1936-2002)

Fabiana Visentin, *University of Lugano*  
Filippo Carlo Wezel, *University of Lugano*  
Alessandro Lomi, *University of Lugano*

Positioning strategy is one of the major sources of uncertainty that companies face. Recent studies recognized the need to compromise between the 'stay away from others' –to avoid competition- and the 'stay close to them' – to gain legitimation. But differentiation and similarity to competitors make sense only with reference to evaluation categories. This paper addresses the performance consequences of firm-level similarity over the course of category institutionalization. Using data on Swiss banks (1936-2002), our main hypotheses posit (i) the existence of an inverted U-shaped relationship between organizational differentiation and growth rate and (ii) the amplification of such an effect in presence of sharp categorical distinctiveness –i.e., the more distinct the focal category, the stronger the inverted-U shaped effect.

### Varieties of Behavior: A Philosophical Examination into the Types of Competitive Actions

Tomi Nokelainen, *Tampere University of Technology*

Prior typologies of competitive actions have not been rigorously theoretically derived and therefore have failed to address the question of what competitive actions, theoretically speaking, are there available for companies to choose from in their effort to enhance and defend their competitive position. This proposal builds upon the philosophical theory of action and demonstrates – with an empirical illustration – that there are exactly eight logically possible types of context-invariant competitive actions six of which are absent from all prior typologies of competitive actions. The discussion suggests that this proposed typology may be complemented with another theoretical premise, such as the resource-based view of the firm – or some other appropriate representation of the firm – to capture the full essence of competitive behavior.



## What is Competitive Advantage and How Do You Know When You Have it?

Nicola McCarthy, *Georgia Institute of Technology*  
Frank Rothaermel, *Georgia Institute of Technology*

We provide herein an analysis of definitions of competitive advantage from the canon of literature and identify contention between these definitions on the questions of measurement. Initially we use Compustat data for 4,909 firms from the U.S. manufacturing sector from 1980 to 2007 to assess the validity of different proxies for competitive advantage. We also apply different statistical techniques to assess the volatility of performance metrics over time.

### SESSION 157

## MANAGERIAL COGNITION AND DYNAMIC CAPABILITIES AT THE CROSSROADS: CURRENT ISSUES AND NOVEL STRANDS OF DEVELOPMENT

<b>TRACK E</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Panel</b>	<b>Room</b>	Auditorium

**Session Chair** Giovanni Battista Dagnino, *University of Catania*

### Panelists

Sydney Finkelstein, *Dartmouth College*  
Giovanni Gavetti, *Harvard University*  
Margaret Peteraf, *Dartmouth College*

The aim of this panel is to explore systematically the intersections between managerial cognition and the emergence and evolution of dynamic capabilities at both the firm and inter-firm levels. The contributions of strategy scholars with an array of cognitive investigation orientations (i.e., RBV, evolutionary, behavioral, and neuronal) is expected to fire up intense dialogue and mesmerizing conversation unpacking fertile avenues of development in the burgeoning managerial cognition strand of strategic management. We draw specific attention to four potentially fertile issues: 1) the view of cognition as a driver of inertia in capability development; 2) the countervailing view of cognition as enabler and mobilizer of novel firm capabilities; 3) the surfacing concept of cognitive capability; and 4) the role of dynamic capabilities in varying managerial cognition.

### SESSION 233

## TOP EXECUTIVES AND DIRECTORS IN ORGANIZATIONAL DYNAMICS

<b>TRACK F</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 16

**Facilitator** Mason A Carpenter, *University of Wisconsin-Madison*

## A Multilevel Conceptualisation of Conflict in Board Level Strategic Decision-Making

Paul Jackson, *University of Manchester*  
Thomas Kirchmaier, *University of Manchester*  
Judita Ilikeviciute, *University of Manchester*  
Agnes Michalik, *University of Manchester*  
Julia Nordmann, *University of Manchester*

Research on understanding factors contributing to board effectiveness is inconclusive and contradictory, and this paper argues that the reason for this is that prior work has ignored processes at the micro level. We propose a multilevel theoretical framework for strategic decision-making, and present a preliminary study using a microworld simulation of boards. Based on three experimental groups, we examine 178 conflict episodes and show a relationship between specific conflict management modes and the effectiveness of the group. Our findings establish that micro-level behavioural styles do affect board performance, and contribute to scholarly debates on board effectiveness and on the microfoundations of strategy

## An Empirical Investigation of Executive Job Attainment and Retention

Aaron Hill, *Oklahoma State University*  
Jason Ridge, *Oklahoma State University*  
Margaret White, *Oklahoma State University*

This study seeks to expand upon our knowledge of executive selection and retention by investigating the role of three types of status—supervisor, unit and organizational. While research on both selection and retention has been plentiful, our knowledge of these important organizational processes is limited because we have yet to investigate the impact of the status quotient of the executive experiences and prior relationships. Because status differences are a practical reality that affects the assessment of an individual by seemingly objective third-parties, understanding the role that status plays in executive selection and retention should add to our knowledge about these processes.

## False Signals: The Effectiveness of Board Prestige as Signals of IPO Firm Quality

Michael Holmes, *Louisiana State University*  
Hermann Ndofor, *Texas A&M University*  
Joseph Coombs, *Texas A&M University*

For firms seeking financing through an IPO, prestigious boards of directors have been recommended as an effective signal of the firm's resources and capabilities. Prestigious boards, it is argued, avoid associations with lower quality firms as such it might injure their reputations. Despite the consistent use board prestige as signals of firm quality, no research to date has attempted to verify its effectiveness. Using a population of biotechnology IPOs between 1980 through 2004, this paper investigates whether prestigious board structures are indeed effective signals of firm quality. Our results do not find any evidence board prestige is related to post IPO market value. Furthermore, some attributes of board prestige have a negative relationship with post IPO market value for IPO firms with higher uncertainty.

## New CEO Outsiderness, Strategic Change and Performance: The Role of TMT, Board and CEOs' Networks

Marko Coh, *London Business School*

Extant literature has shown that new CEOs appointed from the outside will tend to institute more changes, yet these changes will likely be detrimental to performance. I suggest that this is a result of unsuccessful resolution of CEO's "action imperative paradox", the tension between the need for swift action and the lack of knowledge of the organization. I explore what factors affect resolution of this paradox. I theorize that



these factors include composition of top management team with respect to industry tenure and service under the previous CEO; experience and prestige of firm directors; and experience of individuals in the CEO's personal network. I then hypothesize the direction of the relationship between these factors, the new CEO outsidership, and the performance implications of strategic change.

### Succession Context and New CFO Origin: A Role-Specific Perspective on Managerial Succession

Volker Büttner, *WHU*

Kevin Zander, *WHU*

Utz Schaeffer, *WHU - Otto Beisheim School of Management*

Highlighting the importance of a role-specific perspective in upper-echelons-based managerial succession research, we argue that the relatively high transferability of practical CFO skills across firms and industries may reduce impediments to select successors from outside the firm. Our theory and evidence from a sample of 123 CFO changes suggest that the selection of an outsider CFO is more likely in situations of poor firm performance, in firms with major blockholders, after the dismissal of the predecessor, and when no parallel CEO change occurred. Results on the firm performance consequences generally support the decision to nominate outsiders in these contexts. However, in specific situations with extremely poor pre-succession performance, our findings indicate that hurdles to improving performance may exist for the selected outside successors.

### The Effect of Industry Origins and Experience of Top Management Teams on Firm Growth

Rajshree Agarwal, *University of Illinois-Urbana Champaign*

Charles Williams, *Duke University*

Pao-Lien Chen, *National Tsing Hua University*

Recent research has focused on the importance of managerial cognition, and resonates with extant literature on the effect of executive succession and top management team turnover on firm performance. In this study, we dwell deeper into the subject by examining the impact of industry origin of new TMT members on firm growth, and the moderating effect on this relationship of existing TMT members experience in the focal industry. We test our hypotheses in the context of the US cellular phone service providers industry from 1983 to 1999. We find that first time TMT members that have experience outside the focal industry have a positive influence on the firm's performance, while the reverse is true for first time TMT members with experience within the focal industry. However, within industry experience of existing TMT members positively moderates this relationship.

SESSION 194

## CEOS AND TOP MANAGEMENT TEAMS

<b>TRACK F</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Paper</b>	<b>Room</b>	Meeting Room 3

**Session Chair** James Wade, *Georgetown University*

### A Glimpse of Eternity: Existential Concerns in the Management Team and Investment Decisions

Jean-Malik Dumas, *Tilburg University*

Extant research in psychology shows that individuals and groups are trying to deny their own finitude. Until recently, the issue received little attention from management researchers. This study investigates how the loss of a member in a top management team can impact on the collective cognitive schema. Subsequently, death salience may lead to specific defensive strategies oriented toward the extension of a symbolic existence evidenced in following investment decisions. Results from a quantitative analysis are supporting the existence of a short-lived effect of death salience on firm's asset portfolio composition. This relation is moderated by the age of the deceased team member. This first step contributes to the understanding of the impact of existential concerns on decision makers and corporate strategy.

### Dynamic Managerial Capabilities: Configuration and Orchestration of the Top Management Team Resources

Yasemin Kor, *University of South Carolina*

Andrea Mesko, *University Of South Carolina*

This paper makes contributions to the dynamic capabilities and TMT literatures by developing a theoretical arguments and predictions about the co-evolution of firm's dominant logic and TMT configuration. Our theory brings to the foreground the notion of firm's dominant logic as the missing link between configuration of TMT resources and reconfiguration of the firm's resources and capabilities. We also highlight the importance of effective orchestration of TMT resources through maintaining positive team dynamics. Our theory also captures the feedback effects of TMT configuration and orchestration functions on the ability of the CEO to reevaluate and adjust a firm's dominant logic, which is central to firm's strategic renewal.

### The Martha Effect: An Examination of the Negative Returns to Status for Executives

Joseph Porac, *New York University*

Scott Graffin, *University of Georgia*

James Wade, *Georgetown University*

While there is a general consensus that high status individuals generally receive positive returns to their status, we propose that high-status executives will, in the longer-term, also incur negative returns to their status. We refer to these negative returns to status as the Martha effect and we theoretically examine how some of the same mechanisms that led to these executives being exalted may eventually cause such executives, and the firms that employ them, negative returns in the longer term.

### Titular Figureheads and Unconstrained Managers: How Does the Role of the CEO Differ Cross-Nationally?

Craig Crossland, *University of Texas-Austin*

I argue that the fundamental role played by CEOs differs cross-nationally. Building on recent research indicating that managerial discretion differs systematically across countries, I theorize that, in low-discretion national environments, CEOs will tend more toward occupying a "titular figurehead" role. In contrast, CEOs in high-discretion national environments will tend more toward occupying an "unconstrained manager" role. These roles will be reflected in two distinct domains. First, CEOs in high-discretion environments will be more likely to depart office following poor firm performance. Second, CEOs in high-discretion environments will enter office at younger ages, and will show greater heterogeneity in entry age, exit age, and tenure. I use a 5-year, 15-country sample of over 700 public firms and over 1200 CEOs to test these ideas.



SESSION 197

**DIVERSITY, IDENTITY, AND CORPORATE GOVERNANCE**

<b>TRACK F</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Paper</b>	<b>Room</b>	Meeting Room 9
<b>Session Chair</b>	Gavin Nicholson, <i>Queensland University of Technology</i>	

**Director Diversity: Exploring How Ethnic Minorities and Women Directors’ Participate and Affect Organizational Outcomes**

Chris Tuggle, *University of Missouri*  
 David Sirmon, *Texas A&M University*  
 Leonard Bierman, *Texas A&M University*

Many prior studies have explored sources of variance among individual board directors such as their functional, occupational, and industry experiences. Another source of variation among directors is much less studied: that of ethnic and gender diversity. Despite the appealing argument that ethnic and gender diversity among board members will benefit firm performance, the limited work in this area (almost exclusively considering gender diversity alone) has produced inconsistent results. In order to more effectively investigate the performance effects of board diversity, we address limitations in the prior work by expanding the treatment of board diversity to include both gender and ethnic dimensions. Based on a unique dataset of board meeting discussion transcripts, we investigate factors that affect ethnic and gender minorities’ participation in board meeting discussions.

**Gender-Compensation Differences Among High-Level Executives in the United States**

Fernando Muñoz-Bullon, *University Carlos III-Madrid*

We examine the gender compensation gap by form of pay —total pay, base pay and variable pay— among high-level executives. For this purpose, we use Standard & Poor’s ExecuComp data set, which reports total compensation data for the five highest-paid managers in each of a large number of U.S. public corporations for the years 1993-2006. We find that a sizable fraction of the sex gap in compensation is accounted for by the segregation of women into lower-paying occupations and relatively small companies. Our results also indicate that most of the unexplained difference in total pay between male and female executives was due to gender differences in the portion of variable pay, in particular a different endowment with stock options.

**Mentoring and the Ascendance of Women and Ethnic Minorities into the U.S. Corporate Elite**

Michael McDonald, *University of Central Florida*  
 James Westphal, *University of Michigan*

This study shows how low levels of mentoring from incumbent directors are making it more difficult for women and ethnic minority first-time directors to gain entry into the U.S. corporate elite by securing appointments at other corporate boards. We argue and demonstrate that women and ethnic minority first-time directors receive less mentoring from incumbent directors regarding the widely-held norm in the corporate elite that outside directors should refrain from exercising independent control over firm strategy. We also propose and show that low levels of mentoring reduce minority

status first-time directors’ tendencies to comply with this central norm and that low levels of compliance, in turn, reduce the likelihood of gaining appointments to other boards.

**Transitions in Director Role Identities: An Exploratory Study of Causes and Consequences**

Zoie Cook, *Queensland University of Technology*  
 Gavin Nicholson, *Queensland University of Technology*

Ensuring directors are making decisions in the best interests of the company they serve is one of the central issues of corporate governance. In this paper we use identity theory to develop the idea that director identity is linked to performance of an organization’s corporate governance system. To do this, we review the literature to develop a series of four key research questions that question how a director’s identification with salient roles affects corporate governance. We then set out our research context and a method designed to answer our research questions. We conclude with a discussion of our work for research and practice.

SESSION 142

**LIABILITY OF FOREIGNNESS**

<b>TRACK G</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 12
<b>Facilitator</b>	William Newburry, <i>Florida International University</i>	

**★ An Offer You Cannot Refuse?: Organized Crime and Multinational Companies**

Alvaro Cuervo-Cazurra, *University of South Carolina*

This paper studies how multinational companies (MNCs) deal with organized crime. Extending ideas from political economy into the analysis of organized crime, I argue that MNCs have an advantage over domestic firms in their dealings with organized crime because they have a credible ability to exit the country when organized crime becomes too predatory. As a result, they are less likely to suffer losses than domestic firms when paying protection money to organized crime. The results show that payments to organized crime increase the likelihood of suffering losses for domestic firms, but lower the likelihood for subsidiaries of foreign MNCs.

**Foreignness and Firm Reputation in Spain and Latin America**

William Newburry, *Florida International University*  
 Abraham Soleimani, *Florida International University*

We examine assessments of firm reputation in five Latin American countries and Spain, and how these assessments are influenced by foreignness characteristics of firms. In doing so, we refine existing theory regarding the effects of foreignness to account for differing foreignness perspectives in the developing and non-English speaking world. Analyses are based upon 115,980 individual evaluations of 109 companies operating in these countries, collected by the Reputation Institute in conjunction with The Foro de Reputacion Corporativa. Our results suggest that foreign-headquartered companies have lower reputations, while firms perceived to have a larger international scope are assessed higher. Moreover, we find that among foreign firms, firms from Spain have the strongest negative reputations in Latin America.

MONDAY 17:15 - 18:30

## Globalisation Frustrated? Revisiting the Case of Domestic Appliances

Chris Carr, *University of Edinburgh*  
Ling Liu, *University of Edinburgh*

Sceptics regarding global strategy stress the lack of integration of international markets, even in seemingly 'global' sectors such as domestic appliances (Baden Fuller and Stopford 1991). National players within Europe, outperformed those more internationally-orientated in the late 1980s. Equally sceptical Rugman classifies even Whirlpool as merely 'Home Regional'. Ghemawat concedes some global concentration but advocates semi-global strategies. We revisit this sector to investigate whether these regional perspectives remain valid strategically. We analysed recent trends in global concentration, international strategies and performances and interviewed top players in Europe and China. Internationally aggressive new players from the emerging markets Korea and China, though still regional, had impacted on more global competition. Survivors from more advanced countries are increasingly global: national and even regional players have largely exited.

## Performance Decline and Strategic Change in International Markets

Jose Mata, *New University of Lisbon*  
Luis Filipe Lages, *New University of Lisbon*

The authors use threat-rigidity and organizational learning theories to analyze firm reaction to performance change in foreign markets. Based on survey data from exporting firms, the findings indicate that firms are more likely to change their international strategy when performance declines. Specifically, in low competitive markets, firms tend to react to performance decline by adapting their strategy to the foreign market, whereas in more competitive markets, firms tend to react by standardizing their strategy. Thus, depending on competitive circumstances, both threat-rigidity and organizational learning theories may apply. These theories should be regarded as complements to each other, not as alternatives.

## The Advantage and Disadvantage of Foreignness

Alvaro Cuervo-Cazurra, *University of South Carolina*

The paper analyzes the impact of the advantage and disadvantage of foreignness on the operations of multinationals enterprises in a host country. The advantage (disadvantage) of foreignness is the benefit (liability) a firm encounters when its country of origin or foreign nature is liked (disliked) by individuals in a host country. These two concepts highlight the temporary nature of the advantage of the firm and how it varies across space and time. The same resource of the firm – its country of origin – can in some countries provide the firm with an advantage and in others a disadvantage. Moreover, in the same foreign country, the advantage of foreignness can become a disadvantage and vice versa as a result of events outside the control of the firm.

## The Two Faces of Foreign Investment: Firm Growth and Technological Competence

Kyoung-Gon Kim, *Korea Institute for Defense Analyses*  
Chang-Yang Lee, *KAIST Business School*

This study, for the first time, presents a comparison of the effects of FDI and FII on local firms' growth rates, drawing on Korean manufacturing firm-level data between 2000 and 2004. Considering the characteristics of firms and industries, which has not been fully examined in the prior researches despite their fundamental importance, this paper endeavors to show that the effects of FDI and FII on firm growth highly vary with the firm- and industry-specific variables such as technological competence, group-affiliation, industry concentration, industrial appropriability and technological opportunity. The results of this study will (i) provide useful information to firms that have received or are eager to receive foreign investment and (ii) give some implications for business managers for setting up future strategies.

### SESSION 153

## DECISION MAKING IN STRATEGY PROCESSES

TRACK H	Date	Monday, Oct 12
Paper	Time	17:15 – 18:30 h
Session Chair	Room	Meeting Room 4

Session Chair Armi Temmes, *Helsinki School of Economics*

## Decision Streams and Creeping Outcomes: A Longitudinal Case Study of Attention-Based Shaping of Strategy

Armi Temmes, *Helsinki School of Economics*  
Liisa Valikangas, *Helsinki School of Economics*

In this article we recount the recent history of a major European steel company. We examine this history as a series of decision episodes and streams that have major implications for the development of the company strategy. The analysis of individual decisions allows us the telling of a punctuated history, where the decisions catalyze and guide attention but also constitute attention focuses. By mapping the corporate history and analyzing the developing attention dynamics, we are able to describe different facets of attended and unattended strategy making over time. As a result, we discover the lingering and lumping together of decisions and (non)attentions into a number of outcome streams that we call creeping commitments.

## Influence of Executives' Personalities on Strategic Decision-Making Processes

Rebekka Sputtek, *University of St. Gallen*

Upper echelons theory describes that top executives are influenced by their personalities in strategic decisionmaking. However, so far top executives' personalities have been approximated measuring objectively observable characteristics of the respective individuals, and then making inferences about their underlying personalities. Due to problems associated with this imprecision, there has been a call for more direct measures of top executives' personalities. This paper aims at answering this request by developing a theory which explains how top executives' personality is linked to the decision making process. This contributes to current research by (1) suggesting a comprehensive range of profiling dimensions based upon the concepts of core self evaluation and narcissism and (2) analyzing if and how this personality influences strategic decision-making.



### Strategic Decision Making Over Time: Balancing Strategy, Resources and Necessity

Jeffrey Petty, *University of Lausanne*  
 Gerald Reiner, *University of Neuchâtel*

This study investigates the impact of firm resources, specifically management team capacity, on strategic decision making over time. The longitudinal data set of 3,631 venture capitalist investment decisions, comprising all of the decisions over the life of two investment funds, was collected from the archival records of a European venture capital firm. The results indicate that, over time, the investment decisions of venture capitalists are influenced by firm-specific factors related to the human capital resources of the firm, often more so than the commonly cited physical capital assets. Thus, firm staffing plays a critical role in strategic decision making and strategy. Implications of these results for research and practice, in venture capital as well as other service industries, are discussed.

### The Effects of Managerial Dissensus and Diversity

Chet Miller, *Wake Forest University*

Upper-echelon managers within a firm often exhibit different preferences, opinions, and beliefs. The consequences of these differences can be quite profound. As such, they have captured a great deal of attention within the managerial community and within the strategic-management research community. To date, the research community has generated important insights related to managerial differences but problems remain in conceptualizing and assessing cognitive disagreement. In this project, three different approaches to defining disagreement are discussed. Empirical work reveals important variance in research outcomes contingent on which approach is used, and this has important implications for interpreting past research and designing future research.

SESSION 209

### LEARNING AND COLLABORATION

<b>TRACK I</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Paper</b>	<b>Room</b>	Meeting Room 2

**Session Chair** John Hagedoorn, *Maastricht University*

### Do Patent Pools Actually Inhibit Instead of Enhance Systemic Innovation?

Amol Joshi, *University of North Carolina-Chapel Hill*  
 Atul Nerkar, *University of North Carolina-Chapel Hill*

A unique form of R&D alliance, patent pools require regulatory approval due to concerns about excessive or inappropriate knowledge sharing leading to collusion among participating firms. Prior research on alliances, knowledge assets and competitive advantage implies that patent pools enhance innovation at the firm-level and industry-level. Using historical data on the global optical disc industry (1971 to 2007), we propose to examine the patenting activity of a population of firms before, during, and after patent pool formation. Our hypotheses suggest that the effect of pooling patents is to actually inhibit instead of enhance systemic innovation at both the firm-level and industry-level. We further expect to find that the inhibiting effect on innovation is different for Licensors and Licensees of the pool when compared to Non-Participants.

### Network Type, Industry and Knowledge Transfer

Koichiro Okamura, *Japan Science and Technology Agency*

This study examines the knowledge transfer in inter-organizational network. It compares two types of alliance networks: The technology alliance network and the research joint venture (RJV) network that are more strongly oriented toward R&D and characterized by higher appropriation concerns than the former. It also compares two industry groups that possess different characteristics from one another. It is found that more knowledge is transferred in the technology alliance network than in the RJV network. More knowledge is transferred in the industry group where knowledge is cumulative and difficult to learn than the other group. The findings provide several implications to both R&D managers and policymakers, which highlight a tension between the interests of private firms and public policy.

### Something Old, Something New, Something Borrowed: The Effect of Triadic Network Ties on Exploitative and Exploratory Learning

Nicole Rosenkranz, *University of St. Gallen*

The mechanism of learning is central to the understanding of company's ambidexterity. Drawing on social network theory, the notion of strong and weak ties in serving different learning needs has become central to inter-organizational learning. While various studies have focused on the effects of dyadic ties, so far, limited research has examined the effect social triads have on exploitative and exploratory learning. This paper seeks to critically examine the effects an organization's direct strong and weak network ties have on its learning behavior in consideration of underlying, independent ties amongst the respective network partners. The main contribution of this article is demonstrated by proposing a 2-by-2 matrix on the cross-fertilization effects.

### The Strength of R&D Network Ties in High-Tech Sectors

John Hagedoorn, *Maastricht University*  
 Hans Van Kranenburg, *Radboud University Nijmegen*  
 Danielle Cloodt, *Maastricht University*

This paper studies the effect of inter-firm R&D network ties on the innovation performance of companies in a number of high-tech sectors. Returning to Granovetter's seminal contribution, tie strength is analysed through a multidimensional perspective. We find that inter-firm R&D ties that are stronger in terms of their extent and depth, measured by the length and multitude of R&D partnerships and the degree of cooperation and similarity of ties, do indeed improve the innovation performance of companies. Interestingly, we find strong support for our understanding of the role of R&D network ties in the context of the run-of-the-mill innovation performance of companies. However, there is no support for this effect when innovation performance is operationalised in terms of the quality of innovation output.

MONDAY 17:15 - 18:30

## SESSION 221

**INNOVATION AND MANAGEMENT PRACTICE**

<b>TRACK I</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Paper</b>	<b>Room</b>	Meeting Room 15

**Session Chair** Markus Menz, *University of St. Gallen*

### **Developing Management Innovation Capability Through Learning: The Moderating Role of Environmental Dynamism**

Markus Menz, *University of St. Gallen*

Building upon the dynamic capabilities view, we analyze management innovation activity performed by the corporate center in multibusiness firms. While management innovation may result in superior firm performance, developing a dynamic management innovation capability through organizational learning may be critical to sustain a competitive advantage. Particularly, we argue that deliberate learning mediates the relationship between a firm's management innovation activity and management innovation performance. Further, we suggest that the environmental dynamism a firm faces positively moderates this indirect effect. Results from a sample of 139 European firms support our hypotheses. Our findings contribute to the emerging literature on management innovation, to the dynamic capabilities view, and to research on the entrepreneurial role of the corporate center.

### **Innovations, Fads, and Fashion in Information Technology and Strategic Management: Co-Evolution of Theory and Practice**

Craig Armstrong, *University of Alabama*  
Paul Drnevich, *University of Alabama*

IT represents one of the largest recurring expenditures made by firms and is a central phenomenon in the quest for competitive advantage. While IT has served as valuable phenomena in the strategy literature, research has lagged IT innovation and has produced mixed results for informing IT phenomena. The mixing of innovations, fads, and fashion with theory might lead to an inability to identify empirical connections between IT initiatives and competitive advantage and, therefore, to conclusions that 'IT doesn't matter'. Our review of nearly 500 articles over the past 30 years shows a strong co-evolutionary relationship between the phenomena and theory of IT's role in strategic management. We observe that, over distinct phases of IT innovations, IT phenomena appear to contribute disproportionately to strategic management theory.

### **Outsourcing in High Technology Industries**

Nandini Lahiri, *University of North Carolina-Chapel Hill*  
Sriram Narayanan, *Michigan State University*

In this paper, we examine the role of outsourcing on innovation and firm performance in the semiconductor industry. We investigate the role of vertical scope in its influence on the impact of outsourcing on firm innovation and firm performance. Using a panel data on 282 publicly listed firms over a thirteen year period; our results imply that in industries where innovation is critical for competitiveness, outsourcing may be a mixed blessing. Our results indicate that while outsourcing has an inverted U and positive impact on innovation and firm performance respectively, the presence of vertical integration dampens the effect of outsourcing on innovation while enhancing its effect on firm performance

### **The Knowledge Integrator: Probing into the Role of the Indian Film Producer**

Jamal Shamsie, *Michigan State University*  
Naga Lakshmi Damaraju, *Indian School of Business*

In project-based industries, teams are often assembled to work on a single project. Under such conditions, organizations must build advantages on the basis of their ability to integrate the knowledge of the specialists that make up the team. Firms must therefore try to find some means for coordination that could guide the process of knowledge integration. In this paper, we focus on the role of hierarchical coordination on Indian film projects. In particular, we focus on the role of the film producer who manages the overall project. Based on interviews with 35 different producers in Mumbai and Hyderabad, we find that a form of hierarchical coordination can be quite effective in spite of the distributed specialized knowledge among team members.

## SESSION 101

**OPPORTUNITIES & FOUNDERS**

<b>TRACK K</b>	<b>Date</b>	Monday, Oct 12
	<b>Time</b>	17:15 – 18:30 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 10

**Facilitator** TBD

### **An Austrian Economics View of the Market Process: The Impact of Entrepreneurial Actions on Market Discourse**

R. Scott Livengood, *University of Maryland*

The Austrian school of economics has long studied the interaction of market participants – particularly entrepreneurs – and their impact on the market process. Central to this process, however, is the oft-overlooked phenomenon of market discourse, or the objective and subjective information exchanged in the marketplace that helps market participants make sense of firms' entrepreneurial actions by. In this paper, I examine how entrepreneurial actions drive the market process and explore market discourse as a powerful mechanism by which these new actions get accepted or rejected by the market, noting the importance of characteristics of the action, the firms, and the industry.

### **Drivers of Opportunity Identification and Capture: Learning from Past Successes and Failures or Entrepreneurial Alertness and Search?**

Daniel Malter, *University of Maryland*

This study merges concepts of entrepreneurial alertness and search with concepts of the learning literature and studies their differential impact. The effects of learning from past successes and failures as well as the effect of alertness and search through observation are studied. I find that observing a dynamic market benefits participants in competitive markets, whereas experiences from prior successes and failures do not. The results imply that alertness to the market has a direct positive effect on entrepreneurial rents. The structure of the results suggests that the know-when of opportunity capture can be more important than the know-how.



## Dynamic Entrepreneurial Capabilities: An Innovative Path to Innovation in Entrepreneurial Settings

Andrea Lanza, *University of Calabria*  
 Mariacarmela Passarelli, *University of Calabria*

The aim of this paper is to examine how a small entrepreneurial firm can achieve successful product innovation and technology change by substituting the traditional drivers for innovation with dynamic capabilities. We used a longitudinal case study methodology to investigate a seven-year technology innovation undertaken by Vetromed, a small Italian entrepreneurial firm, from its decision, in 1999, until its successful implementation, in 2006. On the basis of our findings, we introduce the concept of dynamic entrepreneurial capability, defined as a higher order ability to enact and integrate three substantive entrepreneurial capabilities, namely: distributed entrepreneurial insights, entrepreneurial heuristics and entrepreneurial flexibility. Our findings suggest that dynamic entrepreneurial capability can substitute for the traditional drivers of innovation, allowing small entrepreneurial firms to pursue successful innovation.

## Founders' Emotion Regulation Versatility and Differential Resource Creation: The Affective Roots of Firms' Heterogeneous Resources

Christoph Zott, *IESE Business School*  
 Quy Huy, *INSEAD*

Through a longitudinal qualitative field study of six UK-based ventures, we found noticeable differences in how organization founders regulated their own emotions. We noticed that variation in emotion regulation patterns (to which we refer as "emotion regulation versatility") mattered differentially for the building of new organizations, specifically, for their ability to create resources - from the founder (self) and important stakeholders (others). Our research thus links micro founder-level emotion regulation behaviors with macro organizational development. It addresses an important gap in the strategy literature by revealing some of the affect-based mechanisms that explain the emergence of firms' heterogeneous resource positions.

## Opportunities in Mind: The Creation of Knowledge in Competitive Contexts

Johanna Jaskari, *Helsinki University of Technology*

Opportunities and uncertainty are created in mind. This theoretical article explores how entrepreneurs construct opportunities in competitive contexts. Prior knowledge enables entrepreneurs to act in the present as to change the future by choosing distinct causal patterns. In Robbinsian contexts, causal patterns are known. Kirznerian entrepreneurs discover how current causal patterns are illusions, whereas Schumpeterian entrepreneurs create new causal patterns, ignoring others. For others, the Kirznerian and Schumpeterian entrepreneurs' actions occur as shocks. Competition occurs in the short, uncertain interval before causal patterns between attributes become generally understood, whereas competitive advantages emerge after entrepreneurial action. The uncertainty created by financial crises and the opportunities created by climate change are competitive contexts that can be explained in terms of Robbinsian, Kirznerian, and Schumpeterian causal patterns.

## The Genesis of Entrepreneurial Founding Partnerships: Why Do Some Co-Found?

William Forster, *Lehigh University*

Highly successful entrepreneurial partnerships are extremely visible in our society. Iconic firms such as Hewlett-Packard, Google, and Microsoft were created by entrepreneurial partnerships, and their founders' influences are legendary and enduring. However we know very little about why some entrepreneurs choose to create organizations together with others while the majority end up going it alone. This study uses a two phase, mixed methods approach to answer this question. Qualitative methods were used to generate grounded theory which was then statistically tested using a nationally representative sample of nascent entrepreneurs. Results indicate that greater availability of partnership candidates and lower environmental uncertainty increase the propensity to partner. Also, larger partnerships are more likely to occur in ventures that pursue stable, high technology opportunities.

### SESSION 248

## ISSUES IN GOVERNANCE AND TECHNOLOGY COMMERCIALIZATION IN NEW VENTURES

TRACK K	Date	Monday, Oct 12
	Time	17:15 – 18:30 h
	Room	Meeting Room5

Paper

Session Chair Igor Filatotchev, *City University of London*

## Foreign IPO Performance: A Configurational Perspective

Greg Bell, *University of Dallas*  
 Ruth Aguilera, *University of Illinois-Urbana Champaign*  
 Igor Filatotchev, *City University London*

To date there has been little attention paid to the study of foreign private firms who have bypassed local capital markets to make their first public stock offerings on U.S. and U.K. stock exchanges (Bell, Moore, & Al-Shammari, 2008; Hursti and Maula, 2007; Chemmanur and Fulghieri, 2006). We employ a configurational approach using Fuzzy Set Qualitative Comparative Analysis (fs/QCA) to evaluate how certain groupings, or 'bundles', of corporate governance, endorsement, and institutional factors impact the success of foreign IPOs. We suggest that foreign private firms find that certain combinations of governance signals are more salient to investors in formally regulated capital markets like the U.S., while combinations of network related signals are more salient in the informal U.K. capital market contexts.

## Governance in Early-Stage Research Commercialization

Lars Bengtsson, *Lund University*

The aim of the paper is to develop a framework of governance structures based on of researcher motivations and structures to commercialize academic research into economic value. The case studies of academic researchers who have considered commercializing their research findings in the field of stem cell biology further expand the framework of governance structures for commercialization of research discoveries from academia to industry. The context of our case studies is Sweden where researchers own their IPR, i.e., a researcher governed system. The main finding is a number of collaborative governance

structures between the researchers and industry with corresponding mixed business models, indicating that many researchers prefer to stay in academia and use commercialization as a vehicle for enlarging their research inside and outside academia.

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## Start-ups' Commercialization Strategy for General Purpose Technologies

Lin Jiang, *Georgia Institute of Technology*

Marco Ceccagnoli, *Georgia Institute of Technology*

Understanding the determinants of the business model of innovating start-ups is still incomplete in the management literature. Particularly, the nature of technology has been found to have ambiguous effects on the commercialization strategy of technology-based start-ups. We find that start-ups with general-purpose technologies will commercialize their technologies through licensing when: 1) they participate in co-developing their technologies with other organizations; 2) the potential user industries are highly related; and 3) the complementary assets needed to profit from the technology in downstream industries are co-specialized. We find robust support for our hypotheses using a broad sample of young U.S.-based technology companies.

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## Toward an Entrepreneurship-based View of the Firm

Li Dai, *Texas A&M University*

This paper explores the usefulness of viewing entrepreneurs rather than the resources they use as the source of the firm's competitive advantage. By parceling out the entrepreneur from the proverbial resource bundle alluded to in the resource based view of the firm, we advance the notion of strategic entrepreneurship and test a process of entrepreneurial wealth creation. Implications for the role of tacit knowledge in creating a sustainable competitive advantage under environmental uncertainty are discussed.



SESSION 304

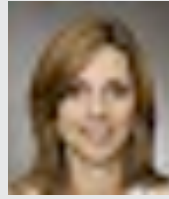
**INNOVATION AGENDAS AT GENERAL ELECTRIC**

<b>PLENARY</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	8:30 – 9:30 h
<b>Plenary Panel</b>	<b>Room</b>	Grand Ballroom

**Panelists**

- Beth Comstock, *GE — Chief Marketing Officer at General Electric*
- Vijay Govindarajan, *Dartmouth College – Tuck School of Business*

There is a daunting new reality facing global corporations: The Future is Far From Home. Indeed, the next phase of globalization will be defined by the phenomenon of innovation happening first in poor but rapidly advancing nations like China and India. This challenge, connected and scalable localization, is easy to describe but difficult to execute. In fact, the very organizational best-practices that have made global corporations so successful actually get in the way. We are seeing that Local Growth Teams that operate much differently from the rest of GE are an essential element of the solution.



**Beth Comstock** is Chief Marketing Officer and SVP of GE. She leads the company's organic growth and innovation initiatives, and the sales, marketing and communications functions. She is responsible for GE's ecomagination environmental business platform, and is currently developing a new cross-

business effort focused on health. She returned to the CMO role after having spent over two years as President of Integrated Media at NBC Universal. She led the company's digital media development and distribution, including the formation of hulu.com and the acquisition of ivillage.com. In 2003, Beth Comstock was named GE's first Chief Marketing Officer in more than 20 years and as such, helped reinvigorate marketing across the company and introduced ecomagination, Imagination Breakthrough innovations and the "imagination at work" brand campaign.



**Vijay Govindarajan** is widely regarded as one of the world's leading experts on strategy and innovation. He is the Earl C. Daum 1924 Professor of International Business and the Founding Director of the Center for Global Leadership at the Tuck School of Business at Dartmouth College. He is the 2009 Professor-in-

Residence and Chief Innovation Consultant for General Electric. Vijay Govindarajan has been named to a series of lists by influential publications including: Top Ten Business School Professor in Corporate Executive Education, named by Business Week; Top Five Most Respected Executive Coach on Strategy, rated by Forbes, and Outstanding Faculty, named by Business Week in its Guide to Best B-Schools. He also works with CEOs and top management teams in Global Fortune 500 firms to discuss, challenge, and escalate their thinking about strategy.

9:30 - 10:00  
**COFFEE BREAK**



## SESSION 240

**TEACHING TRACK**

<b>TRACK T</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Special Panel</b>	<b>Room</b>	Meeting Room 8

**Case Discussions: Maintaining the 'Right' Amount of Control**

**Session Chair** Jay Dial, *Ohio State University*

This demonstration session will involve the actual teaching of a case among session participants and will include a de-brief of the teaching method. The case itself ("The Section Just Took Over" by C. Roland Christensen) and the de-brief discussion will focus on the issues of maintaining control of the discussion. The case is a brief and will be handed out to participants at the beginning of the session. What is the "right" amount of control? We recognize that keeping too tight a grip on the discussion can be as problematic as losing the class. We will also explore broader issues relating to the practice of discussion teaching/learning.

## SESSION 190

**BUILDING UP FIRM CAPABILITIES FOR UNSTABLE ENVIRONMENTS**

<b>TRACK A</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 13

**Session Chair** Pinar Ozcan, *IESE Business School*

**Social Heterosis: A Process Theory of How Firms Evade Competency Traps**

Amandine Ody, *London Business School*  
Freek Vermeulen, *London Business School*

This paper develops a model to explain how firms may avoid competency traps. We describe competency traps as evolutionary processes whereby a firm's repertoire of routines becomes increasingly narrow, making it difficult to adapt to changing environmental conditions. We introduce the concept of "social heterosis", which suggests the infusion of a small set of routines triggers a process of recombination within the organization. This process restores variety in the firm's pool of routines and facilitates adaptation. We explain how social heterosis is triggered by the reconfiguration of organizational boundaries and how periodic reconfiguration helps sustain variation. The paper offers new insights into how boundary-changing events can mitigate competency traps.

**Evolution of Capabilities for Global Service Delivery: A Study of Emerging Economy Software Firms**

Amit Karna, *European Business School*  
Mukund Dixit, *Indian Institute of Management-Ahmedabad*  
Sunil Sharma, *Mckinsey & Company*

Strategy literature in the recent years has witnessed a shift towards investigating the evolution of capabilities. This has added to the understanding of the capability building phenomenon, but in isolated studies. Through this study, we attempt to provide a unified explanation for building capabilities for global service delivery. We carry out a

multiple case-study based research in the emerging economy of India. We provide evidence of industry evolution in four phases: Origination, Entrepreneurial, Growth and Self-propelling. Based on case-studies of three software services firms, we develop a capability building model to infer the GDM capabilities developed. We propose four stages of capability evolution: Initiation, Establishment, Replication, and Value-adding stages. We discuss the findings and key contribution of the study towards the field of capability development.

**A Capability Perspective to Organizational Change within the MNC Context**

Markus Paukku, *Helsinki School of Economics*  
Paula Kilpinen, *Helsinki School of Economics*

The aim of this paper is to contribute to the organizational capabilities discussion by drawing upon research in international business where the role of context is strongly emphasized. This contextualized analysis allows for a discussion on the impact of the internal and external environment on firm capabilities during organizational change. An understanding of the interplay between the internal and external environment puts this capability research in a position to make an empirical contribution in line with the co-evolution logic. Finally, reflecting on the basis of negotiated and privileged access to the multiple case firms' managers and data the paper proposes that capabilities scholars recognize the heterogeneity both within their researched firms and their environments and the multiple paths that can lead to the same outcome.

## SESSION 124

**LICENSE TO DEAL: TECHNOLOGY LICENSING, INNOVATION, AND CORPORATE INVESTMENT**

<b>TRACK B</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 14

**Session Chair** Gary Dushnitsky, *University of Pennsylvania*

**Uncertainty, Strategic Flexibility and Exclusive Rights in International Technology Licensing Relationships**

Preet Aulakh, *York University*  
Marshall Jiang, *Brock University*  
Sali Li, *University of Wisconsin-Milwaukee*

Firms entering foreign markets through inter-organizational licensing consider two types of strategic flexibility. Granting exclusive rights to a particular firm allows greater coordination flexibility while non-exclusive rights give higher redeployment flexibility. We argue that the need for coordination and redeployment flexibility, and thus the choice between exclusive and non-exclusive contracts, are determined by a combination of micro- and macro-level uncertainties related to the potential licensee firm and the foreign market where the licensee is located. Empirical results based on 414 licensing agreements reported in the SDC database for the 1995-2008 period show that licensee's absorptive capacity and complementary assets induce technology holders' to grant exclusive rights and these relationships are enhanced by the strength of intellectual property protection regimes of the foreign markets.



★ **Licensing as a Source of Financing**

Maria Isabella Leone, *LUISS Guido Carli University*  
 Raffaele Oriani, *LUISS Guido Carli University*

Although addressed in the rising literature of IP-backed finance, the role of licensing in the financing of innovation has been under-investigated by scholars so far. Empirical evidence, instead, suggests that in some circumstances licensors is required to further develop the licensed technology which the licensee may finance by paying an upfront fee. Thus, the need for extra finances may affect the decision of the licensor to negotiate and thus actually agree on a specific form of payment. The aim of our paper is to investigate whether financial constrained licensors are more likely to choose an upfront license and more incline to credit a portion of the initial fee against future royalties to meet their short-term financing needs. We investigate this issue by relying on a dataset of patent licenses.

**Value Creation in Technology Licensing Deals: An Empirical Comparison of the Pharmaceutical and Computer Industries**

Jorge Walter, *Portland State University*

Our study examines the relationships between firm characteristics, industry network structures, and the performance impact of technology licensing activity. We argue that the explanations for licensing behavior can be categorized into two distinct sets of strategic motivations—resource-based and network-based—and that each has a unique effect on the performance impact of licensing agreements. Analyzing eleven years of licensing activity in the U.S. computer and pharmaceutical industries, we find that these two sets of motivations—and their associated performance effects—have a different relevance for different industry contexts. Understanding the strategic motivations underlying technology licensing activity should help us explain when and why firms use licensing to exploit their proprietary technology and to make better predictions about the impact of licensing agreements on firm performance.

**The Company They Keep: Returns to CVC in the Medical Device Industry, Entrepreneurial Clinicians, and Competitive Coinvestors**

Sheryl Winston Smith, *Temple University*

CVCs use direct equity investment to stimulate innovation that is appropriable by the investing firms. At the same time, CVC is also used for strategic goals which may include blocking competitors or gaining a window on competitor's technology. Analyzing CVC investment in the medical device industry, I provide project level evidence that CVC investment is associated with the production of knowledge by the startup that is appropriated by the investing firm, and that the likelihood of these innovation returns are greater if the founder is an entrepreneurial clinician. However, the innovation returns are suppressed if multiple CVCs (competitive CVCs) coinvest in the same startup firm, particularly in higher rounds of investment. This paper expands our understanding of project level dynamics and innovation returns to CVC.

SESSION 176

**THE INFLUENCE OF EXTERNAL UNCERTAINTY ON CAPABILITY DEVELOPMENT**

<b>TRACK C</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 6
<b>Session Chair</b>	Dimo Ringov, <i>INSEAD</i>	

**Dynamic Capabilities & Firm Performance: Evidence from Mutual Funds**

Dimo Ringov, *INSEAD*

This study examines whether superior performance in dynamic markets is achieved through routinized change processes (cf. Winter, 2003; Zollo & Winter, 2002) or more flexible, entrepreneurial acts of management (cf. Teece, 2007). It is argued that the relative effectiveness of the former versus latter view of dynamic capability critically depends on the uncertainty of the environment firms operate in. Examining the performance of U.S. diversified domestic equity mutual funds over the years 2003-2007, this study finds that highly routinized change processes do not lead to improved performance in relatively stable or moderately dynamic environments yet substantially degrade performance in highly uncertain environments.

**Dynamic Capabilities and Path Dependency: Benefits and Limits to Change**

Frances Fabian, *University of Memphis*

The central role for path dependencies in dynamic capabilities both hints at the complexity concepts inherent in running iterative routines, but also issues regarding whether a firm can change both operational and dynamic capabilities versus find themselves “locked in” to certain paths. This is especially important when the environment undergoes substantial shock and uncertainty, making existing capabilities “outdated.” We examine what kinds of costs and difficulties may occur in applying dynamic capabilities to address this outdated status. Specifically, we categorize existing operational capabilities along the dimensions of strategic importance (high, low) and lock-in (high, low) to consider when different dynamic capabilities may effectively come into play, and similarly, when firms may choose not to, or find themselves unable to, adapt to environmental shocks.

★ ✿ **Growth Rings: Patterns of Resource Bundle Emergence and Dynamics in New Ventures**

Renee Rottner, *University of California-Irvine*

The idea that the ‘firm is a bundle of resources’ is central to the resource-based view (RBV), and while we know much about particular resources and capabilities, we know far less about how resources and capabilities are bundled, change, and interact. This inductive study of new ventures identifies eight resource bundles and four resource bundling dynamics: resource diversity, resource balance, managerial bundling skill, and bundling speed. I argue that these dynamics by which resources are bundled and rebundled affect new firm survival by increasing the ability of the firm to withstand uncertainty and shocks. These dynamics are illustrated with a new comparative case method called ‘growth rings.’

TUESDAY 10:00 - 11:15

## Strategic Focus and the Quest for Temporary Advantage

Nils Stieglitz, *University of Southern Denmark*  
 Thorbjørn Knudsen, *University of Southern Denmark*  
 Markus Becker, *University of Southern Denmark*

In this paper, we ask whether strategic flexibility or strategic focus is the right way to reap temporary advantages in turbulent business environments. Rather than investing in adaptive capability, strategic focus suggests firms can gain advantage if they stand fast in the face of uncertainty. We develop a modeling structure that allows us to compare the viability of focus and flexibility when firms struggle to achieve temporary advantage in uncertain business environments. Quite surprisingly, we find that strategic focus is the right strategy when uncertainty frequently shifts the basis of successful business models, a finding that seriously questions the viability of strategic flexibility in very turbulent and uncertain business environments.

### SESSION 161

## DEMAND-BASED APPROACHES TO STRATEGY: THE ROLE OF CUSTOMERS AND COMMUNITIES

<b>TRACK E</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 4

**Session Chair** Erwin Danneels, *Worcester Polytechnic Institute*

## A Consumer Perspective on Horizontal Mergers and Acquisitions: How Corporate Associations Affect Post-Acquisition Performance

Chun-Ling Lee, *National Sun Yat-Sen University*  
 Cher-Min Fong, *National Sun Yat-Sen University*

Prior research on mergers and acquisitions (M&As) has neglected customer reactions to them for a long time. In this article, we examine the effect of corporate associations of the acquiring company and the acquired company on consumer product responses to predict post-acquisition performance. We conducted three experiments in three different industries of horizontal M&A. The results fill the gap of current M&A literature.

## Competitive Advantage, Community-Based Strategies and Self-Enforcing Feedbacks: The Kiehl's Case

Andrea Fosfuri, *University of Carlos III-Madrid*  
 Marco Giarratana, *University Carlos III-Madrid*  
 Esther Roca, *University of Carlos III-Madrid*

This paper analyzes Kiehl's competitive advantage through theoretical insights from community-based strategy, and explains how Kiehl's value creation emerges from the specific interactions that the firm establishes with particular communities. A postmodern societal configuration structured around communities as identity providers is our starting point to interpret firms' activities in general and Kiehl's strategy specifically. This paper proposes a theoretical framework to understand competitive advantages derived from community-based interactions. With the Kiehl's case, we describe the basic assumptions needed, the set of available strategies, the fit between different activities, and the potential threats.

## Open Innovation Model and Open Source Software: The Source of Positive Two-Way Feedbacks

Marco Giarratana, *University Carlos III-Madrid*  
 Alessandra Luzzi, *University Carlos III-Madrid*

This article investigates increasing returns in OSS in the form of two-way feedbacks between different product releases. Our aim is to provide first evidence of the ability of for-profit firms to create self-sustaining circles of positive externalities that could assure long-term sustainability of OSS. We find weak evidence of cross-fertilization between operating systems and applications and strong internal feedbacks in the two niches. We explore other potential sources of two-way feedbacks in the dynamic development of OSS. Namely: the strategy of hardware firms that generate OSS revenues from selling hardware complementors and the relation between for-profit firms and communities. We find support for the first and not for the latter conjecture, unless we restrict our sample to only firms that have relationships with open communities.

## The Effectiveness of Segmentation Strategies: A Dynamic Capabilities Framework

Daniel Schulze Lammers, *University of St. Gallen*  
 Peter Maas, *University of St. Gallen*

We propose a dynamic capabilities framework for market segmentation strategies. We argue that market segmentation is an important capability of firms to explore new markets and exploit existing markets. Effective segmentation strategies require a set of structural and organizational capabilities that enable firms to implement market segmentation. We develop proposition of antecedent capabilities and structures a firm needs for market segmentation. We further argue how market segmentation is eventually linked to competitive advantage. The paper might be an incitement for further research into the market segmentation capability.

### SESSION 163

## RESOURCES AND CAPABILITIES TO STRENGTHEN ALLIANCE FORMATION AND EXECUTION

<b>TRACK E</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 9

**Session Chair** Dovev Lavie, *Technion Israel Institute of Technology*

## Are All Past Experience Equal: The Differing Effects of Alliance Governance on Building Firm Capabilities

Rui Wu, *University of Southern California*

Firms employ different governance structures in strategic alliances depending on the varying levels of contractual risks. However we know little about how such governance structures shape the path through which firms build capabilities. I propose a theoretical model examining the different capability building processes of various governance structures in alliance relationships. I categorize two types of capabilities that are fundamental in cooperative relationships: contract design capability and coordination capability. As firms accumulate collaborative experience from prior alliances, they build these capabilities along different trajectories. These learning paths are further moderated by



technological diversity in partners' prior alliance experiences. This study contributes to the alliance research by analyzing the learning process as embedded in interfirm governance, thus connecting transaction cost economics with the learning perspective.

### Contract Design in Buyer-Supplier Relations: A Closer Look at Specificity and Safeguarding

Thomas Mellewig, *Free University Berlin*  
Ingo Weller, *Free University Berlin*  
Bjoern Eckhard, *Free University of Berlin*

Contracts have traditionally been considered as safeguarding devices against potential opportunism. Researchers have challenged this view and emphasized that contracts have adaptability and coordination functions also. With panel data from the German automotive industry we analyze contracting decisions in supplier-manufacturer alliances. Besides transaction hazards we analyze learning and knowledge management effects on contract decisions. We find that contracts increase in complexity over time. While task interdependence and volatility predict the contractual coordination and adaptability functions, asset specificity shows a more subtle, relation-specific effect on safeguarding. We discuss alternative explanations for the results, and identify future research avenues.

### Extracting Benefits from Diversity: Relative Contribution of Alliance Content and Partner Diversity to Firm Performance

Olga Bruyaka, *Virginia Tech*  
Turanay Caner, *North Carolina State University*

In this paper we examine how different dimensions of alliance portfolio diversity (APD) – alliance content diversity and alliance partner diversity – differentially contribute to firms' market performance. Drawing on the resource based view, organizational learning theory, and transaction costs economics; we develop theoretical arguments about direct and interaction effects of the two APD dimensions and explore value appropriation conditions reflected in firm specific characteristics – focal firm's absorptive capacity and relative bargaining power. The empirical study introduces a new combined measure of APD as a two-dimensional construct based on vector algebra techniques. We test our hypotheses on a sample of US biopharmaceutical companies from 1995 to 2007. Empirical results partly confirm our theoretical advances.

### Ownership in R&D Alliances: The Influence of Complementary and Relationship-Specific Resources

Jason Pattit, *Syracuse University*  
Catherine Maritan, *Syracuse University*

R&D alliances represent a way for firms to pool resources and acquire new innovation capabilities. However, developing a contract to govern an R&D alliance is likely to be difficult in the face of uncertainty, opportunism and complexity. Both transaction cost economics and modern property rights theory suggest that short of total integration, some level of ownership is necessary in an alliance to contend with such hazards, particularly when complementary R&D resources are involved. However, there may be situations where such complementary resources are equally or more valuable if utilized outside of the alliance. Thus, we empirically examine the relationship between complementary resources and ownership, and then turn to an investigation of how this relationship is impacted by the availability of valuable alternatives.

## SESSION 199

### EXECUTIVE COMPENSATION

TRACK F	Date	Tuesday, Oct 13
Paper	Time	10:00 – 11:15 h
	Room	Meeting Room 3

Session Co-Chairs Thomas Brush, *Purdue University*  
Andrew Ward, *Lehigh University*

### Who Shapes Executive Compensation? – A Tale of Two Theories

Simone Maria Mueller, *University of Munich*

Who shapes executive compensation? The board is widely assumed to determine executive pay. Yet there are hints that top managers have the power to influence the design of their compensation packages in their own interest. Using two conflicting theoretical approaches, namely agency theory and the managerial power approach, we empirically investigate whether the board or top managers are the driving force behind current compensation systems. We are able to show how information from network ties and the use of managerial power have an influence on executive compensation. We find that the information flow descending from the network of a powerful CEO has a significant influence on the respective compensation arrangement, while information brought to a firm by board members does not show any effect.

### Distracted Directors: Agency Costs of Home Firm Distractions

Andrew Ward, *Lehigh University*  
Christine Shropshire, *University of Georgia*  
Scott Graffin, *University of Georgia*

Some governance experts have called for limits to the number of board seats held per person, arguing that directors have insufficient time to commit to multiple directorships and adequately contribute to each board. Yet research has not attended to a complementary agency problem: that executives fail to fulfill their duties on outside boards when events at their home firms demand increasing attention. We suggest that home firm events such as declining performance or CEO succession distract from proper monitoring at outside boards, creating agency costs for the outside firms. We find that home firm events indeed distract outside directors from controlling CEO compensation but do not find a significant result for CEO succession.

### The Ratchet Effect of Director Pay: Social Exchange and Status in Director Compensation

Steven Boivie, *University of Arizona*  
Michael Bednar, *University of Illinois-Urbana Champaign*  
Michael Hendron, *Brigham Young University*

In this paper, we develop theory regarding the factors that affect the compensation of directors. In a longitudinal study using director compensation data from 1996 to 2007, we plan to test hypotheses about how information processing demands, directors' use of social comparison processes, and status effects drive up the compensation level for boards of directors. Specifically, we argue that factors such as social exchange and reciprocity work together to increase director pay. Additionally, we argue that director compensation exhibits a "ratcheting" effect, whereby once it has increased it only continues to increase, and never decreases.

## Who Gets the Lion's Share? Top Management Group Pay Disparities and the Role of Powerful CEOs

Patrick McClelland, *University of Delaware*  
Jake Messersmith, *George Washington University*

Increasing attention is paid to the distribution of pay in corporations. However, the question of the distribution in pay within top management groups has been little-studied. To complement the growing TMG pay disparities literature, this paper seeks to show that pay disparities within top management groups arise as a function of the distribution of power within them. Based on a sample of 604 publicly-traded firms drawn from the S&P 1500 a theoretical model linking sociopolitical factors in the top management group and top management group pay disparities was tested using hierarchical ordinary least squares (OLS) regression, confirmatory factor analyses, and latent regression. Results indicate that both individual measures of CEO power and broader CEO power constructs predict the distribution of compensation within top management groups.

### SESSION 200

## SOCIAL PSYCHOLOGICAL PERSPECTIVES OF CEOs

<b>TRACK F</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 15

**Session Chair** Michael A. Hitt, *Texas A&M*

## Antecedents and Consequences of Narcissistic CEO Leadership and the Impact on Top Management Teams

Kimberly Pleasant, *Georgia State University*

This paper develops a full theoretical model of the antecedents of narcissistic chief executive leadership, the impact of narcissistic chief executive officer leadership on the firm's top management team and organizational culture and the subsequent impact on firm performance. This paper specifically seeks to identify the environments in which narcissistic ceo leadership typically arises, and develops propositions regarding the subsequent effect of this leadership behavior on the top management team and the implications for the overall firm. This approach provides for a more fine-grained analysis of the drivers of a particular leadership style and the impact of the leadership style on firm performance and provides needed research that specifically focuses on the relationship between CEOs and their teams to gain a clearer understanding of how CEOs impact organizational outcomes.

## Are Dominant CEOs Really the Saviors of Firms in Crisis?

Jianyun Tang, *Memorial University of Newfoundland*

It is widely viewed that dominant CEOs are the saviors of firms in crisis as they are more apt to make fast, bold decisions; yet, this view has not been systematically examined. In this study, we question the validity of this view and propose an alternative explanation for its development. Specifically, this view might have been developed not because dominant CEOs are really the saviors of firms in crisis, but because the society has selectively remembered the turnaround successes led by dominant

CEOs while having forgotten the turnaround failures. We derive two sets of hypotheses and test them using a sample of firms from the U.S. computer industry for the period 1997-2005.

## CEO-Board Relationships in a Post-SOX Era

Laura Berardi, *University of Chieti*  
Alessandro Minichilli, *Bocconi University*  
Alessandro Zattoni, *Parthenope University/SDA Bocconi*

Our research aims to investigate the impact of CEO power on firm financial performance in a post-SOX era. We investigate the effect of board of directors on the relationship between CEO power and firm performance. This research considers board independence, directors' incentives and board activity as potential moderators of the relationship between CEO power and firm financial performance. We tested our hypotheses using a sample of 500 large US industrial firms. Preliminary results on a cross-sectional dataset provide support for our hypotheses and indicate that CEO power has a strong positive impact on firm financial performance, and that the board of directors moderates such relationship. We are collecting additional data to build a longitudinal dataset that includes observations both pre- and post- Sarbanes Oxley Era

## Greed, Hubris and Ineffective Monitoring: Impact on Downside Risk and Firm Performance

Katalin Takacs Haynes, *Texas A&M University*  
Joanna Tochman Campbell, *Texas A&M University*  
Michael A. Hitt, *Texas A&M University*

The recent year has brought about significant losses to firms around the world. Apart from external factors, poor decisions made by top managers likely have also contributed to the firms' poor performance. These internal factors, rarely investigated in the governance literature, include greed, hubris and ineffective decision-making. We empirically examine how managerial greed and hubris combined with inadequate monitoring might have contributed to an increase in firm risk and a decrease in performance of corporations in a range of industries. The managerialist perspective and agency theory form the basis of our theoretical model. The contributions of our paper include developing of a novel construct and extending our understanding of how managerial attributes such as greed and hubris can lead to poor firm performance.

### SESSION 140

## GLOBAL DIVERSIFICATION AND FIRM PERFORMANCE

<b>TRACK G</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 16

**Session Chair** Andrew Delios, *National University of Singapore*

## How Does Export Commitment and Product Diversification Jointly Affect the International Scope-Firm Performance Relationship?

Asli Colpan, *Kyoto University*  
Andrew Delios, *National University of Singapore*  
Takashi Hikino, *Kyoto University*

In analyzing the panel data of Japanese electronics enterprises from the early 1990s to 2002, our research clarifies the moderating influences of export activities and product diversity on the relationships between international investment and financial performance. The exploration of the interactions between those strategic directions led us to the conclusion



that the expected inverted U-curve performance impact of international investment actually changes, depending upon the extent of both a firm's export commitment and product diversity. The examination of the interactive effects of three predictors brought about a comprehensive picture of the combined effects of diversification strategies on financial performance. Especially intriguing is the case of diversified companies with accumulated capabilities that enable them to stabilize profitability in their integration of international investment and export activities.

### Performance, Diversity, and Multiplicity of Foreign Cross-Listing Environments

Elitsa Banalieva, *Northeastern University*  
Christopher Robertson, *Northeastern University*

The purpose of this study is to examine an underrepresented area in the international strategy literature: multinational enterprises' (MNEs) portfolios of foreign cross-listings and their effects on firm performance. Most international diversification research has focused on the international scope of MNEs' productive assets. We develop a theoretical framework, which analyzes the interaction between multiplicity (the number of foreign stock exchanges) and diversity (the modified Berry-Herfindahl ratio of countries' institutional environments) of MNEs' foreign cross-listings. Furthermore, we examine a central research question that links the interaction effect of multiplicity and diversity on MNEs' performance (ROA). Preliminary results from a sample of 102 French MNEs suggests that firms that maintain portfolios of too diverse cross-listing environments exhibit inferior performance to those that are focused on more similar cross-listing environments, as the number of foreign cross-listings increases.

### Schumpeterian Rent vs. Ricardian Rent: Interpreting International Diversification and Product Diversification in China

Li Sun, *University of Texas-Dallas*  
Mike Peng, *University of Texas-Dallas*  
Weiqiang Tan, *City University of Hong Kong*

The core of resource-based theory views strategy as a "continuing search for rent". Rents can be broadly grouped into Schumpeterian rents and Ricardo rents. However, there are still some unexplored questions: (1) What the creation and extracting mechanism behind Schumpeterian rents? (2) Can Ricardian rents transfer to Schumpeterian rents? (3) Can Schumpeterian rents trigger Ricardian rents? In the context of globalization, we try to indentify the dynamics of strategic choices of international and product diversification under the globalization. We interpret Chinese firms' international diversification process as endeavors to extract Schumpeterian rents, and their product diversification process as efforts to exploiting Ricardian rents. Empirical data of Chinese listed firms from 2001 to 2006 supports our main arguments: (1) international diversification and firm performance have two-way causation relationship, but product diversification and firm performance do not; (2) international diversification and product diversification can be substituted and complemented each other.

### Strategic Modularization and Performance Implications in the Global Automobile Industry

Ronaldo Parente, *Rutgers University*

Our paper focuses on how global automobile manufacturers benefit from the implementation of strategic modularization. A theoretical framework is developed and tested examining the process of how strategic modularization impact firm's performance in the context of the Brazilian

automobile industry. Data was collect over a 5 year period in three stages. Preliminary data analysis suggest that strategic modularization may help improve a firm's positional advantage through the development of capabilities such as technology transfer, entrepreneurial strategic intent, and face-to-face communication. In addition, the adoption of strategic modularization seems to influences the nature of relationships with major suppliers, further blurring the boundaries of the firm.

#### SESSION 156

### REALIZING STRATEGIES THROUGH EFFECTIVE PROCESSES

<b>TRACK H</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 7

**Facilitator** Tomi Laamanen, *Helsinki University of Technology*

### Backsourcing as a Last Resort for Outsourcing Failure? A Process Model and Case Study Evidence

Florence Law-Kheng, *ESCP-EAP*

Based on the capabilities view, path dependency concepts and strategic change literature, this paper develops and tests a process model that views backsourcing process as the combination of three sub-processes: the initializing process, the precipitating process and the facilitating process. The paper underlines the relevance of integrating several theoretical perspectives that are useful in understanding the different parts of the backsourcing process. It also points out the necessity to consider backsourcing strategic dimension. Backsourcing is not merely a means of last resort to outsourcing failure but should be fully viewed as a strategy deserving more attention.

### Intended and Realised Marketing Strategies: An Exploratory Perspective

Simos Chari, *Leeds University*

Nearly after forty years of vigorous attention and robust research, the concept of strategy making process and its effect on organizational performance remains vague; imprecise; and complicated. This pragmatism is even more vivid in marketing organizations. Empirical developments in the marketing strategy process stream are not only few, but largely, detached from those occurring in the opposite spectrum, strategy content. Studies on the marketing strategy making process represent an "incomplete, multi-dimensional jigsaw puzzle" with some of its areas more comprehensive than others. This paper following the recent pleas for further investigation on the ill-defined matter of marketing strategy making process aims in examining the formulation and implementation processes within marketing organizations and explain the moderating role of "intrapreneurship" and "control mechanisms" between the intended and realised marketing strategies.

### Modeling Integration Process in Merger and Acquisition (M&A) Transactions

Patricia de Sá Freire, *Federal University of Santa Catarina*  
Marina Nakayama, *Federal University of Santa Catarina*  
Aline Soares, *Federal University of Santa Catarina*  
Roberto Amaral, *Federal University of Santa Catarina*  
Fernando Spanhol, *Federal University of Santa Catarina*  
Andressa Pacheco, *Federal University of Santa Catarina*  
Maurício Rissi, *Federal University of Santa Catarina*  
Kelly Cristina Benetti, *Federal University of Santa Catarina*

TUESDAY 10:00 - 11:15

This research intended to model an integration process that provides the organizations of M&A, conditions to consolidate confirming the results projected by the thesis. It was based on Maranhão and Macieira's (2006) ideas about the modeling of complex processes, in addition to Nonaka and Takeuchi's (1997) concepts of knowledge creation in its epistemological dimension. The methodological approach characterizes itself as qualitative and there is use of action research techniques, creating explicit knowledge for practical use. In conclusion, the modeling of the integration process allowed to compare its adherence rate of managerial practices to the acquiree's beforehand, enabled the managers to face conflicts and make realistic estimates of the integration cost, adjusting the operation's cash flow, and the definition of corporate sense to be shared.

### Smooth Strategy Process: The Anatomy of Strategy Execution Challenges

Tommi Laamanen, *Helsinki University of Technology*  
Samuli Skurnik, *Helsinki School of Economics*

We focus in this paper on the antecedents and consequences of strategy execution challenges identified in a survey of 958 board, CEO, top management, and business unit management team respondents. We examine the differential sensemaking of managers in different positions and roles and group the respondents into five clusters according to the similarity of their responses. In addition, we examine how the perceived strategy execution challenges relate to growth and profitability of the respondents' firms. As our main results, we find that sensemaking is conditional on a person's position and role, that the challenges that relate to growth are different from the challenges that relate to profitability, and that these challenges are not the same as the ones respondents originally identified as the most critical.

### Strategic Management in the Public Sector: A Case Study From the Process Perspective

Anil Patel, *US Department of Army*  
Maheshkumar Joshi, *George Mason University*

Leading authors in strategic management field including Hambrick (1994) have urged strategic management theories and concepts to go beyond the private sector. Using an insider's perspective, we demonstrate literature application of the strategic management process inside a US federal governmental entity. We offer historical background about the roots of strategic management in the US Government. This context allows us to provide an anatomy about the workings of strategic management inside the U.S. Army Corps of Engineers (USACE) in light of achieving internal and external organizational fit under the framework of administrative statutes and executive orders as well as the academic perspective articulated by Hax and Majluf (1996).

### Value Creating Activities in International Professional Service Firms: A Strategy-as-Practice Approach

Katja Maria Hyde, *BI Norwegian School of Management*  
Karl Joachim Breunig, *BI Norwegian School of Management*

This paper empirically explores the processes of value creating activities in two International Professional Service Firms using the strategy-as-practice approach. Building on Porters understanding of competitive

advantage where the firm is being viewed as a collection of activities (1985), and Stabell and Fjeldstads three distinct value configuration models (1998), this paper describes how these three value creation logics can be found within the firm, at an activity level. The paper shows how a combination of value configuration models is necessary for the firms in order to maintain competitive advantage. By studying micro activities within firms we expose that different value configurations reinforce each other and claim that a strategy attending to only one configuration might undermine the value creation.

#### SESSION 202

### MICROFOUNDATIONS OF KNOWLEDGE AND LEARNING

TRACK I	Date	Tuesday, Oct 13
Paper	Time	10:00 – 11:15 h
Session Chair	Room	Meeting Room 12
		Petra Nylund, <i>IESE Business School</i>

### Cognitive Flexibility in Decision-Making: A Neurological Model of Learning and Change

Daniella Laureiro-Martínez, *Bocconi University*  
Stefano Brusoni, *Bocconi University*  
Maurizio Zollo, *Bocconi University*

There has been a growing interest in the cognitive microfoundations of the internal capabilities that promote organizational learning, adaptation and eventually sustainable competitive advantage. In particular, the role of top managers' decision-making processes is important for a complete theory of organizational adaptation and performance. We draw on recent experimental evidence in cognitive neurosciences to argue that the individuals' cognitive flexibility might be a fundamental determinant of the organizational ability to learn and consequently to adapt to environmental changes. We develop a theoretical model where the findings from neurosciences are translated into testable propositions. Our main contention is that to explain the variation across firms' abilities to adapt to the environment, it is necessary to take account of the degrees of cognitive flexibility in key decision-makers.

### Escaping From the Black-Box Metaphor: Strategic Decision Making in the Age of Neurosciences

Francesco Sacco, *Insubria University*

Recent advances in neurosciences are producing a different vision of the brain linking its biological substrate to consciousness and thinking. Psychology is gradually turning its attention to neurosciences to explain the mind and its cognitive processes in biological terms. But in strategic management decision making is still a black box process and even if interest in knowledge creating processes is growing, the benefits of improvements from neurosciences and psychology is still lacking. The paper focus on the computational limits of the brain as a knowledge processing tool and, starting from the Edelman's neural Darwinism model of brain at its biological level, it makes some hypothesis on improvements of the strategic decision making process based on the mechanism of brain functioning.



## The Micro-Foundations of the Knowledge-Based View of the Firm

Petra Nylund, *IESE Business School*

The knowledge-based view of the firm treats knowledge on an aggregate, collective level. However, knowledge transfer ultimately depends on how individuals perceive, prioritize, and use knowledge. In an uncertain world, the firm must adapt through changing the actions of individuals. Through explicitly linking the individual and collective levels we can apply learnings from psychology and other disciplines to the salient questions regarding firm existence, structure, and strategy. In this paper, I review the literature of the knowledge-based view and identify the micro-foundations of each perspective. I map the relationships between these different views of the firm based on their micro-foundations and examine the micro-level connections linking the perspectives. The foundational individual-level constructs are motivation, cognition, interpretation, attention, memory, articulation, creativity, choice, roles, skills, and competences.

## The Psychological Foundations of Dynamic Capabilities as Adaptive Organizational Routines

Peter Bryant, *IE Business School*

I develop a model of the micro-foundations of dynamic capabilities as adaptive behavioral routines. The model builds upon the Cognitive-Affective Personality System (CAPS) theory of personality, which contrasts with the standard trait approach to personality. The paper first proposes that routines evolve from repeated group-level behaviors that are triggered by features of situations and mediated by recurrent cognitive-affective processes. Next, I argue that specific classes of adaptive routines comprise dynamic capabilities. The model thus conceives of human personalities and organizations as complementary situation-behavior systems mediated by similar cognitive-affective processes, and conceives of routines and dynamic capabilities the social expression of such systems. I discuss the implications of this model for organizational learning and change, competitive strategy and the theory of the firm.

### SESSION 235

## REGULATING THE MARKET FOR IDEAS: THE ROLE OF COMMUNITIES, NORMS, AND NETWORKS

<b>TRACK I</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Panel</b>	<b>Room</b>	Auditorium

### Session Chair

Andrew King, *Dartmouth College*

### Panelists

Giada Di Stefano, *Bocconi University*

Alfonso Gambardella, *Bocconi University*

Karim Lakhani, *Harvard University*

Gianmario Verona, *Bocconi University*

David Waguespack, *University of Maryland*

The ability to appropriate value from innovative effort is vital to the health of an economy. Scholars have long investigated how the use of inventions can be governed by centralized institutions. Recently, scholars have argued that, when property rights are lacking, more decentralized institutional forms (e.g., norms, communities, and networks) can play an important role in encouraging innovation: the value of innovation can be appropriated through local use, and the risk of expropriation prevented

by governing the information flow. In this panel, we will present cutting-edge research dealing with decentralized institutions and innovation, by considering the conditions which should yield efficient exchange of innovative ideas and the way in which such exchange occurs in real-world settings. Finally, we will discuss avenues for future research.

### SESSION 120

## STRATEGIC TOOLS AND METHODS

<b>TRACK J</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 11

**Session Chair** Aliko Nicolaides, *Columbia University*

## Choosing Methods For Decision Problems Solving in an Organization: Methodological Aspects

Marek Szarucki, *Cracow University of Economics*

Marek Lisinski, *Cracow University of Economics*

Modern organizations need decisions to be made to make them function effectively, managers spend much of their time in making decisions at both the operational and the strategic level. This proposal presents a methodological suggestion for a structured, manageable approach to the complex dilemma of how to choose, from the vast arsenal of methods, sets of techniques appropriate for problems solving in organizations. First, it is needed to classify problems that are met in organizations and then to choose a suitable method from a bunch of the classified methods for problem solving. Our goal is to develop a model which will be helpful for a decision-maker in terms of guiding him or her to an accurate problem identification and appropriate method selection for problem solving.

## Developing Competency and Capacity for Strategic Insight through Action Inquiry

Aliko Nicolaides, *Columbia University*

Lyle Yorks, *Columbia University*

The purpose of this paper is to share emerging findings and insights from our inquiry and research around the connection between how individuals, groups and systems make sense of the complex demands faced in these uncertain times and how strategic learning and developing insight mitigate these forces in action. Our research has focused on how a learning and development framework helps to make sense of the "mindsets" that influence the approaches that adults as individuals and in groups within the context of systems faced with persistent and complex demands stand in relationship to ambiguity and develop strategic insight.

## FrameEx: Classroom Exercise to Demonstrate Strategic Framework Value

William Worthington, *Baylor University*

Jamie Collins, *Baylor University*

Christopher Reutzell, *Utah State University*

Frameworks are commonly used tools of strategy employed by top level managers. Illustrating the use of frameworks to undergraduate students who lack work experience presents a challenge for university instructors. FrameEx is a simple exercise that demonstrates the usefulness of frameworks while providing a fun and interesting classroom exercise. Our paper illustrates how FrameEx is used in the classroom. Further, empirical results measured during the execution of FrameEx are presented to demonstrate its usefulness. Finally, classroom discussion points are offered along with useful recommendations for future expansion of the FrameEx.



## Perceived Value of Enterprise Risk Management: A Better Methodology to Manage Uncertainty and Risk?

Stephen Gates, *Audencia Nantes School of Management*

Paul Walker, *University of Virginia*

Jean-Louis Nicolas, *Audencia Nantes School of Management*

Enterprise risk management (ERM) is a new, board-supervised process, applied in a strategic setting, which aims to identify, evaluate, and manage strategic, operating, financial, legal and insurance risks. Advocated by the COSO Commission in 2004, ERM adoption has been encouraged by the SEC, legal court cases and rating agencies. We examine ERM's perceived value as measured by better decision making and increased profitability. Using data from our survey of 150 risk management directors, we tested two regression models incorporating key components of the ERM methodology. Our models are significant, and indicate that the stage of ERM implementation, ERM communication, setting risk tolerance limits, and risk quantification help improve decision making, while alignment of risks and setting risk tolerance limits increase profitability.

### SESSION 111

## OPPORTUNITIES, UNCERTAINTY & INNOVATION IN ENTREPRENEURIAL VENTURES

### TRACK K

Date Tuesday, Oct 13

Time 10:00 – 11:15 h

### Common Ground

Room Meeting Room 10

### Facilitator

Claudia Schoonhoven, *University of California-Irvine*

## A Model of Entrepreneurial Competitive Moves: The Influence of Industry Context and Individual Factors

Lee Zane, *Drexel University*

Tianxu Chen, *Drexel University*

Donna De Carolis, *Drexel University*

Entrepreneurs compete in markets with significant uncertainty, and derive disparate outcomes. While prior research has used real options logic to explain entrepreneurs' decisions under uncertainty, few if any have tied this logic to the characteristics of new ventures' competitive moves. This paper discusses how entrepreneurs launch competitive moves, particularly the speed of action and intensity of action, under conditions with uncertainty and first mover advantage. We argue that the way entrepreneurs conduct competitive activities are contingent on their cognitive biases.

## Effect of Competition on Innovation and Project Performance in Start-Ups: Evidence From Biopharmaceutical Clinical Trials

Mazhar Islam, *University of Minnesota*

In the proposed study, I examine how competition affects the new technology projects of start-ups. Specifically, I examine the competitive conditions under which start-ups reconfigure the governance structure of their technology projects through inter-organizational collaborations and the performance implications of these reconfigurations. I developed a theoretical framework based on the extant literature and twenty two interviews with the managers.

In order to validate the framework, I intend to conduct econometric analyses on a novel dataset from the biopharmaceutical industry that I am currently assembling. The results will make theoretical contributions to management scholarship and enhance the understanding of the interaction between competition and technology development from managerial and policy maker perspectives.

## Entrepreneurial Exit Decisions: The Influence of Product and Financial Market Uncertainty

Asda Chintakananda, *Nanyang Technological University*

This research develops a model of entrepreneurial exits through a merger or IPO process under the multidimensionality of uncertainty that firms face. In particular, this research empirically tests how firms respond to the different levels of uncertainty in both the product market and financial market. Hypotheses are developed and tested over 1,500 private venture capital-backed firms over a 15-year period. Results show different exit paths based on the source and level of uncertainty. High uncertainty in the stock market induces a higher likelihood of IPO launches, whereas high uncertainties in the product market induce a higher likelihood of mergers.

## Entrepreneurial Learning: Toward a Dynamic View

Joseph Ngijol, *University of Paris III- Sorbonne Nouvelle*

Hamid Bouchikhi, *ESSEC Business School*

We examine how the entrepreneurial learning process takes place during the formation of business opportunities, as entrepreneurs move from an initial idea to a well-developed new product or service. Through a longitudinal case study of six ventures, we found that Kolb's experiential learning model explained many of the behaviors we observed when used in a dynamic perspective tending to show how and why the entrepreneur's learning style may change over time. The entrepreneurial learning processes studied are shown to fall into three types of path configurations through the model. This typology rests on factors which are linked to the entrepreneur's personal attributes. The findings have implications for future research, practice and entrepreneurship training.

## Opportunities Taken and Lost

Gaurab Bhardwaj, *Babson College*

New business opportunities taken affect growth and profits, but so do those that were lost. How both kinds of choices are made has been little studied, so field data were used to develop theory. Historical case research and counterfactual methods were used on 20 years of data from DuPont's archives, newspaper articles, and historical studies. Choices of growth possibilities taken vs. lost were influenced by three heuristics: risk of action vs. inaction, extent of links between current and future businesses, and brief vs. long time horizon. When there were significant deviations between the preferences of powerful individuals and new business possibilities being considered, the former exercised their power to influence choices. These heuristics and occasional power influences resulted in opportunities being taken and lost.



**Professional-User Innovation: A Process Model**

Jennifer Woolley, *Santa Clara University*  
 Tammy Madsen, *Santa Clara University*

Work on innovation and entrepreneurship highlights the influence of end-user innovators in the creation of new firms and industries. However, less is known about other types of user innovators, such as professional-user innovators. Yet, in an emerging technological field, professional-user innovators operating in incumbent firms often drive industry and technological development. We draw on the extant work on innovation, interorganizational relationships, and organizational governance to develop a process model of professional-user innovation. The model specifies the conditions underlying a firm’s decision to act on a professional user innovation and explores how a firm’s resource and experience stocks affect its governance mode choice (hierarchy, partnership, etc.) for developing the innovation. We conclude with implications for work on industry and technological development.

SESSION 107

**CURRENT THOUGHTS ON ENTREPRENEURSHIP IN EMERGING AND TRANSITION ECONOMIES**

<b>TRACK K</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room5

**Session Chair** MB Sarkar, *Temple University*

**Institutional Equity Ties, IPO Performance, and Market Growth of New Ventures in China**

Emery Yao, *University of Kentucky*  
 Jianfeng Wu, *Peking University*  
 Ruolian Fang, *University of Minnesota*  
 Giuseppe Labianca, *University of Kentucky*

We suggest that venture firms face different challenges during the IPO process and at the post IPO stage, and propose that institutional equity ties to governmental agencies and to research institutes distinctly affect venture firms’ IPO performance and post-IPO market growth in emerging economies. The value of institutional ties is contingent on their contributions to firm legitimacy and competitiveness at different stages of organizational development. We investigate a set of pharmaceutical and chemical venture firms that went public in the Chinese stock market between 1994 and 2001. The empirical results indicate that although institutional equity ties to governmental agencies do not have any significant influence on the speed or returns of IPO, such governmental ties may hinder new ventures’ post-IPO asset growth. By contrast, we find that institutional equity ties to research institutes contribute positively to new ventures’ IPO performance and post-IPO market growth.

**Neither “Fortune” nor “Mirage” at the BOP: The Real Benefits of Corporate Social Innovation**

Laurence Lehmann-Ortega, *Groupe Sup de Co Montpellier*  
 Bertrand Moingeon, *HEC-Paris*

Prahalad urges multinationals to seek “Fortune at the Bottom of the Pyramid”: turning the poor into valuable customers can both alleviate poverty and create profit for the MNC. However, vigorous criticism has emerged. For example, Karnani argues that these ideas are a mirage: there are no profits possible for MNCs, and the poor are more assisted than helped. Drawing from three case studies, our goal is to introduce

yet another way of looking at this controversy and to explore what the real benefits of “corporate social innovations” could be. We suggest that by setting self-sustainability as a constraint, this type of experiment trains managers in double loop learning, enhancing a culture for strategic innovation, one of the most needed competencies in the current business environment.

**The Dragon and the Bald Eagle: Comparing Entrepreneurs From Advanced and Developing Economy Technology Based Universities**

Charles Eesley, *Stanford University*

What drives (or limits) an innovation strategy in entrepreneurial firms? This paper examines whether financial constraints or constraints arising from a scarcity of more fundamental scientific and technological research have a greater impact on the decisions of entrepreneurs to attempt to commercialize innovations. Since the level of funding is endogenous to an innovation strategy, I use a differences-in-differences approach and use exogenous variation in the institutional funding environments and science and technology (S&T) stocks across the U.S. and China. Utilizing survey responses from 2,966 alumni of Tsinghua University in China and 43,000 alumni of MIT in the US, I compare and contrast, over time, the determinants of entrepreneurial behavior and performance within the Chinese and American environments. Both datasets include graduates from multiple decades, allowing some comparisons of trends over time.

SESSION 236

**SMS EMERGING SCHOLAR AWARD WINNER 2009: MICHAEL LENOX**

<b>TRACK E</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	10:00 – 11:15 h
<b>Special Session</b>	<b>Room</b>	

**Future Research Directions in Computational Modeling in Strategy**

**Session Chair**

Michael Lenox, *University of Virginia*

**Panelists**

Ramon Casadesus-Masanell, *Harvard University*  
 Scott Rockart, *Duke University*  
 Michael Ryall, *University of Toronto*  
 Sidney Winter, *University of Pennsylvania*

This session takes a look at future research directions in computational modeling in strategy. We will explore common approaches to date such as the modeling of interdependencies using NK specifications and will discuss the opportunities for such models moving forward. The panel will explore how computational models may be used most effectively to promote progress on important strategy topics such as industry evolution, competitive dynamics, innovation, and dynamic capabilities.

TUESDAY 10:00 - 11:15

SESSION 241  
TEACHING TRACK

<b>TRACK T</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Special Panel</b>	<b>Room</b>	Meeting Room 8

### Real Options: Teaching Strategy for Uncertain Environments

**Session Chair**

Idalene Kesner, *Indiana University*

**Panelists**

Carliss Baldwin, *Harvard University*

Hugh Courtney, *University of Maryland*

Michael Leiblein, *Ohio State University*

Jeffrey Reuer, *Purdue University*

“Real options” has emerged as an intriguing and important tool for evaluating strategic initiatives in an uncertain and increasingly risky environment. Panel members will discuss the many ways that educators can incorporate this concept into their strategy courses. In this session we will explore a variety of pedagogies useful in teaching real options. In this session we will explore cases that are well suited to teaching this topic and real options exercises that may work well in classroom settings. A key objective will be to provide “takeaways” that instructors can immediately employ in teaching this important topic.

SESSION 191

### THE ROLE OF MANAGERS IN ADAPTING TO UNCERTAIN CONDITIONS

<b>TRACK A</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 13

**Session Chair** Bertrand Quelin, *HEC Paris*

### The Impact of CEO Narcissism on Incumbent Inertia and Discontinuous Change

Wolf-Christian Gerstner, *University of Erlangen-Nuremberg*

Albrecht Enders, *IMD*

Andreas König, *University of Erlangen-Nuremberg*

How do the personality traits of CEOs influence organizational inertia in response to discontinuous technologies? We integrate recent literature from the fields of upper echelons theory, organizational adaptation research and cognitive psychology to develop a model linking CEO narcissism and three dimensions of incumbent inertia: temporal rigidity, resource rigidity and routine rigidity. We posit that organizations led by narcissistic CEOs are more likely to adapt successfully to discontinuous change because such organizations will enter new markets more quickly, with more resources and with more flexible routines than organizations managed by non-narcissistic CEOs. We also submit that the extent of the CEOs' knowledge of the discontinuous technology has a moderating influence on the effects of CEO narcissism.

### The Public is Fine With Us: Idealized Value Mergers in Top Management

Timo Meynhardt, *University of St. Gallen*

How do top-managers cognize on their organizations' role in the societal environment? As of today, we lack sufficient psychometric data about such perceived impact on society. In this paper, data from top managers from 40 organizations (half private, half public) are presented. In our empirical study we applied a version of the Kelly-Grid to elicit managerial cognitions. The richness of constructs points to a broad awareness of distinct impacts on society. The study also shows that subjects tend to assume that “the wider public” does not differentiate between distinct value dimensions and is basically “in line” with the top management views - unless the organization is confronted with concrete public critique. This phenomenon of “idealized value merger” is interpreted from different theoretical viewpoints.

### Organizational and Individual Levels: Disentangling Their Impact on Performance and Competitive Outcomes

Bertrand Quelin, *HEC-Paris*

Deborah Philippe, *HEC-Paris*

This paper explores the determinants of performance in Formula 1 racing at the individual and organizational levels of analysis. The purpose is to gain an understanding of the relative importance of factors that contribute to the competitive outcomes. Based on data of the period 1998-2008, we develop some propositions specifying the forces acting on performance. The resulting framework leads to a set of predictions about relationships between regulation, teaming, partnering, managerial capabilities and the emergence of learning. Specifically, we argue that when the regulation is becoming more restrictive on technological innovations, the individual factors higher impacts the overall performance. Moreover, we show that stability of teams leads to an increase of the performance level. We suggest that the forces acting on outcomes are self-enforcing.

### Uncertainty, Path Recognition and Complexity Matching

Zhi Wang, *Manchester Metropolitan University*

Stuart Horsburgh, *Manchester Metropolitan University*

Theories of global brain functioning provide a framework for the analysis of how activity systems evolve in uncertain environments. We summarize two fundamental features of neural functioning: the adaptive classifier system and re-entrant mapping and indicate their usefulness by explaining the link between managerial behavior and the emergence of complex clusters in the aircraft industry. Our preliminary findings provide some support for the idea that in uncertain environments, adaptive matching is related to experience and exposure to complexity.



SESSION 134

**ORGANIZATIONAL DESIGN AND NETWORKING STRATEGIES UNDER UNCERTAINTY**

<b>TRACK B</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 11
<b>Facilitator</b>	Yves Doz, <i>INSEAD</i>	

**Designing the Business Model: An Activity System Perspective**

Christoph Zott, *IESE Business School*  
 Raffi Amit, *University of Pennsylvania*

Building on the received literature, we conceptualize a firm's business model as a system of interdependent activities that transcends the focal firm and spans its boundaries. The activity system enables the firm to create value in concert with its partners but also to appropriate a share of the value created. Anchored on theoretical and empirical research, we suggest two sets of parameters that activity systems designers need to consider: design elements—content, structure and governance—that describe the architecture of an activity system; and design themes—novelty, lock-in, complementarities and efficiency—that describe the sources of the activity system's value creation.

**Do They Know Your Strategy: Implications of Network Partner Perceptions of Strategic Articulation and Inclusion**

Danielle Dunne, *Binghamton University*  
 Kimberly Jaussi, *Binghamton University*  
 Thomas Kelly, *Binghamton University*

While many organizations utilize alliance strategies to acquire resources needed to navigate dynamic environments, many of these alliances fail. Scholars have called for process, rather than outcome, research to better understand alliance success and failure. With this call in mind, we examine perceptual processes and resource allocation in an ego-centric alliance network. Our findings from survey and financial data from 41 partner organizations and a focal organization suggest that perceptions of knowing the focal organization's strategy and feeling considered in the focal organization's strategy formulation positively affect partner intentions to allocate future resources, but that articulation of the focal organization's mission affects current resource allocation. Our work extends existing alliance research by addressing strategy articulation, mission internalization, and partner inclusion in the formulation process.

**Economic Uncertainty, Product Architecture, and the Bullwhip Effect: Strategies for Coping with Supply Chain Variability**

Marcelo Alvarado-Vargas, *Florida International University*  
 Keith Kelley, *Florida International University*

Even in stable situations, the relationship between the firm and suppliers is a challenging one to maintain. By adding uncertainty to this relationship it becomes even more complex. The authors wish to shed some light on how the Bullwhip Effect, increased in intensity throughout the supply chain by uncertainty, can affect the buy-or-make strategic decisions. The authors considered the manufacturing sector specifically because of the storability property of the goods. The product architecture influencing the firm-supplier relationship intensity was also considered.

Under uncertain times, if the supplier is the weakest link in the total supply chain, the firm must undertake crucial strategic decisions which will secure its supply chain fitness. Keywords: Supply chain, Uncertainty, Product Architecture, Bullwhip Effect, Make or Buy Decisions.

**Predicting the Likelihood and Intensity of Resource Acquisition Actions: Evidence from the Biopharmaceuticals Industry**

Sotiris Rompas, *University of Warwick*  
 Harry Scarbrough, *University of Warwick*

This study is concerned with the conditions under which firms engage in the strategic action to acquire external resources. Drawing from the theoretical premises of the RBV, scholars have treated such strategic action as resource-driven. In a world of uncertainty, however, we argue that firms may strategically act to acquire external resources as a response to their competitors. We thus suggest that the strategic action to acquire external resources is competitive-driven. We employ an extensive panel dataset of 4,729 resource acquisition actions in the context of the biopharmaceuticals industry to test a set of hypotheses around these two views of external resource acquisition. Our findings suggest that firms engage in external resource acquisition as a response to their competitive environment, but such response is directed by their resource endowments and prior experience.

**Which Buyer-Supplier Strategies on Uncertain Markets: A Multi-Agents Simulation**

Corentin Curchod, *Audencia Nantes School of Management*  
 Philippe Caillou, *University Paris - 11*  
 Tiago Baptista, *University of Coimbra*

The relationship the firm has with its clients and suppliers largely determines the amount of value it is able to capture in the chain. Yet little is known about the impact of market uncertainty on the choice of the best buyer-supplier strategy in terms of value appropriation. The paper proposes to investigate which among different types of strategies bring more value to the buyer when market uncertainty increases. It relies on a very innovative method of multi-agents simulation based on an in-depth ethnographic observation phase of a real market in France. It shows that pure loyalty is not necessarily the best strategy when market uncertainty increases and that the buyer may face a dilemma between maximizing the margin rate and ensuring regularity of supply.

SESSION 127

**LAW AND ORDER: ALLIANCE GOVERNANCE DECISIONS**

<b>TRACK B</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 14
<b>Session Chair</b>	Stephen B Tallman, <i>University of Richmond</i>	

**How do Firms Select an Alliance Governance Mechanism: The Effects of Industry Characteristics and Flexibility**

Anupama Phene, *George Washington University*  
 Stephen B Tallman, *University of Richmond*

How do firms select a governance mechanism for alliances in the context of flexibility demands imposed by the industry context? Our

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study identifies three industry characteristics, munificence, dynamism and concentration that influence the need for flexibility and therefore determine alliance governance choice. Institutional alliances demonstrate a greater proximity to a hierarchy, and consequently lower flexibility in contrast to contractual alliances. We propose that industry munificence, represented by growth as well as new business formation in the industry, and industry concentration reduce the likelihood of an institutional alliance. We also posit that industry dynamism, reflected by volatility and the mortality rate of firms, leads to a decreased likelihood of an institutional alliance.

### ✿ The Choice of Project Team Structure in R&D Alliances: The Antecedents of Project Team Complexity

Mahmut N. Ozdemir, *Erasmus University-Rotterdam*

Jan Van den Ende, *Erasmus University-Rotterdam*

In this study we contribute to research on strategic R&D alliances by examining how contractual complexity, equity and technical uncertainty influence the alliance project team structure, particularly, its complexity. Data on 181 strategic R&D alliances indicate that complex project team structures are adopted when the contract of the partnership is complex and when technically uncertain projects are conducted in equity alliances. Our findings have implications for understanding the emergence and role of complex project team structures in strategic R&D alliances.

### The Impact of Uncertainty on Governance Choice in Alliances: TCE vs. Real Options Based Explanations

Thomas Mellewig, *Free University Berlin*

Franziska König, *University of Paderborn*

In this study we focus on the impact of uncertainty on governance choice in alliances. Despite an innumerable amount of theoretical and empirical efforts, the relationship between uncertainty and governance choice remains nebulous (see David/Han 2004 and Geyskens et al. 2006). For example, TCE suggests an extension of hierarchical boundaries under uncertainty (Williamson, 1985, 1991). Contrary, real options theory underlines the flexibility advantages of market-based governance forms under uncertainty. We examine the separate and joint influence of a TCE- and ROT-based rationale on governance choice. We tested our hypotheses using a policy-capturing method. 34 senior executives provided 544 individual governance choice observations. Our results show that ROT enriches TCE arguments by providing governance choice implications depending on the presence and type of real options.

### The Project Performance Consequences of Collaborative vs. Autonomous Product Development

Xavier Castaner, *HEC-Lausanne*

Louis Mulotte, *Tilburg University*

Bernard Garrette, *HEC-Paris*

Pierre Dussauge, *HEC-Paris*

This paper investigates the performance impact of undertaking activities through horizontal alliances rather than undertaking these activities autonomously. First, we claim that firms that align their governance

choice with both the project resource requirements and their resource endowment achieve greater success than other firms. However, we also argue that governance mode choices have a significant performance effect, even when endogeneity and governance fit are taken into account. We test our predictions on a sample of 334 aircraft projects undertaken either through horizontal alliances or on a single-firm basis. We find that firms forming horizontal alliances achieve greater commercial success than if they had chosen to launch the same projects autonomously but they incur higher up-front costs than similar firms undertaking similar projects on their own.

#### SESSION 177

### HOW TO MAKE THE RIGHT DECISIONS DURING UNCERTAIN TIMES?

TRACK C	Date	Tuesday, Oct 13
Paper	Time	11:30 – 12:45 h
	Room	Meeting Room 6

Session Chair     Scott Rockart, *Duke University*

### Coping with Uncertainty for Effective Strategic Decision Making: Capabilities for Petroleum Bidding in Emerging Economies

Sunil Sharma, *Mckinsey & Company*

Mukund Dixit, *Indian Institute of Management-Ahmedabad*

Amit Karna, *European Business School*

This paper reports on an empirical study of strategic decision making under conditions of high uncertainty. The context of study is bidding decisions by petroleum exploration firms in an emerging economy setup characterized by an evolving regulatory regime, aggressive competition, and high incidence of outsourcing of knowledge activities. Extant literature on uncertainty identifies 'response uncertainty' as the major uncertainty faced by decision makers where immediate action is required by them. This paper contributes to the uncertainty literature by identifying eight types of 'response uncertainty' that influence organizational response. Corresponding to these eight uncertainties are three types of organizational capabilities that firms develop to address uncertainty. The fact that position capability seems to be most crucial to win bids has important implications for auction design.

### Patterns in Decision Making and Firm Performance

Scott Rockart, *Duke University*

Michael Shayne Gary, *Australian Graduate School of Management*

Elena Vidal, *Duke University*

A great deal of research has explored the origins of rules governing organizational decisions, but relatively little systematic evidence establishes a link from decision rules to firm performance. Developing and evaluating such evidence is a major opportunity for advancing the strategy field. We estimate key decision rules for a sample of several hundred German consumer magazines observed quarterly from 1972 to 2006. The large number of organizations in the data, and the long time span covered in the sample, allows us to identify subtle but significant differences in decision making patterns. We use a model of magazine operations to link our estimated decision rules, in conjunction with a variety of external factors, to magazine performance.



### Quasi-opportunism: A Process Model from UK CEOs in an Uncertain World

David Stiles, *University of Canterbury*  
Denise Jarratt, *Charles Sturt University*

Exactly fifty years ago, Charles Lindblom criticised rational-economic decision making for failing to address uncertain environments. Academics have long called for a new strategy paradigm in the light of fundamental structural transitions, but there is little empirical evidence of how practitioners have engaged in business activity as such events unfold. This paper summarizes our critical psychological discursive study of contemporary strategy process models articulated by 30 leading UK strategy practitioners across in 7 broad industry sectors. These are compared to classic rational-economic models and incremental alternatives developed since Lindblom. Our practitioners saw strategy involving hybrid forms in fuzzy, broad, flexible and adaptive processes constituting meaning, power and identity. Agility often meant moving quickly and discontinuously in search of major step-change opportunities involving innovation and creativity.

### Strategic Treasury Risk Management in Uncertain and Changing Environments

Mary-Anne Williams, *University of Technology-Sydney*  
Steve Elliot, *University of Sydney*

The current global financial crisis has exposed treasury risk management strategies utilised by firms and the inadequacy of the underlying motivations, understanding and governance of risk. Current models and measures of risk in the field of strategic management are not well equipped to explain and inform decision making under environmental uncertainty. In response, this paper seeks to support development of sounder organizational policies and richer models of risk. Understanding, managing and measuring risk are crucial aspects of strategic management since knowledge informing strategy is rarely accurate, certain, complete and current. In the domain of corporate treasury, this paper explores the current understanding of risk under dynamism, describes critical research gaps, and proposes a cognitive framework to assist strategic management of risk and to address gaps in current theory.

SESSION 251

### RISK AND BEHAVIOR: PREFERENCES, STRATEGIES, AND CHOICES

<b>TRACK D</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room5

**Session Chair** Cathy Maritan, *Syracuse University*

### Do Managers Value Strategic Investments in Line with Real Options Theory?

Michael Collins, *Deloitte Touche Tohmatsu*  
Timothy Devinney, *University of Technology-Sydney*

Real options theory is a normative framework that has been applied to understanding and improving strategic decision-making. Yet, despite its conceptual appeal, it is not clear whether managers can or do make decisions that agree with its predictions/prescriptions. Using experimentally derived managerial preferences the impact of the different investment parameters on investment choice was

obtained. We show that managers viewed the increased uncertainty and longer times to expiry of option investments as reducing value, a fact conforming to traditional DCF rules but in opposition to real options theory. The implications are that, although real options theory implies that it is better for managers to consider the positive aspects of the “option” parameters, the reality is that managers cognitively react negatively to them.

### Reference Dependence in Strategic Risk Preferences May Facilitate Market Coordination

Daniel Malter, *University of Maryland*

Reference dependent risk preferences by individuals and organizations are typically deemed a behavioral bias due to bounded rationality. However, little is known about the benefits this behavior may have. This paper argues that reference dependent risk preferences can facilitate the coordination of competitors. Evidence is presented using data from experimental market entry games. Markets coordinate remarkably well when competitors differ in their prior outcomes and know the outcomes of their competitors. Thus, a “bias” of reference dependence in strategic risk preferences may have unforeseen positive consequences on aggregate outcomes. They may promote the coordination of competitive markets toward efficiency.

### Uncertainty and Managerial Risk Preference: Who Wins and Who Loses with Real Options?

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

Real-options theory has remained true to its financial-options-pricing heritage, including use of the assumption of risk neutrality, but research has shown that managers can be risk seeking or risk averse. Further, their preference on risk and consequent behavior is a function of their position as agents acting on behalf of principals, and thus they are driven by their desire to protect their own interests. Therefore, the question that this work asks is: what happens to prescriptions on real-option investments (wait, compound, strike) when the assumption of risk neutrality is relaxed, and how does it affect stockholders, bondholders, and managers?

SESSION 164

### COMPETITIVE STRATEGY AND FIRM PERFORMANCE

<b>TRACK E</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 7

**Facilitator** Robert Grant, *Bocconi University*

### A Measurement Model of Firm Performance

Juliana Santos, *Getulio Vargas Foundation*  
Luiz Brito, *Getulio Vargas Foundation*

Firm performance is one of the most important concepts of business strategy. Regardless of its importance and ubiquitous use, there is no consensus about its precise definition and dimensionality limiting theory advance. Drawing on stakeholder theory, this paper investigated the dimensionality of firm performance, using a survey with 111 senior managers and board members. Different dimensional structures considering alternatives of first and second order factors were tested with Confirmatory Factor Analysis. Our results indicated six first-order dimensions and the existence of a financial performance as a second-order dimension.

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## Defying the Trend: Strategies for Countering the Negative Impact of Operating in Declining Industries and Markets

Vicky Bamiatzi, *University of Manchester*  
Thomas Kirchmaier, *University of Manchester*

In this paper, we identify the strategies SMEs employ to grow in declining industries. We use inductive case study methodology to examine 25 firms from 22 sectors. In contrast with the dominant view of the literature suggesting large firms to pursue pure strategies, we show that SMEs seem to better shield themselves against declining markets when playing mixed strategies. In fact, all the over-performing firms in our sample follow a mix of cost leadership and differentiation strategy; when differentiating, they focus on innovation or quality. Finally, only a few firms pursue either a niche strategy or international diversification.

## Do Incumbents Improve Service Quality in Response to the Threat of Entry: Evidence from Airlines' On-Time Performance

Daniel H Simon, *Cornell University*  
Jeffrey T Prince, *Cornell University*

In a recent paper, Goolsbee and Syverson (2006) show that airlines reduce prices in response to the threat of entry by Southwest Airlines. We extend this research to examine whether incumbent airlines improve their on-time performance in response to the threat of entry or actual entry by Southwest. Further, we examine whether incumbent characteristics moderate the effect of Southwest's planned or actual entry on incumbent response. The threat posed by Southwest poses an ideal case study for assessing whether firms improve service quality in response to the threat of entry. Southwest has long been a leader in on-time performance. Our analysis contributes to our understanding of how firms use non-price strategic weapons to deter or respond to entry.

## Resource Potential as Performance Differences

Steven Michael, *University of Illinois-Urbana Champaign*  
Sharon Alvarez, *Ohio State University*

Researchers have increasingly employed the resource based view of the firm (RBV) to explain performance differences. The dominant empirical approach has been to examine whether performance, broadly defined, has been affected by different levels of resources. Typically, researchers define and measure a set of resources, analyze them with regard to characteristics expected to have an impact on performance, and then to examine correlations or regressions with performance as the dependent variable and levels of the resources as the independent variables. Performance has been measured as financial performance. This paper makes two contributions to the research literature. We define and measure resource potential. Second, we contribute to the literature on corporate strategy and performance by examining the potential of the resource of information technology.

## Strategic Competition Under Earnings Pressure

Yu Zhang, *University of California-Irvine*

We develop a formal model to analyze the effect of earnings pressure on the firm's strategy and performance in strategic competition. We

find that the effect of earnings pressure on strategic action is nonlinear in both strategic output and price competition. Moreover, we show that a rival's reactions to changes in strategic action differ depending on the type of competition. It follows that the impact of earnings pressure on the firm's performance also differs depending on the type of competition. We also examine boundary conditions of the theory by exploring how punishment in response to missed earnings targets and the benefits of strategic action moderate the effect of earnings pressure on the firm's strategy and performance.

## Value in the Resource-Based View: Resource Functionality as Source of Sustained Competitive Advantage

Jeroen Kraaijenbrink, *University of Twente*

This paper puts forward that we can reach a better understanding of the value of resources in the resource-based view by embracing the notion of resource functionality and considering that value is a subjective feature of a resource. It is argued that the value of a resource does not only derive from its application in product markets and that the value-price-cost model is too limited. It is then argued that the value of a resource depends on managers' assessments of four generic types of functionality: the suitability, combinability, fecundity, and durability of a resource. The paper contributes by providing a generic typology of resource value that facilitates resource-based theorizing and that enables a systematic assessment of the value of resources in practice.

### SESSION 165

## EMERGING ORGANIZATIONAL SOLUTIONS FOR EXPLORATION STRATEGIES

TRACK E	Date	Tuesday, Oct 13
Paper	Time	11:30 – 12:45 h
	Room	Meeting Room 9

Session Chair Joan E Ricart, *IESE Business School*

## Bundling Administrative Innovation: The Morphology of Strategic Reinvention

Patrick Reinmoeller, *Cranfield University*

The complex phenomenon of strategic reinvention has often been analyzed in an elementary fashion with focus on single tools such as TQM without consideration of the context. This paper revisits strategy as configurations of administrative practices and develops a morphological approach to analyze the interdependencies between innovative practices and trajectories of strategic reinvention. Based on a longitudinal study (1987-2007) of Toyota and Volkswagen, this paper shows strategy as evolving configurations of 192 administrative practices. Tracking these practices over time in multiple databases involved the analysis of more than 40,000 potential links in the morphological space. Revealing the realized morphology for each firm for each year and explaining differences in economic performance this paper conceptualizes strategic reinvention as dynamic and interdependent (re)bundling of administrative innovation.



## Business Model Innovation and Sources of Value Creation in Low-Income Markets

Pablo Sanchez, *Polytechnic University of Catalonia*  
Joan E Ricart, *IESE Business School*

We explore seven business ventures in low-income markets in order to understand the factors influencing business model innovation in this context. Grounded in the rich data obtained from multiple case study analyses and in the received theory in strategy in low-income markets and business models, we identified a set of contingency factors that permitted us to distinguish between isolated and interactive business models. Isolated business models widen its entrance into new markets by leveraging firm's current resources and capabilities for taking advantage of existing opportunities. Interactive business models require a firm to combine, integrate and leverage both internal resources with ecosystem's capabilities to create new business opportunities. Finally, we discuss the main implications on value creation from these business models.

## ✿ Knowledge Sharing and Ambidexterity in Self-Managing Teams: A Multi-Level Analysis of Team and Individual Characteristics

Michiel Tempelaar, *Erasmus University-Rotterdam*  
Justin Jansen, *Erasmus University-Rotterdam*

Many scholars have researched ambidexterity, or pursuing both exploration and exploitation. However, most have studied ambidexterity in structured, hierarchical environments, and at single levels of analysis, such as the firm level. We relate individual knowledge sharing to team-level ambidexterity, which is influenced by multilevel effects of team characteristics (shared vision, trust) and individual characteristics (task autonomy, creative problem solving). We test this model within an organization which consists of 174 members operating in 34 self-managed teams. We find that knowledge sharing has a positive influence on ambidexterity. Knowledge sharing is positively influenced by creative problem solving and task autonomy. Team level shared vision and trust however, have differential effects on the relationship between individual characteristics and knowledge sharing, suggesting a trade-off for ambidextrous organisations.

## Simultaneous Versus Sequential Ambidexterity: Insights From Organizational Decline

Achim Schmitt, *Columbia University*

Pursuing exploration and exploitation simultaneously requires substantially different and conflicting underlying organizational processes, structures, strategies, and cultures. While prior research has identified the ability to manage these conflicting demands as key to achieving substantially better performance, far less attention has been paid to uncovering how firms can overcome these conflicting demands. Former studies have used the concept of organizational slack as a moderator to explain the pursuit of both orientations. In this paper, we apply the context of organizational decline to analyze a firm's sequential or simultaneous attention to exploitation and exploration. Based on quantitative data, we found evidence that although scarce organizational resources negatively affect a simultaneous pursuit's intensity, they do not lead to a full sequential cycling between exploitation and exploration.

## SESSION 234

### CONSTRAINTS AND CATALYSTS ON CORPORATE GROWTH

<b>TRACK F</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 12

**Facilitator** Karen Schnatterly, *University of Missouri*

## Administrative and Reputational Sanctions on Corporate Fraudulent Firms in Transition Economies

Daphne Yiu, *Chinese University of Hong Kong*  
William Wan, *Texas Tech University*

This study delineates the complex but understudied political and social process after the conviction of a firm's corporate financial fraud in a transition economy. Drawing from social cognitive theories and organizational theories on firm legitimacy, we examine the influence of both administrative sanctions and reputational sanctions on firms' likelihood to initiate governance restructuring after committing corporate financial frauds. We argue that the positive relationship between administrative penalty and a firm's likelihood to initiate internal governance restructuring is moderated by the political power of the firm. However, such moderating relationships would be attenuated by media coverage and framing. The study aims to provide a complete picture of how media constitutes a moral mechanism for corporate governance in transition economies.

## Available Slack, Corporate Governance and Community-Based Firm Performance

Jeffrey Harrison, *University of Richmond*  
Joseph Coombs, *Texas A&M University*

Investments in the community are difficult to justify from a purely economic perspective. Allocations of resources to community causes are highly discretionary and their economic returns are uncertain. The discretionary nature of these investments means that we might expect them to be heavily influenced by organizational slack. The uncertain nature of returns means that the custodians of shareholder welfare (i.e., directors, institutional investors) are likely to find large investments in this area unattractive. In this study we examine the influence of available slack (measured as cash) and governance characteristics on community-based firm performance. We find a positive relationship between available slack and community-based performance. As expected, we also find that effective governance moderates this relationship.

## Employing TCE, RBV, and KBV to Predict Knowledge Sourcing Choices

Sofy Carayannopoulos, *Wilfrid Laurier University*

Scholars continue to argue that further work is needed to extend our understanding of how firms choose between various governance modes to source external knowledge. This paper synthesizes transaction cost economics, resource-based view, and knowledge-based view of the firm to develop propositions on knowledge sourcing governance choices. It is distinguished from prior work because it employs a two-dimensional approach to characterizing governance modes, and consequently predicts the choice among a broad range of choices rather than two or three. The paper's insights contribute to prior work on external knowledge sourcing choices and understanding when a firm will choose

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to bring knowledge within its boundaries versus simply accessing it. It also extends understanding of how three dominant theoretical perspectives complement each other in predicting governance choices.

### Fostering Cooperation in the Presence of Heterogeneous Human Motives: The Role of Community Control

Flore Bridoux, *University of Amsterdam*

We build on social psychologists' and behavioral economists' findings regarding heterogeneity of human motives and its implications for cooperation in public good games to advance our knowledge of how to promote cooperation inside firms. More specifically, assuming that organizations are composed of individuals exhibiting the two most common types of motives in social interactions (namely, individualism and strong reciprocity), we show that community control, a type of control to which researchers have paid little attention, is likely to be the most useful type of control to foster cooperation. We discuss the conditions under which community control is effective as well as the drawbacks of this type of control. We also discuss how managers can use outcome, process, and socio-ideological control to reinforce community control.

### Performance Dynamics of Oscillating Growth: A Comparison of Organic and Acquisitive Growth Paths

Matthias Brauer, *University of St. Gallen*

Tomi Laamanen, *Helsinki University of Technology*

Florian Waizenegger, *Deutsche Bank*

This paper focuses on the growth paths of the largest, publicly listed European firms between 1996 and 2006. We contribute to research on growth dynamics by showing that in an attempt to grow some firms tend to engage in large growth jumps that tend to cause indigestion effects making the firms oscillate between high and low growth rates. We find that this kind of oscillation is problematic and that firms experiencing relatively strong growth, but at a more stable rate, achieve the highest long-term growth, return on assets, and increases in market capitalization. Overall, our findings contribute to an improved understanding of the dynamics of optimal growth paths – a topic that is of great interest not only to academics but also business practice.

### Product Market Competition, Corporate Governance and Legal Origin

Dominic Chai, *University of Cambridge*

Simon Deakin, *University of Cambridge*

Prabirjit Sarkar, *University of Cambridge*

Ajit Singh, *University of Cambridge*

Using the persistence of firm-level profits as a measure of the intensity of product market competition in a panel of 19 countries for the period 1995-2005, we find that common law systems have product markets which are more competitive (in this sense) than civil law ones, and that the intensity of competition is greater in developed economies than in emerging ones. We find a positive relationship between shareholder protection and the persistence of profits in civil law countries. Thus the product market may be an important 'missing link' in explaining how legal origin impacts on the economy. Corporate governance rules and product market competition appear to be substitutes in the civil law world, but may be complementary to each other in the common law world.

#### SESSION 195

### COMPETITIVE DYNAMICS OF BUSINESS GROUPS

TRACK F	Date	Tuesday, Oct 13
	Time	11:30 – 12:45 h
Panel	Room	Auditorium

#### Session Chair

Asli Colpan, *Kyoto University*

#### Panelists

Brian Boyd, *Arizona State University*

Mason A Carpenter, *University of Wisconsin-Madison*

Andrew Delios, *National University of Singapore*

Takashi Hikino, *Kyoto University*

Robert Hoskisson, *Rice University*

Tarun Khanna, *Harvard University*

James Lincoln, *University of California-Berkeley*

This panel session aims to shed light on the sources of the competitive resilience and innovative dynamics of diversified business groups in emerging market economies. Developing economies have long been volatile environments in which local as well as multinational enterprises faced high levels of economic, political, and societal uncertainty. Business groups represent the dominant organizational form of big business in most of those economies, and on the whole they have adapted well to that uncertainty and in many cases functioned as a force for macroeconomic advancement. Rather than portray diversified business groups as a second-best instrumental alternative to the multidivisional enterprise so prevalent in mature economies, the symposium examines the reasons behind business group adaptation and its role in those economies' long-term growth.

#### SESSION 145

### INSTITUTIONS AND GOVERNANCE IN AN UNCERTAIN WORLD

TRACK G	Date	Tuesday, Oct 13
	Time	11:30 – 12:45 h
Common Ground	Room	Meeting Room 16

#### Facilitator

Aya Chacar, *Florida International University*

### A Participatory Feedback Model of Microfinance Institutions

Faiza Khoja, *University of Houston*

Shabnam Lutafali, *University St. Thomas*

A reductionist approach to development is to have a one-dimensional vision. In this paper, we propose that in order to achieve sustainable development it is necessary for institutions to promulgate both horizontal and vertical relationship among beneficiaries and between the latter and the institutions (Khoja & Shabnam, 2008). This participatory, feedback approach to development would promote local skilled people to be active social and economic agents of development while allowing institutions to be innovative and adaptive. We use an example of a microfinance institution (MFI) to explicate the model. In general, most microfinance institutions have provided financial and non-financial services to the 'unbankable' (poor or marginalized) but Grameen Bank has enhanced its business model by endeavoring into business-social ventures.



## Bounded Reliability As a New Behavioral Foundation For Research on MNE Governance

Alain Verbeke, *University of Calgary*  
Nathan Greidanus, *University of Manitoba*

Modern transaction cost economics (TCE) thinking has developed into a key intellectual foundation of international business (IB) research, but the Williamsonian version has faced substantial criticism for adopting the behavioral assumption of opportunism. In this paper we assess both the opportunism concept and existing alternatives such as trust within the context of IB research. As a substitute for the often-criticized assumption of opportunism, we propose the envelope-concept of bounded reliability (BRel), an assumption that appears to represent more accurately and more completely the reasons for failed commitments, without invalidating the other critical assumption in conventional TCE (and internalization theory) thinking, namely the widely accepted envelope-concept of bounded rationality (BRat). BRel as an envelope-concept includes the following two main components within the context of global MNE management: opportunism as intentional deceit and benevolent preference reversal.

## Global Patent Systems - Integration and Divergence

Deli Yang, *Trinity University*

This paper proposes an integrated framework to address the integration and divergence of patent systems across the world. It addresses three objectives (1) the extent of patent system integration across the world; (2) the varied extent of their development across patent mechanism, administration and enforcement areas; (3) the variables that discriminate between the patent systems in developed and developing countries. The findings show that countries have not reached an 'ideal' level of integration. Conformity is stronger in the field of patent mechanisms than in administration and enforcement, which require more national efforts. The findings also suggest that the frequency of patent laws revisions, non-infringement stipulations and compulsory licensing provisions are the reasons behind the divide between patent systems development in developed and developing countries.

## Institutional, Industrial and Firm-Level Determinants of International Technology Diffusion: The Case of Airline E-Tickets

Roberto Galang, *IESE Business School*

This paper investigates the factors that affect the international diffusion of beneficial technological innovations across firms by looking at the global spread of a single strategic decision: e-ticketing among airlines. Electronic ticketing is the most critical tool for cutting costs in the airline industry; yet, despite the myriad gains provided to individual airlines, the pace by which this technology was adapted by different firms was remarkably slow. Utilizing all three legs of the strategy theory tripod, I determine which among the institutional, industrial and resource based factors were most salient in affecting this strategic process. This paper proposes the use of a unique dataset consisting of more than 350 airlines operating in 120 different countries to provide empirical support to the generated hypotheses.

## The Declining Trade Power of the European Union: Firms and International Governance

Steven McGuire, *Aberystwyth University*  
Johan Lindeque, *Queen's University-Belfast*

The notion that the European Union is a trade power, using access to its market as a means of securing its preferences, is central to studies of the Union's international presence. The immense size of the EU market is held to be an important lever in multilateral, regional and bilateral trade negotiations. Thus, the EU is able to press trade partners across a range of issue areas and, to some extent, compensate for its lack of hard (i.e. military) power. Europe's leverage with trade partners is predicated on credible threats to withhold access to its markets. This paper queries the continuing effectiveness of acting this way, as the EU is increasingly constrained by the success of the governance structures it put in place.

## The Use and Evolution of Governance Designs in Transnational Transactions: An Evolutionary Angle on Coping with Uncertainty

Joerg Freiling, *University of Bremen*  
Holger Nieswandt, *University of Bremen*

Uncertainty is a core challenge of international transactions. Firms use governance designs to reduce uncertainty by stabilizing the agents' expectations. However, efficient governance designs are often not available since national law cannot easily be applied in cross-border transactions. Thus, they are to be developed by means of private and public ordering in the market process. Empirical evidence from two rather different industries (timber trade and off-shoring of software development) suggests that trial and error processes of the agents involved create path dependence of institutional evolution. Moreover, path dependence research allows for interpreting the empirical findings. The qualitative surveys reveal that all mechanisms of institutional path research matter and that the evolution processes in the two rather different industries are quite similar in many regards.

### SESSION 150

## DYNAMIC CAPABILITIES IN STRATEGY PROCESSES

### TRACK H

Date Tuesday, Oct 13  
Time 11:30 – 12:45 h  
Room Meeting Room 3

### Paper

Session Chair Philip Birnbaum-More, *University of Southern California*

## Building Dynamic Capabilities in an Uncertain World

Philip Birnbaum-More, *University of Southern California*  
Ann Majchrzak, *University of Southern California*

We examine how new dynamic capabilities are built by organizations with emergent groups under time pressure in a world of uncertainty. Emergent groups not only cross-boundaries of education, experience, and organizations but are also groups of individuals who have not worked together before and come together quickly. These groups develop new organizational capabilities by building on their differences while minimizing the negative consequences of unfamiliarity, different priorities, and time. We studied ten emergent groups in-depth over time and inductively identified 12 practices associated with managing the three tensions inherent in using emergent groups for building capabilities. We used qualitative comparative analysis (QCA) to identify configurations of these practices that were both necessary and sufficient for managing each tension for creating new capabilities.

## Can Dynamic Capabilities Explain Idiosyncrasies in New Product Development Processes? Comparative Case Insights From the Semiconductor and Aerospace Industries

Ina Wunderlich, *University of Wuppertal*  
Michael Horn, *Cambridge University/Harvard University*

We analyze the predevelopment and prototyping stages of the new product development process with a focus on the underlying dynamic capabilities, how such routines evolve on different organizational levels, and what the associated social phenomena are. Comparative case study evidence from the aerospace and semiconductor industries suggests that higher order resource reconfiguration and integration routines are established idiosyncratically. Based on 42 face-to-face interviews we argue that simple, perception-based and loosely-coupled routines seem to be more effective for reconfiguring responsibilities and task sequences. On the other hand, detailed, codified and rigid higher-order routines were found more effective for integrating outsourced services and new technology. Our data shows that within the same industry setting relatively simple and perception-based routines coexist with detailed and codified higher-order routines on different organizational levels.

## Developing and Exercising Dynamic Political Capabilities: The Case of European Airlines

Thomas Lawton, *Cranfield University*  
Tazeeb Rajwani, *Cranfield University*

Governments and their agents can both facilitate and constrain organizational wealth creation. The emergence of firm-level political strategy is a frequent response to protect or promote organizational interests. When effectively configured and implemented, these political strategies can become capabilities. This study examines the development and application of political capabilities in European national airline carriers within a context requiring proactive political strategy, i.e. market deregulation. Our findings show how senior management teams develop divergent political capabilities in this context. We argue that while senior management's attention to specific political processes can create valuable political capabilities, this value creation is moderated by the nature of ownership and the public and private stakeholders that dominate governance.

## Drivers and Practices of Autonomous Engagement with Organizational Capabilities

Krsto Pandza, *University of Leeds*

In this paper I am broadly motivated by unveiling drivers and practices of autonomous action that influence the creation of new and refinement and acceleration of existing organizational capabilities. I report findings of an inductive study conducted in three firms in which identifiable autonomous groups transparently engaged with the pattern of capability development. The empirical observations clearly suggest that intra-firm heterogeneity of strategic intents, perceptions on opportunities and strategic values of capabilities, as well as heterogeneity of collective experiences and competencies, provide necessary conditions for understanding the source of autonomous actions. The autonomous groups engage with the evolutionary patterns of capability development by deploying creative and agent-based practices of search, integration, recombination, legitimization and framing of alignment.

SESSION 203

## DYNAMIC CAPABILITIES

TRACK I	Date	Tuesday, Oct 13
Paper	Time	11:30 – 12:45 h
	Room	Meeting Room 4

Session Chair    Xavier Martin, *Tilburg University*

## Bibliometric Analysis of the Dynamic Capabilities-Perspective: Convergent Traditions, Divergent Trends

Rick Vogel, *University of Hamburg*  
Wolfgang H Guettel, *University of Hamburg*

15 years after the dynamic capabilities (DC) approach entered the scientific stage, addressing a firm's ability to alter its resource base, we provide a review by means of a bibliometric analysis. We both look backward in order to identify the traditions in which the approach is anchored and forward in order to identify present and future trends of application. The results of a co-citation analysis indicate the roots of DC in RbV and related fields such as learning, knowledge and marketing. By using bibliometric coupling, we demonstrate that DC research currently also addresses ICT, firm boundary decisions, and alliancing. However, the DC approach is only loosely coupled to change management and innovation despite the fact that change and innovation are main arguments for the necessity of DC.

## Capability Dynamics and Latent Networks: The Case of Creative Project-Based Industries

Erik Aadland, *BI Norwegian School of Management*

This paper develops an alternative conceptualization of capability dynamization by incorporating the theory of latent organization in the context of creative project-based industries. A theoretical explanation for inter-firm performance differentials is developed relying on an evolutionary mechanism. The locus of advantage in the explanation transcends firm boundaries and challenges the resource based logic isolating the source of advantages within the firm. Introducing latent networks, it is shown how firms may navigate the capability-rigidity paradox generated by path dependence and incrementally developed asset positions in current capabilities. It is also shown how firms may achieve reliability in quality levels and cost structures in an uncertain, unpredictable environment.

## Recombination Experience: A Study of Organizational Learning and Its Innovation Impact

Anindya Ghosh, *University of Pennsylvania*  
Xavier Martin, *Tilburg University*  
Johannes Pennings, *University of Pennsylvania*  
Filippo Carlo Wezel, *University of Lugano*

This paper develops an evolutionary theory of the innovation process through the lens of organizational learning. We consider the firm's experience with recombining within and across disparate domains of technological knowledge, to capture the complexity of knowledge search, and attempt to determine the impact of its innovative output as revealed by the acknowledgment of peer firms. We distinguish between specific and other types of experience, depending on whether past experience is directly related to the focal recombination. Using a longitudinal dataset of patents in the photographic imaging industry, we test that: a) the stock of specific recombination has an



inverted U-shaped relationship with the value of an innovation; and b) recombining across knowledge domains has a larger effect on that value than recombining within domain.

### The Restructuring of Dynamic Capabilities Through Corporate Expansion

Grazia Santangelo, *University of Catania*  
John Cantwell, *Rutgers University*

This paper analyses the restructuring of dynamic capabilities following M&A-based growth in large industrial firms with a substantial technological knowledge base. We focus on the restructuring of general purpose (i.e. ICT) and related to the core technological capabilities of a firm. We develop and test a conceptual framework grounded on a co-evolutionary view that relates the motivations and environment for corporate expansion to the firm-specific pattern of restructuring in the composition of corporate technological capabilities. We find that inter-industry environments reduce technological relatedness in market-motivated expansions, while relatedness has also declined in more recent technology-motivated growth in general. The acquisition of ICT is common as well to both technology-motivated inter-industry deals and more recent market-motivated deals. We speculate that any similarities in the outcomes of these alternative motives for firm growth arise for quite different purposes.

SESSION 224

### GOVERNING KNOWLEDGE

<b>TRACK I</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 2

**Session Chair** Gary Dushnitsky, *University of Pennsylvania*

### A Contingency View on Knowledge Governance in Knowledge-Intensive Work Environments

Stefan Gueldenberg, *University of Liechtenstein*  
Antoinette Weibel, *University of Liechtenstein*  
Ingo Bildstein, *University of Liechtenstein*

In the following proposal we develop a theoretical framework for understanding knowledge governance in knowledge-intensive work environments by applying a contingency view to the extant knowledge management and strategy literature. Thereby we seek to reconcile hitherto competing views on how firms absorb uncertainties and motivate voluntaristic knowledge-related actions by offering a micro-founded contingency framework that specifies effective governance mechanisms to handle knowledge management according to the type of knowledge production and to the basic knowledge strategy employed. Subsequently we are discussing possible relationships between knowledge governance and the chosen knowledge creation mode.

### FlashOfGenius.net: The Structure of Online Knowledge Marketplaces

Thomas Klueter, *University of Pennsylvania*  
Gary Dushnitsky, *University of Pennsylvania*

The market for knowledge and inventions grew dramatically over the past decades. Extant work underscores the drivers of market efficacy: (a) the cost of searching for innovative-knowledge, (b) asymmetric information between inventors and investors, and (c) the inherent difficulty in maintaining ownership over knowledge. Recently, market transactions have been increasingly taking place online. This phenomenon constitutes a departure from past practices where transactions tend to materialize around one's social circle. Our study investigates how the drivers of market efficacy play out in a setting where social ties are not present, ex-ante. Using a novel hand-collected data for 30 online knowledge marketplaces, we find evidence of adverse-selection-mitigating mechanisms. However, we find little evidence that these mechanisms are affected by the level of expropriation threat.

### Knowledge Management Strategies in Consulting

Bente R. Lowendahl, *BI Norwegian School of Management*

This paper expands on previous research, though limited, on the strategic management of consulting firms, and in particular expands on Hansen et al.'s frequently cited 1999-article on knowledge management strategies for consulting firms. In this paper we show that Hansen et al.'s binary logic of either "codification" or "personalization" is too simplified, and we suggest a more realistic framework consisting of three basic strategies, not only for knowledge management but also vis a vis clients and potential new hires. The article is based on a number of previous studies as well as recent interviews with managers in PSFs, and will be primarily practically oriented. It will, however, also conclude with some suggestions for future research on the topic.

### The Paradox of Knowledge and Control: A Study of Community Forms

Stefano Borzillo, *CERAM Business School*  
Sebastian Raisch, *University of St Gallen*  
Gilbert Probst, *University of Geneva*

Despite widespread recognition that knowledge is a vital source of competitive advantage, the strategic management literature has yet to come to grips with a fundamental paradox: the controls that are appropriate for managing most organizational activities have little bearing on how knowledge is created and used. Instead, knowledge creation and diffusion are thought to develop through situated learning in organizational communities that operate outside the organization's hierarchical structure. To date, the activities of such communities are largely opaque from a strategic management perspective. In this inductive study of 16 communities of practice, we find evidence that knowledge management can indeed be strategically driven, and that a subtle interplay of controls supports an organization's portfolio of knowledge management activities.

TUESDAY 11:30 - 12:45

## SESSION 118

**PATH DEPENDENCY AND FIRM GROWTH**

<b>TRACK J</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 15

**Session Chair** Nicholas O'Regan, *University of the West of England*

**Back To The Future – Organic Growth Driving Shareholder Value**

Nicholas O'Regan, *University of the West of England*  
Gerhard Kling, *University of the West of England*  
Abby Ghobadian, *Henley Management College*

This paper examines the growth strategies of three insurance companies, AXA, Generali and ING from 1995 to 2005. The conceptual framework links marketing to organic revenue growth, which in turn drives value creation. We decompose revenue growth into organic growth, external growth (M&A, divestitures), exchange rate effects, and assess under- or outperformance in different geographical markets and business segments. Exchange rate effects are usually of minor importance – except if companies enter markets at an inopportune time. The findings show the importance of organic revenue growth in the insurance industry and indicate that only organic revenue growth enhances shareholder value with marketing being a key driver in generating organic revenue growth. Key words: Insurance, growth strategy, organic revenue growth, revenue growth decomposition

**Corporate CEOs and Popular Management Literature – An Anatomy of Organizational Coevolution**

Jacqueline Fendt, *ESCP-EAP*

This is an empirical study on CEOs' use of popular management literature. Popular management theories can be understood as a coevolutionary tool. 40 narrative interviews of corporate leaders are abstracted to generate a landscape of issues, actors and flows: What do top executives read? What do they expect? Does it, and how does it impact upon their strategic action? Do they in turn influence literature? We discover a wide array of motives and behaviors. We suggest that the reigning skepticism of academia toward the value of popular literature may be partly unfounded. The application of such literature, if not the literature itself, appears to have positive economic and human impact. We frame the understanding of such literature as a coevolutionary tool.

**How Firm Size Moderates Momentum's Influence on the Dimensions of Strategic Persistence**

CL Tien, *National Taiwan Normal University*  
Hong-Jen Chiu, *National Taiwan University*

This study aims to solve puzzles about the influence of momentum on the dimensions of strategic persistence and the moderating effect of firm size. Predominantly based on behavioral, and evolutionary theories, the findings indicate that organizations follow routines in some strategic dimensions (e.g., non-production overhead, financial leverage and advertising intensity) regardless of executive leadership change, while firm size can significantly moderate such momentous

forces in most strategic dimensions (e.g., plant and equipment newness, inventory, non-production overhead, advertising intensity, and research and development intensity). These findings clarify issues regarding path-dependency in the strategic dimensions involving executive successions, and further provide boards of directors with comprehensive, multi-dimensional knowledge about organizational momentum and the moderating impact of firm size.

**The Other Side of Outsourcing: Old Strategic Practices and Procedures Shaping a Renewed Growth Strategy**

Leif Melin, *Jonkoping University*  
Anders Melander, *Jonkoping University*

This paper shows the influence of complementarities in strategic practices. Based on an in-depth, longitudinal case study we analyze a successful strategic adaptation of a company that is turning the wave of outsourcing to a growth strategy in times of turbulence in the global market place. The case illustrates how this growth oriented company with the mission to be a world class supplier manage to improve its capabilities and competencies in order to grow and increase its competitiveness. The general aim is to develop new knowledge about the strategizing and strategic practices that foster successful growth when meeting critical challenges in the context of global industries. Strategic practices developed during an earlier strategic epoch help shape a renewal of the growth strategy in a changed competitive environment.

## SESSION 106

**CURRENT THOUGHTS ON SIGNALING AND VENTURE CAPITAL**

<b>TRACK K</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	11:30 – 12:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 10

**Facilitator** Zeki Simsek, *University of Connecticut*

**Diversification in the Venture Capital Industry: Leveraging Knowledge Under Uncertainty**

Sharon Matusik, *University of Colorado-Boulder*  
Markus Fitza, *University of Colorado-Boulder*

We examine the relationship between diversification and performance in the example of knowledge-intensive firms, specifically venture capitalist (VC) firms. Drawing on the knowledge and organizational learning literature, we discuss how the diversification level of knowledge in a VC firm affects 1) its ability to efficiently develop and leverage companies it invests in; 2) its ability to solve complex problems and develop novel solutions; and 3) its ability to develop a company down a variety of different trajectories. We find that there is a U shaped relationship between VC diversification and performance. Uncertainty plays an important role in this relationship. When uncertainty is highest (i.e., early stage investing, no co-investors), the effects are most pronounced.



## Entrepreneur Evaluations of Venture Capitalists: Naïve or Sophisticated?

Benjamin Hallen, *University of Maryland*

This paper examines the ability of entrepreneurs to accurately potential venture capital investors. Although there has been significant research on how experienced actors use social network ties and status to accurately evaluate potential partners, relatively little attention has been given to the evaluation abilities of less-experienced entrepreneurs. In this paper, I develop a theory considering how entrepreneurs may be misled by their own inexperience, while also considering the guidance they may receive from third party intermediaries. I empirically test and find support for these logics in a study of entrepreneurs posting anonymous evaluations of venture capitalists to an online forum. Overall, I find that even though entrepreneurs may be limited in their ability to directly evaluate potential partners, the guidance of intermediating brokers may save entrepreneurs from their own limitations.

## Interpretation of Signal Under Different Types of Uncertainties

Qiang Li, *University of Maryland*

There have been extensive studies on impact of founders' career history on formation of new ventures (Beckman, 2006; Eisenhardt & Schoonhoven, 1990). Some studies find that founders' individual reputation can foster new venture's formation. Some other studies find that reputation of founders' prior affiliation is positively related to success of new venture. Few studies have investigated the relative importance of these factors simultaneously. This study argues that both individual reputation and prior affiliation's reputation impact new venture outcome through signal mechanism. When venture capitals face different types of uncertainties, they choose different signals as indicators of quality of new ventures. Therefore, the impact of reputation on outcome of new venture is contingent on types of uncertainty.

## Targeted Signals: How Do Venture Capital Firms and Angel Investors Differ in Signal Interpretation

Azi Gera, *Drexel University*

This essay tests whether signals are target specific. I use startups solicitation of funding from both Business Angel investors and Venture Capital firms to learn the respective roles of the legitimizing and informational interfirm signals. The study considers the structure of the signal and the differences between the two types of private equity investors, while controlling for the abilities of the startup to generate the signal. Thus, this study tests how the differences in the sender's abilities influence the structure of the signal, and, if the signal's structure determines the type of receiver who is more likely to respond favorably to the signal.

## The Yale Endowment, IPO Run-ups, and the Founding of Venture Capital Firms

Rory McDonald, *Stanford University*

Emily Cox, *Stanford University*

Benjamin Hallen, *University of Maryland*

Cognitive legitimacy, or the perception that an organizational form or practice is appropriate, has traditionally been explained as arising

slowly from the increased prevalence or that form or practice. We build on insights from cognitive psychology to suggest institutional beacons as an alternative path by which cognitive legitimacy can rapidly arise. We argue that a single, notable demonstration of actual or apparent success is often sufficient to facilitate legitimacy. We test and find support for this logic in a study of the influence of the Yale Endowment and successful venture capital investments on the foundings of venture capital firms from 1980 through 2006. Our findings and theory offer insights into the microfoundations of institutional theory and a refined model of institutional diffusion dynamics.

## When Do Venture Capital Firms Make New Investments?

Yong Li, *State University of New York-Buffalo*

Joseph Mahoney, *University of Illinois-Urbana Champaign*

This paper examines how venture capital firms respond to public market information in deciding when to make new investments. Analysis of venture capital investments between 1980 and 2006 indicates that venture capital firms tend to defer new investment projects in target industries with substantial market volatility. This delay effect of market volatility is reduced if public firms experience high demand growth or if competition among venture capital firms is severe. The paper provides further evidence to the view that venture capitalists rationally respond to market shifts in their investment decisions.

## SESSION 242

**TEACHING TRACK**

<b>TRACK T</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Special Panel</b>	<b>Room</b>	Meeting Room 8

**Real World Projects: Why They are Better Than Case Studies****Session Chair**

Paul Friga, *University of North Carolina-Chapel Hill*

More and more strategy courses involve action learning and in fact, most business schools are offering experiential learning where students work with real companies to assist with advice on strategic issues. This session utilizes a pragmatic theme that focuses on experiential learning objectives and tools/methodologies for successfully developing and executing such programs. Actual case studies and deliverables are presented and shared. A panel of top ABCs with experiences of projects share approaches and advice.

## SESSION 133

**THE DYNAMICS OF INTERORGANIZATIONAL NETWORKS AND THEIR PERFORMANCE IMPLICATIONS**

<b>TRACK B</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 10

**Facilitator** Ravi Madhavan, *University of Pittsburgh*

**Knowledge Mobility in Emerging Business Networks**

Pia Hurmelinna-Laukkanen, *University of Oulu*

Satu Nätti, *University of Oulu*

Kristian Moller, *Helsinki School of Economics*

Networks characterized by innovation activities require certain amount of direction and orchestration so that multiple actors can be efficiently connected. However, what this means from the knowledge mobility point of view, and what the value is that the orchestrator can bring to that activity, could be described more profoundly. In this paper we focus on examining the facilitators and inhibitors of knowledge mobility in varying types of innovation-related networks, and on the influence that an orchestrator can have on knowledge mobility. The results indicate that conscious discriminating alignment is needed for matching knowledge mobility related orchestration activities and different emerging business networks: Different activities should be emphasized in different contexts.

**The Impact of Innovation Brokers on Interfirm Network Evolution**

Carl Joachim Kock, *IE Business School*

Remzi Gozubuyuk, *IE Business School*

In recent years, the development of the idea of "Open Innovation" (Chesbrough, 2004; 2006) lead to the emergence of "Innovation brokers" who connect those seeking for solutions with a rather large number of potential knowledge suppliers. In this paper we analyze the implication that the existence of such Innovation brokers has on other organizational interchanges firms may engage in.

Specifically, we ask how the inter-organizational network of a particular firm evolves over time if they use an Innovation broker or not. Apart from contributing to both, network theory by shedding light on the evolution of network ties, and the innovation literature by adding to our understanding of how knowledge flows develop over time, our work should also have rather practical implications for Innovation brokers themselves and for their clients.

**Coping with Uncertainty in Knowledge Search Through Multipartner Alliances: Race to an Industry Standard-Setting**

Bongsun Kim, *Korea University*

Eonsoo Kim, *Korea University*

Under high uncertainty such as in a race for an industry standard-setting, how to identify and solve emerging technological problems is a critical question. In this circumstance, firms' strategic choices on search speed and boundary in knowledge domain may be critical success factors. Recently, multipartner alliance has emerged as one of strategic choices to cope with uncertainty by expanding search boundary. Yet, few studies have addressed the impact of search speed and its interaction with search boundary on innovation performance. This study tests such relationships in an industry standard-setting situation. We argue that preemptive, fast search is more desirable in a highly uncertain environment and external involvement can mitigate the potential risks of fast search, amplifying the positive relationship between search speed and innovation performance.

**The Effect of Social Capital on Financial Capital**

Josep Antoni Tribó, *University Carlos III-Madrid*

Jordi Surroca Aguilar, *University of Carlos III-Madrid*

We study the effect of social capital on financial capital. Specifically, we study how similarity (matching) of borrowers' and lenders' cohorts along their corporate social responsibility dimension affects the cost of debt financing. The main finding is that borrowers' ethical posture alone is not enough for obtaining cheapest rates. Favorable loan conditions are obtained when both lenders and borrowers belong to similar cohorts attributing high value for social responsibility aspects. Employing an international database composed of 4,554 syndicated loans involving 175 corporations in 15 different countries for the period 2003-2006 we document a large and significant reduction in lending rates when both borrowers and lenders belong to similar cohort along the social responsibility dimension. These results withstand a battery of robustness tests.

**Strategic Airline Alliances: Dynamics in Network Structure, Management of Uncertainty and Effects on Operational Performance**

Paolo Boccadelli, *LUISS Guido Carli University*

Leonardo Corbo, *University of Bologna*

Luca Pirolo, *LUISS Guido Carli University*

The growth of uncertainty and the emergence of global turmoil may affect the capability to deliver value and to achieve a high level of operational performance. Accordingly, the importance of alliances and networks has increased and many firms today are embedded in a dense network of relationships in order to face competitive challenges in dynamic contexts. In order to investigate the role of networks on performance and uncertainty, we analysed airline alliances between 1995 and 2007 and their evolution on the degree of network closure over time. Our results show that operational performance is affected



by the network position and they display interesting arguments supporting the role of networks in facing uncertain competitive landscapes. Finally, considerations about the evolutionary perspective of networks can be traced.

### The Effects of a Firm's Alliance with Its Rival's Partner on Stock Market Return

Kwangho Kim, *City University of Hong Kong*

Firms' alliance with their rival's partner is not uncommon in the current hyper-competitive environments. This alliance may offer significant competitive implications both for a focal firm and its rival. In this study, I explore the nature and factors that influence the effects of a focal firm's alliance with its rival's partner on its performance. Specifically, I predict that repeated partnership and market overlap between a rival and its partner significantly affect the abnormal stock market return of a focal firm's alliance with its rival's partner.

SESSION 128

### IS HE THE ONE? PARTNER SELECTION AND TIE FORMATION

<b>TRACK B</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 14

**Session Chair** Rafael Corredoira, *University of Maryland*

### Sourcing Capabilities through Alliances: A Study of the Semiconductor Industry

Jeffrey Reuer, *Purdue University*  
Nandini Lahiri, *University of North Carolina-Chapel Hill*

When firms make use of collaborative agreements to access new knowledge or other resources, not only can they confront various well-known exchange hazards arising at the alliance implementation stage, but they can also face challenges in identifying as well as evaluating partners and their resources in the first place. In this study, we analyze firms' alliance formation behavior by investigating their selection of alliance partners. Our theoretical arguments use ideas from information economics and connect the costs of partner search and selection to the geographic distance spanning prospective exchange partners. The evidence confirms that the likelihood of two firms entering into a collaborative agreement declines with geographic distance, all else being equal. Empirical results reveal that geographic distance effects are diminished by a prospective partner's alliance formation activity and are greater for collaborative agreements that would join firms operating in different industries or possessing dissimilar knowledge resources.

### Uncertainty and the Selection of Network Partners: An Empirical Test of Rival Theoretical Views

Francesca Pallotti, *University of Lugano*  
Alessandro Lomi, *University of Lugano*

One theoretical vision suggests that organizations protect their operational core by extending hierarchical control over sources of perceived uncertainty. A second vision suggests that as uncertainty increases, organizations tend to embed transactions in complex networks of inter-organizational relations. We investigate which one of these visions best characterizes the network of inter-organizational relations among the 91 hospitals organizations. Using data that we have

collected on patterns of inter-organizational patient exchange, we test rival hypotheses about the effect of uncertainty on exchange among the members of organizational communities. We find that organizations performing more uncertain activities display a higher propensity to initiate exchange relations. We also find that organizations facing similar degrees of uncertainty are significantly more likely to select each other as exchange partners.

### The Liability of Connectedness: Mortality Rates in Interorganizational Networks

Maud Pindard-Lejarraga, *University Carlos III-Madrid*  
Isabel Gutierrez, *University Carlos III-Madrid*

In this paper, we study the effect of cooperative networks within an organizational population on mortality rates. We use data on Spanish railway companies and find that cooperative ties are beneficial when they link organizations of the same form – two generalists or two specialists – but that a liability of connectedness exists for ties across forms: cooperative ties with specialists increase the mortality chances of generalists. We also find that there are asymmetries in the effect of ties, since ties between generalists and specialists do not increase the mortality of specialists. These results have important implications for theorists and managers, as they show the potential risks associated with engaging in an external relationship, and that such relationships do not always act as buffers from environmental uncertainty.

SESSION 178

### DOES THE PAST PREDICT FUTURE EXPLORATORY OR EXPLOITATIVE INNOVATIVE BEHAVIOUR?

<b>TRACK C</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 6

**Session Chair** Steven Floyd, *University of St. Gallen*

### Do Incumbents Really Fail to Innovate? The Role of Exploratory Search and Structural Contexts

Alexander Zimmermann, *University of St. Gallen*  
Sebastian Raisch, *University of St Gallen*

Incumbents experience organizational rigidities in innovation. Prior studies advise these firms to create a structural context outside the mainstream organization that encompasses all exploratory activities. Conversely, we argue that incumbents following this singular design approach become trapped in specific types of exploratory search, while failing to pursue others. Based on an inductive study, we develop a contingency theory perspective of exploratory search and structural contexts. We find that successful incumbents assigned each type of exploratory activity to a distinct structural context. This selective design process prevented incumbents from becoming trapped in monolithic structures – allowing them to retain their ability to innovate.

### Organizational Control and Strategic Growth Initiatives - A Contingency Perspective

Markus Kreutzer, *University of St. Gallen*  
Christoph Lechner, *University of St. Gallen*  
Laura Cardinal, *Tulane University*

This study focuses on formal and informal control modes used by organizations to manage their growth initiatives. Drawing on the literature on growth, organizational control, and contingency theory,

TUESDAY 14:30 - 15:45



we develop and empirically test a set of hypotheses aimed at explaining how different types of growth initiatives are controlled to achieve superior performance. Survey data collected from 201 corporations in six industries serve to test the hypotheses. Results of moderated regression analysis highlight the importance of adopting the control mode to the specific type of initiative. An initiative's degree of internal and external risk as well as exploration are found to moderate the relationships between formal and informal control and initiative performance.

### ★ **Some Animals are More Equal Than Others: What Makes Strategic Initiatives Survive the Firm's Internal Selection Environment?**

Marcus Matthias Keupp, *University of St. Gallen*

Steven Floyd, *University of St. Gallen*

Oliver Gassmann, *University of St Gallen*

In this paper we use an intraorganisational ecology perspective to build a theory of the antecedents of initiative selection. Thus, we wish to explain what it is about initiatives that facilitates positive internal selection. We hypothesise several initiative characteristics that may more or less favourably interact with the firm's internal selection environment and test these using data on 1,116 initiatives. Our findings show that initiative survival is positively influenced by the sponsoring unit's geographical closeness to corporate headquarters and by the past success record of the sponsoring manager responsible for the initiative. In contrast, initiatives that entail project complexity when implemented and initiatives that propose exploratory rather than exploitative innovation are less likely to survive than others. Past success is also found to positively condition the negative influence of initiative complexity and exploratory content on survival. Finally, the theoretical implications of these findings are discussed.

### **The Impact of Organizational Characteristics on Learning Mechanisms for Strategic Innovation**

Liselore Berghman, *Free University Amsterdam*

Paul Matthyssens, *University of Antwerp*

Koen Vandembemt, *University of Antwerp*

This paper focuses on how companies can improve their innovation capacity when trying to break through dominant patterns of doing business. We measure how the relationship between deliberate learning mechanisms and innovation capacity is moderated by internal organization variables such as culture and structure. Our study shows the importance of culture, structure and cross-functional information dissemination in the process of stimulating strategic innovation. The analysis of moderating effects on the relationship between deliberate learning mechanisms and strategic innovation capacity enables us to contribute to the debate in the strategy literature on the role of the internal organization for strengthening the innovation capacity. The partial mediation model further illustrates the rather complicated and non-linear nature of the process of stimulating deliberately the strategic innovation capacity.

#### SESSION 158

### **STRATEGIC CHANGE AND DYNAMIC CAPABILITIES**

#### TRACK E

Date Tuesday, Oct 13

Time 14:30 – 15:45 h

Room Meeting Room 7

#### Common Ground

#### Facilitator

Constance Helfat, *Dartmouth College*

### **Firm Dynamics and the (Joint) Choices of Scope of Markets to Serve and Resources to Develop**

James Costantini, *INSEAD*

I focus on dynamic issues that affect firm resolution of the trade-off between capturing scope economies by serving a broader market versus optimizing resources to serve a focused market. I develop a model to analyze firm dynamics, with focus on linking firm choices of resource development and configuration to opportunities for expansion of scope. I first characterize how the trade-off is resolved differently by firms over time, as firms grow from new entrant to large incumbents. I then highlight how firms adjust their market scope and optimization of resources in response to changes in opportunities for market expansion. In particular, firm heterogeneity determines which firms enter into the new market segment and their timing of entry, and how firms re-configure resources in response to expansion.

### **How do Companies Achieve Sustained and Profitable Business Growth?: Business Models in Continuously Growing Companies**

Leona Achtenhagen, *Jönköping University*

Leif Melin, *Jonkoping University*

Lucia Naldi, *Jönköping University*

This paper deals with a fundamental question for managers and policy makers—how do companies manage to achieve sustained and profitable business growth, especially in times of uncertainty? We propose that continuously growing companies manage to dynamically shape, adapt and renew their business models to fuel growth over time. Specifically, informed by the dynamic capabilities and the strategy-as-practiced perspectives, we develop a framework of business models for understanding how, in practice, business models are developed, adjusted, and if necessary, reconfigured in companies displaying successful continuous growth. Using in-depth, longitudinal evidence from a study of 25 companies, we identify five characteristics as crucial to the business models of companies which manage to successfully grow despite an uncertain world. For each characteristic, we identify the underlying dynamic capabilities and core practices, and draw implications for practice and research.

### **Preventive Capacity and the Mediating Role of Metacognition in Hypercompetitive Environments**

Andrea Lanza, *University of Calabria*

Antonella Pellegrino, *University of Calabria*

Simone Giuseppina, *University of Calabria*

Different contributions on firm's renewal fail to provide useful guidelines to face uncertain challenges since they focus on firm's past learning. In this paper we develop the concept of preventive capacity to show the negative effect deriving from adopting old solutions for new problems in hypercompetition. Metacognition, as a higher-order capacity, mediates this effect. Results from a model tested in the Italian wine industry support our hypotheses about the negative effect of preventive capacity on firms' performance mediated by metacognition, suggesting that in hypercompetition firms should base their decisions more on sensemaking than on previous learning.



## Survival During Shakeout in the U.S. Brewing Industry

Lynn Bakstran, *Western New England College*  
 Kenneth Hatten, *Boston University*  
 Linda Edelman, *Bentley University*

This study will examine U.S. Brewing Industry data spanning the years 1938 to 1985 to investigate which brewers survived the extreme industry shakeout and why. Hypotheses based on first-mover and capabilities theories will be motivated and then tested using Cox proportional hazard models. Surprisingly, initial chi-square results indicate that first-mover disadvantages existed in the industry. Brewers entering just after prohibition were less likely to survive than later entrants. However, brewers that developed advanced levels of two critical capabilities, geographic scope of distribution and manufacturing efficiency, appeared to be more likely to survive than brewers with lower capability levels. The final results will indicate whether first mover or capabilities theory are more accurate in predicting survival during this uncertain period of the U.S. Brewing Industry.

## The Reification of Dynamic Capabilities: A Critical Review of the Construct

Boris Durisin, *Bocconi University*  
 Airoidi Alessandro, *Bocconi University*  
 Katia Premazzi, *Bocconi University*

We conduct a detailed analysis of 475 dynamic capabilities papers from 16 journals to assess how the original dynamic capabilities construct (Teece, Pisano, and Shuen, 1997) has been utilized in the decade 1997-2007. We are interested in investigating whether processes of reification took place and explore the conceptual work on and empirical analysis of the dynamic capabilities construct. Further, we perform a similar study on Teece (1998) and Teece (2007) and further investigate whether and how research on dynamic capabilities influenced Teece (2007) revision of the construct. We conclude that the construct of dynamic capabilities has been subject, to some extent, to reification.

## Value Creation and Value Appropriation: A Resource-Based Theory of the Firm for the Knowledge Economy

J W Stoelhorst, *University of Amsterdam*  
 Flore Bridoux, *University of Amsterdam*

The purpose of this paper is to counter the criticism that the RBV has little to say about value creation and value appropriation. We show that the RBV as a theory of competitive advantage explains value appropriation, and that the different resource-based views of the firm (viz. the capabilities view, knowledge view, dynamic capabilities view, and payments view) contain all the necessary theoretical building blocks to explain value creation. We consolidate and integrate these theoretical building blocks in a discussion of value creation and develop a proposal for the development of a resource-based theory of the firm that recognizes the two-way relationship between value creation and value appropriation as the central problem in knowledge-intensive economies.

## SESSION 169

## UNPACKING SOURCES OF HETEROGENEITY: MARKET FRICTIONS, FIRM RESOURCES, STRATEGIC ACTIONS

<b>TRACK E</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 4

**Session Chair** Alfonso Gambardella, *Bocconi University*

## How Resources and Actions Impact Performance: A Mediated Relationship

David Major, *University of Maryland*  
 Ken Smith, *University of Maryland*  
 Curtis Grimm, *University of Maryland*  
 Richard D'Aveni, *Dartmouth College*

Resource-based logic suggests that valuable, rare, inimitable, and non-substitutable resources have the potential for enduring impact on performance, though it is still unclear how. Expressly, how resources, through strategic actions, generate performance for a firm is yet underexplored. This study tests direct and indirect effects of firm resources and actions on performance. Using RBV and competitive dynamics, it examines the extent to which firm resources and actions each directly predict variation in performance; and the extent to which firm resources predict variation in intervening actions and thereby predict variation in performance. The study sheds new light on the resource-performance “black box” using a ten-year, longitudinal sample drawn from the US automobile market – consisting of 980 model-years of resource stocks and 3,439 firm actions.

## Market Frictions, Governance and Economic Rents: Taking Stock and Looking Ahead

Joseph Mahoney, *University of Illinois-Urbana Champaign*  
 Lihong Qian, *University of Illinois-Urbana Champaign*

This paper reaches towards developing a more unified theoretical framework within the strategic management field. We begin with the useful benchmark of perfect markets derived from the first fundamental welfare theorem of economics, and from this framework, develop a parsimonious typology of market frictions. We show how the two essential questions in the strategic management field --- why firms exist and why some firms outperform others --- can be evaluated from our market frictions logic. We further discuss how several organizational economics theories can be usefully joined by utilizing this logic. Moreover, we suggest that building on this logic will facilitate more systematic ways in which our explanations of governance structures and economic rents can be developed in the next generation of strategic management research.

## Uncertainty and Value Appropriation: An Assessment of Resource-Based Theory

Niklas Hallberg, *Lund University*

This paper addresses the notion of uncertainty in resource-based theory by examining value appropriation as a cause of profit differentials among firms. It is shown that assumptions made within resource-based theory concerning the level of uncertainty in factor and product markets challenges the theory's internal consistency and limits its ability to explain how economic value is distributed between seller and buyer. This paper suggests that integrating more elaborate notions of agency and uncertainty with resource-based theory has the potential of remedying some of these limitations.

TUESDAY 14:30 - 15:45

## Using the "Other" Penrose to Understand Internal Sources of Competitive Heterogeneity

Norman Sheehan, *University of Saskatchewan*  
Nicolai Foss, *Copenhagen Business School*

In her seminal book, Penrose (1959: 25) famously argued that "[t]he services yielded by resources are a function of the way they are used." While interpretations tend to focus on the administrative framework in which resources are embedded, a different interpretation relates to the way resources are linked. This paper follows the path laid by the "other" Penrose to look for additional internal sources of performance differences. We argue that the "other" Penrose is best represented by the Porterian construct of "activities." Activity configurations are not only important when the firm possesses unique, inimitable resources, but they can also generate performance differentials with the same resource endowments. A point anticipated, but not developed at any length by Porter (1996). If the RBV is to increase its explanatory power, it also needs to consider the role activity configurations play in creating sustained performance differentials.

### SESSION 226

## RELATEDNESS, DOMINANT LOGICS, AND OTHER DIVERSIFICATION LOGICS

<b>TRACK F</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 11

**Facilitator** Margarethe Wiersema, *University of California-Irvine*

## ✿ An Integrated Perspective on Corporate Scope, Structural Complexity, and Corporate Divestment

Joe Beck, *University of California-Irvine*  
Margarethe Wiersema, *University of California-Irvine*

Corporate divestment is an important aspect of corporate restructuring, yet our understanding of divestiture as a strategic decision influenced by corporate-level considerations is limited. Utilizing transaction cost economics and the resource-based view we develop an integrated theoretical framework to examine the role of both internal governance costs and the economic advantages of resource leveraging and strategic fit in determining a manageable strategic scope for the firm, and its potential impact on corporate divestment. We contribute to our understanding of divestment by highlighting the importance of the role of the firm's corporate scope in the firm's decision to divest.

## Corporate Relatedness and Wealth Creation in the Machinery Industry

Florian Geiger, *European Business School*

In this paper we shed additional light on relatedness research and examine how capital markets value different value chain integration and diversification strategies in mergers. We focus on a sample of 330 machinery industry transactions, as this industry comprises strongly varying business strategies concerning focus on core business, diversification and vertical integration. We find a generally positive relationship between strategic relatedness and excess returns, supporting the theoretical benefits outlined in academic literature, including

efficiency improvements, diversification of risk, mitigation of information asymmetries and increased market power. However, we observe that capital market reactions for vertical/complementary transactions are twofold. While integration of downstream industries is almost value neutral, control over subsequent stages of production (upstream mergers) shows similar positive returns as horizontal transactions.

## Differentiation Relatedness Across Industries: Dominant Logic Compatibility in Acquisitions

Rhett Brymer, *Texas A&M University*

Acquisitions continue to be a popular corporate strategy, despite high failure rates and very few known antecedents to post acquisition performance success. Dominant logic, as defined in Prahalad and Bettis' landmark paper (1986), describes the resource allocating schemas held by the top managers of a firm. Though dominant logic was a construct describing a predictor of diversification performance, it has yet to be applied empirically to acquisitions, even though acquisition is common to corporate strategies. The following proposal describes an operationalization of the dominant logic framework to acquisitions, where the heuristic profiles are calculated vis-à-vis isomorphic industry averages and Euclidean distance between acquirer and target profiles are derived. I hypothesize that higher compatibility between acquiring firm and target firm dominant logics will lead to higher financial performance, moderated by relative target size of the acquiring firm prior to acquisition.

## Exploring and Exploiting Within and Across Governance Modes: The Domain Separation Approach

Uriel Stettner, *Tel Aviv University*  
Dovev Lavie, *Technion-Israel Institute of Technology*

We advance the notion of domain separation which enables firms to balance exploration and exploitation without facing resource allocation tradeoffs and conflicting routines typical of temporal or organizational separation. We acknowledge interdependence in firms' exploration and exploitation activities across governance modes, namely internal development, acquisitions, and alliances. Refuting conventional wisdom, we suggest that balancing exploration and exploitation within discrete fields of organizational activity undermines performance. In turn, exploring in one domain while exploiting in another, enhances performance, with balancing across governance modes providing additional benefits. We enhance understanding of the means by which firms explore and exploit and underscore their performance implications. We move beyond the question of whether firms should balance exploration and exploitation to consider how exploration and exploitation should be balanced.

## Hold-Up Problem and Non-exclusive Franchising Contract: A General Equilibrium Analysis

Chih-Ning Chu, *Chung Yuan Christian University*  
Wai-Man Liu, *University of New South Wales*  
Grace C. Su, *National Taiwan University*

This paper develops a general equilibrium model that examines (i) the existence condition of exclusive franchise contract, and (ii) the emergence of non-exclusive franchise contract in the presence of franchisor hold-up problem. Our model of endogenous franchising network underscores the trade-off between the cost associated with specifying and enforcing the contractual terms and the cost associated with broadening the relationships with multiple franchisors. We show



that when the contracting cost relative to the relational cost is high and if the economies of specialization is low, non-exclusive franchise contract is an optimal contractual arrangement to mitigate franchisor opportunism. Franchisor can strategically utilize the non-exclusive contract to expand the franchise network and then enhance the performance of its franchise system.

### Unique Demand Complementarities: A Demand-Based Theory of Diversification

Jens Schmidt, *Helsinki University of Technology*  
 Thomas Keil, *Helsinki University of Technology*

In this paper we contribute to the emerging demand based theory of strategic management. We extend demand-based theorizing to the question of how firms set the scope of their activities complementing prior diversification research that has emphasized supply-based efficiencies. Whereas prior research has emphasized relatedness in terms of underlying resources or dominant logic, our theorizing focuses on commonalities in demand structures and the value creation opportunities these create. Through analytical modeling and in-depth case studies, we show how unique demand complementarities arise from an existing customer base and how a firm can deliberately leverage its existing customer base through diversification. We further show how customer heterogeneity in the existing customer based and the target market's customer base affect diversification decisions.

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SESSION 231  
**INSTITUTIONS AND AGENTS**

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<b>TRACK F</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 3

**Session Chair** Robert Wiseman, *Michigan State University*

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### Employee Interests and CFO Dismissal: An Empirical Analysis

Ansgar Richter, *European Business School*  
 Diedrich Bremer, *WHU - Otto Beisheim School of Management*  
 Jan-Philipp Lüdtke, *WHU - Otto Beisheim School of Management*  
 Utz Schaeffer, *WHU - Otto Beisheim School of Management*

We analyze the respective influence of employee and shareholder interests on the dismissal of Chief Financial Officers (CFOs) for a sample of 89 replacement cases in major German companies between 1999 and 2006. Drawing on stakeholder-agency theory and legitimacy theory, we argue that employees wield sufficient power to affect executive replacements. We show that the provision of job security as a proxy for employee interests has a significant effect on the likelihood of CFO dismissal. This effect is independent of the fulfillment of shareholders' objectives, which show a significant effect as well. We conclude that stakeholder groups beyond shareholders exert influence on corporate governance, too. Hence, we argue that executives need to respond to several stakeholder groups simultaneously.

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### Extensive Competitor Profiling: Opportunistic Behavior and Collusive Activity

Keith Brouthers, *NC State University*  
 Ronald Anderson, *American University*  
 David Reeb, *Temple University*

Using agency theory we investigate and find evidence to support the notion that conflicts of interests amongst managers, shareholders, and corporate creditors explain variations in competitor profiling. The results also indicate that shareholders discount firms that devote substantial attention to competitor profiling. One interpretation is that competitor profiling is influenced by stakeholders who seek to limit firm-specific risk at the expense of diversified shareholders. We then explore areas where competitor profiling is likely to improve shareholder value, such as in R&D intensive firms and those with greater opportunities for collusive activity. We find that competitor profiling is positively related to shareholder value for firms in concentrated markets, suggesting that competitor profiling can be a mechanism to resolve the informational costs of collusive agreements.

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### The Impact of Mechanisms Disconnecting Cash Flow Rights From Voting Rights on IPO Valuation

Asma Fattoum, *EMLYON*  
 Zied Guedri, *EMLYON*

This paper investigates two research questions. First, does the adoption of mechanisms such as dual share classes, pyramid structures, cross-equity holdings and voting pacts agreements impact venture IPO valuation? Second, does the strength of this impact, if any, depends upon some firm specific and founder specific characteristics? Building upon agency theory, we suggest that these mechanisms, often adopted by founder CEOs to disconnect their cash flow rights from voting rights, are negatively related to venture IPO valuation. Moreover, we propose that the strength of this negative impact increases with firm size and age. Conversely, the strength of the negative impact decreases with founder's human and social capital as well as the amount of shares he/she detains after the IPO.

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### Toward an Institutional Agency Model: Considering Institutional Influences on Moral Hazard Within Principal-Agent Relations

Robert Wiseman, *Michigan State University*  
 Gloria Cuevas, *Pablo de Olavide University*  
 Luis Gomez-Mejia, *Arizona State University*

A primary criticism of agency theory is that it fails to consider the institutional context surrounding the principal-agent (P-A) relation. In answer, we draw on a variety of theories using an institutional perspective to explore how principal-agent relations vary across different institutional contexts. Specifically, we argue that problems of agency are universal, but that the manifestation of these problems (in particular moral hazard risk) varies across institutional contexts. By giving formal recognition to how specific institutional arrangements influence principal-agent relations our predictions go beyond inductive comparative analyses that simply describe idiosyncratic principal-agent relations across different institutional configurations. Instead we take a deductive approach that explores how distinct institutional dimensions may influence the nature of agency.

TUESDAY 14:30 - 15:45

## SESSION 141

**ENTRY STRATEGY & LOCATION CHOICE****TRACK G**

**Date** Tuesday, Oct 13  
**Time** 14:30 – 15:45 h  
**Room** Meeting Room 15

**Paper**

**Session Chair** Susan Segal-Horn, *Open University*

### Changing Landscapes: Reconfiguring the International Value Chain for Professional Service Firms

Susan Segal-Horn, *Open University*  
 Alison Dean, *University of Kent*

This paper explores the impact of the changing world in which international professional service firms (IPSFs) operate. Competition has increased; clients have become more sophisticated; client projects are of greater geographic spread and complexity; technology has become an enabler for considerable unbundling of professional activities. As a result, IPSFs are disaggregating and re-aggregating their international value chains. Projects are being broken down into tasks. We discuss a shift from professional projects to professional tasks such that larger global firms now contain all varieties of professional work. We develop a typology to explore the consequences for both professionals and firms. Examples summarise commonly-shared changes in professional activities, and reconfigurations of the task network of the firm, as found within contemporary accounting, law, management consulting firms.

### How Cross-Border Government Investments Influence Multinational Firms' Location Choices: Empirical Evidence from Norway

Gurneeta Vasudeva, *University of Minnesota*  
 Joel Malen, *University of Minnesota*

We examine the influence of national governments on the internationalization decisions of resident firms by tracking the location choices of Norwegian firms against investments made by the Norwegian sovereign wealth fund over a ten year period. We propose that prior government investment in a foreign country creates a relationship between the government and the foreign country that increases knowledge and legitimacy benefits for investing multinational Norwegian firms. Therefore, these firms will be more likely to invest in a country where the government already has substantial investments. Our results show that multinational firms continue to be embedded in their national context, and follow their government in making international location choices. This relationship, however, is more valuable to firms lacking prior investment experience in a prospective country.

### How Global is R&D? Drivers of Home Country Bias in R&D Location

Shinya Suzuki, *Catholic University of Leuven*  
 Bart Leten, *Catholic University Leuven*

Despite an increasing importance of international R&D by multinational firms, a major portion of corporate R&D is still concentrated in their home countries. This paper assesses and analyzes the degree of home country bias in the location of R&D activities by 170 European, US and Japanese firms during 1995-2002. First, the extent of home country bias is assessed by examining the difference between actual

home country R&D and a level to be 'expected' based on the country's attractiveness for R&D activities. Second, we identify the firm-level determinants of home country bias. We hypothesize that firm traits such as technological diversification and scope economies in R&D, embeddedness in the innovation system of home country, the level of coordination costs between headquarters and foreign affiliates, and international experience drive the extent of home bias.

### ★ ☆ ✿ Immigrant Agglomeration, Firm Heterogeneity, and FDI Location Choice: Evidence From the United States

Exequiel Hernandez, *University of Minnesota*

Scholars have found a positive relationship between immigration and FDI at the country level, suggesting that immigrant agglomeration is an important factor explaining subsidiary location—a crucial strategic decision. However, scholars in management have not explored this issue at the firm level. I fill this research gap by providing a strategic perspective on the relationship between immigration and subsidiary location. I argue that firms' responses to the opportunities created by immigrant agglomeration vary due to inter-firm heterogeneity in capabilities and market profiles. Thus, some firms are more likely than others to establish foreign subsidiaries in locations with immigrant cluster because such a strategy is not equally beneficial for all firms. I find support for this notion through an analysis of foreign subsidiaries in the US.

## SESSION 143

**MANAGING MNC SUBSIDIARIES: INNOVATION, CONTROL AND SUBSIDIARY INITIATIVES****TRACK G**

**Date** Tuesday, Oct 13  
**Time** 14:30 – 15:45 h

**Paper**

**Room** Meeting Room 13

**Session Chair** Tina Claudia Ambos, *Vienna University of Economics & Business*

### Exploring Contextual Boundaries of the Integration-Responsiveness Framework

Birgitte Groggaard, *University of Calgary*

According to the 2008 Fortune Global 500 ranking, six of the ten largest global companies are natural resource seeking firms in the oil and gas industry. These multinationals face complex strategic challenges of coordinating geographically spread activities. Our current international strategy frameworks have been developed by studying traditional manufacturing firms and do not satisfactorily address the complexities facing many of the natural resource seeking firms. Through an exploratory case study, it is identified that the foreign subsidiaries in oil and gas multinationals face dual pressures of global integration and local responsiveness. While our current theoretical frameworks suggest different pressures for integration and responsiveness across subsidiaries in a multinational, these findings suggest that some firms require a combination of roles within each foreign subsidiary.

### Innovativeness of Manufacturing Subsidiaries of Foreign Firms versus Domestic Firms

Annique Un, *University of South Carolina*

I analyze the innovativeness of subsidiaries of foreign multinational enterprises (MNEs) in comparison to domestic firms. Existing theories do not specify whether subsidiaries of foreign firms are more or less



innovative than domestic firms. Linking ideas from technology strategy and neo-institutional theory, I argue that subsidiaries of foreign firms are more innovative than domestic firms, not only because of their access to technology from the MNE, as traditionally argued, but also because they are better at transforming R&D investments into innovations. Unlike domestic firms, subsidiaries of foreign firms face two sets of pressures, one at the MNE level and another at the host country level. Rather than competing, as has been argued by MNE studies using neo-institutional theory, these pressures complement each other in influencing subsidiaries to be more effective at innovation than domestic firms.

### The Consequences of Subsidiary Initiatives

Tina Claudia Ambos, *WU Vienna*  
 Ulf Andersson, *Copenhagen Business School*  
 Julian Birkinshaw, *London Business School*

In this paper, we adopt a resource-dependence perspective to shed light on the consequences of subsidiaries' strategic initiatives. We investigate how a subsidiary's strategic initiatives contribute to its bargaining power, and how headquarters response – through granting attention or monitoring – affects the realization of its goals. In addition, we explore the effect of initiatives on subsidiary performance. Using structural equation modeling, our hypotheses are tested by drawing on a sample of subsidiaries located in three different countries. Our results show that subsidiaries are not able to increase their inter-unit power through initiatives unless they get headquarters attention. Subsidiary initiatives have a direct effect on subsidiary autonomy but the caveat is that initiatives also evoke headquarters monitoring, which in turn decreases the subsidiary's autonomy. Regarding the impact on performance, we find that subsidiary initiatives only have an indirect effect on performance via autonomy.

### The Dark Side of Subsidiary Innovation: Knowledge Creation and Control in MNEs

Ulf Andersson, *Copenhagen Business School*  
 Christian Asmussen, *Copenhagen Business School*  
 Ram Mudambi, *Temple University*

In a competitive global business environment, it is often assumed that multinational enterprises (MNEs) want to encourage innovation activities in their foreign subsidiaries. At the same time, subsidiaries may sometimes engage in innovation as a tactical means of obtaining internal power over peer units. Fusing these conflicting views, this paper develops a model that draws on agency theory and captures both the benefits and the dangers of subsidiary innovation seen from an MNE perspective. We show that a complex interaction between the cost of innovation and the rent-distributing effect of power determines the equilibrium level of innovation, which may deviate from the optimal level by being either too small (due to a free-riding problem) or too large (due to an internal power struggle).

#### SESSION 152

### INNOVATION AND LEARNING IN STRATEGY PROCESSES

<b>TRACK H</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 2

**Session Chair** Christian Stadler, *Dartmouth College*

### Antecedents of Corporate Innovation: The Case of Second Life

William Judge, *Old Dominion University*  
 Yuping Liu, *Old Dominion University*

In the global marketplace, a premium is placed on corporate innovation. Previous literature has focused too much on crude proxies of corporate innovation (i.e., R&D expenditures), and is restricted too much to US firms. In this study, we examined some of the predictors of innovative behaviors within the 2008 Fortune Global 500 list. Specifically, we identified firms with a corporate presence in Second Life, and we are in the process of comparing these “innovative” corporations with firms that are similar in size and operating in the same industry but have not established a corporate presence in Second Life. Our aim was to discern how these two sets of firms differ. We currently are in the process of collecting and analyzing data.

### Organizational Learning Orientation Profiles and Implications for Strategic Planning Capacity

Jose Angel Lopez Sanchez, *University of Extremadura*  
 John Rudd, *Aston University*  
 Gordon Greenley, *Aston Business School*

Theory development on the relationship between strategic planning and organizational performance has focussed on largely discrete examinations of dependent and independent variables. While the literature has examined the impact of organizational learning on strategic planning, no holistic empirical approaches have been employed in order to fully explore the inter-play between these important constructs. This paper addresses the cited limitations in both the strategic planning and organizational performance literatures by creating profiles of organizational learning and strategic planning capacity using a configuration theory-based approach. The organizational learning orientation profiles (OLOPs) created of prospector, disseminator, interpretative and memory, contribute to theory development regarding the relationship of strategic planning and organizational learning. The theory developed provides insights that have not been previously reported.

### Process Innovation in the Oil Industry

Christian Stadler, *Dartmouth College*

We investigate the upstream process in the oil industry based on five case studies. This allows us to concentrate on a scale-intensive, process oriented setting which substantially contrasts from traditional science-driven industries such as biotech and pharmaceuticals. We identify four trends that characterize the upstream process: (1) The importance of demand increases as governments respond by providing access to new regions and managers shape reward systems accordingly. This in turn results in new innovation. (2) Trial and error becomes increasingly important in an industry where (3) interdisciplinary cooperation is revolutionizing the way people work and where (4) ICT solutions facilitate communication between experts in different regions and with varying background.

TUESDAY 14:30 - 15:45

## The Discovery and Creation of Superior Strategic Opportunities in Information Industries

Anatoly Kandel, *Caldwell College*  
Mark Kriger, *BI Norwegian School of Management*  
Belmiro Duarte, *ISEC*

This paper formulates a process-oriented approach to strategic opportunities in information industries. Managers attempt to discover products which offer prospective users markedly higher connectivity and network value. They create the opportunities by using the firm's distinctive capabilities to harness supply-side and demand-side economies of scale. Extreme uncertainty reflects the emergent, uncertainty-enhancing growth of information industries. Recursive interactions between the firm's internal and external environments enable the pursuit of tip-ping-point strategies. The paper argues that managers' probabilistic reasoning assigns high salience to upside risks and relies heavily on categorization and intuitive judgments. One of the hardest challenges is to properly decipher nonlinear probabilistic causal relations between strategic variables. The process-oriented approach to strategic opportunities shows that recommendations by the positioning and resource-based views are rather complementary than mutually exclusive. Implications stimulate designing more efficient training programs for strategic managers.

### SESSION 210

## THE COMPLEX ROLES OF EXPERIENCE

<b>TRACK I</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 12
<b>Facilitator</b>	Sidney Winter, <i>University of Pennsylvania</i>	

## Creating Blockbusters? Experiential Learning and Creative and Commercial Performance In Hollywood

Michael Mannor, *University of Notre Dame*

This study explores the influence of different types of organizational experiential learning on creative and commercial performance in Hollywood. Building from experiential learning theory, several perspectives are advanced, including the idea that the influence of different types of experience on different elements of performance can vary widely. Data from the Hollywood motion picture industry is used to evaluate these perspectives. Results provide limited support for a universal perspective, suggesting that this may be only one piece of the puzzle. Instead, preliminary results provide strong evidence for the importance of various contingencies in this relationship, including the type of experience (depth vs. breadth), the type of performance assessment (creative or commercial), and the locus of performance evaluation (internal reference points or market-based comparisons).

## Depth, Breadth, and Diversity: Experiential Learning and Knowledge Creation in the Pharmaceutical Industry

Michael Mannor, *University of Notre Dame*

This research explores the influence of different types of organizational experience on knowledge creation in the pharmaceutical industry.

Extending beyond traditional approaches, in this research I explore how different types of organizational experience (experiential depth, breadth, and diversity) influence the rate and impact of knowledge creation in the pharmaceutical industry. Results from 20 years of data provide support for the independent and significantly divergent influences of experience depth and breadth on the rate of new knowledge creation and the impact of such knowledge. In addition, several forms of experiential diversity are found to help promote both the rate and impact of knowledge creation in the pharmaceutical industry, though these effects are often found to have diminishing influence at high levels of diversity.

## Examining Variability in Routine Performances: The Roles of Context Dependence and Experience

Scott Turner, *University of South Carolina*  
Michael Fern, *Santa Clara University*

In strategy and organizational theory, routines are a foundational concept. This study examines how context dependence shapes the variability of routine performances, which reflects divergence across multiple performances of a given routine. Specifically, we consider how two forms of context dependence shape the variability of routine performances, and how these effects are conditional on the performance experience of actors. We argue that variability of routine performances is positively influenced by changes in the supporting context and negatively influenced by pressure in the surrounding context, and that the performance experience of actors reinforces the effects of both forms of context dependence. Our results from the solid waste collection sector are broadly consistent with our arguments, and offer implications for the routines and capabilities literatures.

## Firm Capabilities and Experience Quality

Scott Rockart, *Duke University*  
Nilanjana Dutt, *Duke University*

Organizational efficiency generally increases with cumulative experience (Wright 1936; Argote and Epple 1990). While early research focused on the quantity of a firm's experiences, more recent research has shifted attention to the kind of a firm's experiences. Only some of a firm's possible experiences guide attention well, leading to accurate beliefs and successful choices (Ocasio 1997, Leavitt 1975, Christensen & Rosenbloom 1995). In this paper we further elaborate differences among experiences, arguing that firms' experiences differ not only in quantity and kind (what lessons those experiences convey) but also in quality (how thoroughly and effectively they convey lessons of a similar kind). We use interviews and archival data on investment banks and their clients to link the quality of a firm's experiences to their capabilities.

## Organizational Experience in the US TV industry, 1950-2002

Samira Dias dos Reis, *Bocconi University*

This study analyzes how organizational experience affects the likelihood of a future sale and product performance. In contrast to prior studies, which have analyzed selling and production processes separately, I propose that product performance emerges from both processes. Faced with uncertainty about the quality of new products, buyers make judgments about the quality of ideas on the basis of the organizational experience of the companies introducing them. Companies with the experience that buyers prefer nevertheless do not necessarily perform better than



otherwise comparable organizations without such experience. Results of an empirical examination reveal that past success and diverse experience affect in distinct ways the likelihood of selling an idea for a new show and the performance of those shows. These two types of experience can, however, act as complements. These findings highlight the key role buyers' perceptions play in product performance.

SESSION 207

**HOW DO CAPABILITIES DEVELOP?**

<b>TRACK I</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Paper</b>	<b>Room</b>	Auditorium

**Session Chair** Gianmario Verona, *Bocconi University*

**(De-)Institutionalizing Organizational Competence: Olivetti's Transition from Mechanical to Electronic Technology**

Erwin Danneels, *Worcester Polytechnic Institute*  
 Gianmario Verona, *Bocconi University*  
 Bernardino Provera, *Mercer Consulting*

This article analyzes the competence-destroying transition from mechanical to electronic technology at Olivetti, a leading Italian office machines firm. It develops a unifying framework of the organizational process by which a new technological competence displaces an existing technological competence. It shows how a technological competence becomes institutionalized through the increasing convergence of its cognitive, moral, and pragmatic legitimacy, the power of organizational agents, and attainment and allocation of organizational resources. However, the reinforcing relationships between legitimacy, power, and resources may also be broken to aid in de-institutionalization of an incumbent technology while placing the building blocks of its alternate. The study identifies four levers of technological transition: physical separation, cooptation, exploiting contradictions and dissensus, and resource diversion.

**Capability Development and Performance Impact: Evidence from the Global Software Services Industry**

Joydeep Chatterjee, *University of Pennsylvania*

How do firms develop capabilities and how do these capabilities impact performance? This paper examines one potential source of capability development drawing upon the strategy literature to examine how deliberate investments in developing the competencies of employees influence the development of firm capabilities. Using large sample of project-level data from a leading global IT services firm, I identify and measure three types of capabilities that are essential for superior performance in this industry: Global Service Delivery Capabilities, Architectural Capabilities, and Technological Capabilities. I find that deliberate investments to develop capabilities through learning, and evaluation through certification exams have positive performance impact and different capabilities have different marginal contributions to performance.

**Learning the Hard Way: Organizational Learning and Task Complexity in British Fertility Clinics**

Mihaela Stan, *London Business School*  
 Freek Vermeulen, *London Business School*

Research on organizational learning has shown that firms can improve their performance with experience. Studying fertility clinics, we examine how experience with IVF treatments is associated with an increase in their success rate. Our findings indicate that clinics learn from complex tasks – e.g. the treatment of patients with more complex profiles – to increase their overall performance. A second effect is that task complexity positively moderates a firm's learning curve; clinics learn more from relatively simple experiences when they also perform complex tasks. In general, this paper contributes to our understanding of what enables some organizations to learn quicker than others.

**Where Does Architectural Knowledge Come From? Key Processes Under Bounded Rationality and Uncertainty**

Chih Liu, *University of Illinois-Urbana Champaign*  
 Douglas Miller, *University of Illinois-Urbana Champaign*

Modularity as a design strategy has been recognized to have tremendous benefits of flexibility and adaptability in turbulent environment. However, a detailed account of the actual creation of the enabling architectural knowledge is missing in the extant research literature. This paper proposes to specify the key processes for knowledge compression and partitioning, which identify ways that architectural knowledge can be created. Recognizing the reality of bounded rationality, this paper posits that architectural knowledge is generated by engaging in dialectic interplay between top-down and bottom-up perspectives. The proposed process of architectural knowledge creation represents one ingenious invention to 'escape' bounded rationality and cushion our journey in an uncertain, turbulent world.

SESSION 121

**PERSPECTIVES ON CONSULTING**

<b>TRACK J</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 9

**Session Chair** Daniel Degraevl, *California State University-Northridge*

**Consultants vs. Academics: Who's First in the Managerial Knowledge Food Chain**

Daniel Degraevl, *California State University-Northridge*

This paper describes an early stage of research that aims at understanding phenomena at work in the emergence / diffusion / decline of managerial innovations. Its ultimate objective lies in enhancing the circulation and diffusion of managerial innovations and experience within the "management knowledge market", and in improving the relative position of an important player, academia, in regard to other players, such as consultancies, within that market. It first describes the scope, and the interest of that overall research, and then provides a review of the literature related to the "Management Knowledge Market". It finally addresses the issue of the "domination" of that market by management consultancies or academia, before a short description of future research on that question

TUESDAY 14:30 - 15:45



## Management Consulting: Measurement of Performance and Use of Success Fees

Baerbel Fleischer, *Roland Berger Strategy Consultants*  
Dodo zu Knyphausen-Aufsess, *Berlin Technical University*

In a world of increasing uncertainty and unpredictable market development some managers rely on expert knowledge provided by management consultants. But how can they ensure that the work of the management consulting firm is of any value to them? In order to evaluate the success of a consulting assignment various obstacles have to be overcome. Nevertheless, an increase in the use of success fees has been observed over the last few years. The aim of this paper is to examine options for overcoming the evaluation obstacles and for determining the success of consulting assignment. In order to answer these questions, six consulting projects, where the fee level is linked to the results of the project, are analyzed in detail.

## Resistance to Management Consulting in Family Businesses: A Vertical Boundary Model

David Hanisch, *European Business School*  
Sabine Klein, *European Business School*

While consultants seek family business clients, family business owner-managers refrain from engaging management consultants. However, existing literature on family business consulting is of anecdotal nature written by or for practitioners. Drawing on a vertical boundary model using transaction cost economics and resource-based view, this paper examines whether and under what conditions family businesses can benefit from consultants. Taking a multidimensional view of family businesses we show that management consultants can have varying degrees of benefit to family businesses, depending on differences in level of family influence, level of goal alignment, which generation of the family is involved, and the degree of business complexity. From these differences consultants can learn important lessons when prospecting for new clients.

## The Need to Consolidate After the Generation of Alternative Strategies

Zainal Abidin Mohamed, *University Putra Malaysia*

Generating alternative strategies by using various models is quite straightforward as long as they are few and compatible. Models were created to fit the environment and the organisation. Lately with the easy accessibility of knowledge and the increased level of awareness, clients tend to demand the use of more models in their strive for a wider choice of strategic decisions. This has resulted in the generation of a greater number of strategic choices. Four different models used are SWOT which generates 20 alternative strategies, SPACE determines which quadrant an organisation would be located, BCG recommends specific strategies for each portfolio while BOS decides which one to eliminate, reduce, raise and create. There is a need to consolidate these strategies, the experience documented and shared.

### SESSION 108

## THE IMPACT OF INSTITUTIONS, REGIONS AND COUNTRIES ON ENTREPRENEURIAL VENTURES

<b>TRACK K</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	14:30 – 15:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room5

**Session Chair** Donna De Carolis, *Drexel University*

## A Cross-Country Study of Entrepreneurial Optimism and Valuations

Gary Dushnitsky, *University of Pennsylvania*

Optimism is a well-documented entrepreneurial characteristic. To date, the literature has focused on the (erroneous) actions of the individual optimistic entrepreneur, yet less attention was given to the effect this characteristic has on the interaction between entrepreneurial-ventures and prospective resources-providers. How does optimism affect entrepreneur-investor interaction? What are the implications to ventures' valuations? We conjecture that contingent-pay contracts (e.g., preferred-shares) can deter charlatans but may be less effective in screening optimists, thus resulting in an optimism discount. We further conjecture that IPR regime may minimize the discount: an entrepreneur can attract higher valuation by disclosing her invention, but she would do so only when disclosure is not vulnerable to imitation (e.g., patents are effective). Analyses of international venture capital investments between 1990-2006 support our hypotheses.

## Dynamics of Institutional Legacy, Organizational Imprints and Entrepreneurial Strategy: A Longitudinal Study in Emerging Economy

Indrajit Mukherjee, *Indian Institute of Management - Calcutta*  
Sougata Ray, *Indian Institute of Management-Calcutta*  
Somnath Dutta, *Indian Institute of Management-Calcutta*

The paper studies how the legacies of the institutional environment experienced by emerging economy firms influence the evolution of entrepreneurial strategy. The multiple industry longitudinal study of 4415 firms for seven years reveals legacies of historical institutional context have a bearing on firms' current strategic orientations, but over time entrepreneurial managers play a role in adapting the strategy to suit the current environment. It illustrates organizational imprints are not only institutionalized by entrepreneurs during the founding to establish relationship with environment; but are also modified subsequently by entrepreneurial managers to reestablish the relationship with environment, through the processes of de-institutionalization and re-institutionalization. It has implications for entrepreneurship literature, strategic transformation literature, research in business groups, practicing entrepreneurs and managers.

## Global vs. Local Status: Status Inconsistency in Venture Capital Syndication and the Performance of Entrepreneurial Ventures

Dali Ma, *Drexel University*  
Mooweon Rhee, *University of Hawaii*  
Daegyu Yang, *University of Hawaii*

Status, a major mechanism to reduce market uncertainties, has attracted considerable attention in economic sociology and strategy. Nonetheless, most studies neglect multiple hierarchical orders, and fail to capture status heterophily stemming from the discrepancy of an



actor's position in different status orders. We take a status multiplexity approach and attempt to analyze the impact of status inconsistency (SI) between global status (GS) and local status (LS). We use venture capital syndication as our context and identify two types of SI – positive SI (GS > LS) and negative SI (GS < LS). We argue that negative SI has a negative effect on the performance of entrepreneurial ventures, and positive SI and prior collaboration can mitigate the negative effect.

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### **Regional Industrial Clusters: What are the Implications for Individual Firms?**

Srikanth Paruchuri, *University of Florida*

Richard Gentry, *West Virginia University*

What are the implications for a firm located in a dense regional industrial clusters? Being part of a dense cluster provides a firm benefits such as quick access to the latest technological developments, but also will create detrimental effects such as intense competition for the firm. Consequently, a firm needs to evaluate if the beneficial effects of being in a dense cluster outweigh the detrimental effects. We examine how the failure rate of firms relates to the density of the cluster around them how this relationship varies with technological and market dynamism. Employing event history analysis of multiplexer manufacturers, we find the failure rate of firms increases with the density of the cluster around them, and that this relationship is negatively moderated by market size.

## SESSION 305

**STRATEGIC MANAGEMENT RESEARCH AT THE BOUNDARY OF THE FIELD**

<b>PLENARY</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	16:15 – 17:30 h
<b>Showcase Panel</b>	<b>Room</b>	Auditorium

**Panel Moderator** Michael A. Hitt, *Texas A&M University*

**Panelists**

Richard Bettis, *University of North Carolina-Chapel Hill*

Will Mitchell, *Duke University*

Edward Zajac, *Northwestern University*

Strategic management research has undergone a renaissance in the last decade. The amount and quality of research in the field have increased dramatically. In particular the scholarly influence and the practical significance have enriched the impact of research on the field (academic and practice). This panel will explore new developments in research within the domain of strategic management. Panel members will examine specific streams of research to include such areas as corporate governance, international strategy with a special focus on emerging markets, adaptation as an implicit/explicit paradigm and entrepreneurial strategies, among others. A goal of the panel discussions will be to identify research questions that could potentially help to define the future boundaries of the field.



**Michael A. Hitt** is a Distinguished Professor and holds the Joseph Foster Chair in Business Leadership and the C W & Dorothy Conn Chair in New Ventures at Texas A&M University. In addition to having served as President of the Board for the SMS, he is coordinator of the SMS Book Series. He has authored or co-authored many journal articles published in leading journals such as the *Strategic Management Journal*, *Academy of Management Journal*, *Academy of Management Review*, *Organization Science*, *Journal of Applied Psychology*, and *Academy of Management Executive*, among others. Mike Hitt is a former editor of the *Academy of Management Journal*, and former president of the Academy of Management. He is a member of the Academy of Management's Hall of Fame and is the former Deputy Dean of the SMS Fellows. He has received awards from the American Society of Competitiveness for Outstanding Academic Contributions (1996) and Outstanding Intellectual Contributions (1999) to Competitiveness.



**Richard A. Bettis** is Luther Hodges Distinguished Professor at Kenan-Flagler Business School, University of North Carolina-Chapel Hill. He is the past president of the SMS Board of Directors and served as co-chair of the SMS 21st Annual International Conference in San Francisco. He is consulting editor of the *Academy of Management Review* and serves on the Editorial Review Board of the *SMJ*. Richard Bettis has served as a consultant and speaker to such clients as General Electric, Monsanto, and Motorola. He formerly served as a member of the editorial review board of the *Academy of Management Journal*, associate editor of the planning and forecasting department of *Management Science*, and as product development engineer for General Motors. He has published widely on strategic topics in numerous leading journals.



**Will G. Mitchell** is a Professor of Strategy and the J Rex Fuqua Professor of International Management. Before joining the Fuqua faculty in 2001, he was a faculty member of the University of Michigan Business School. He is associate editor of the *Strategic Management Journal* and *Management Science* and is on the editorial board of several other academic journals. His teaching focuses on corporate strategy, business change, and pharmaceutical strategy. His current research projects investigate business changes in several international industrial sectors, including the medical, trucking, telecommunications, auto, and retail sectors. Will Mitchell is also a SMS Fellow. He earned a PhD in Business at the University of California at Berkeley and a BBA at Simon Fraser University in Vancouver.



**Ed Zajac** is the James F. Beré Distinguished Professor of Management and Organizations at the Kellogg School of Management, Northwestern University. Currently, he serves as Co-Editor of the *Strategic Management Journal* and as an Editorial Board member of many other leading journals. In 1993, he was chair of the 13th Annual SMS International Conference in Chicago. His consulting experience includes work in the areas of strategy formulation, implementation, and strategic alliances with organizations such as Abbott, Baxter, Blue Cross/Blue Shield, Brunswick, Caterpillar, Commonwealth Edison, Dade Behring, R.R. Donnelly, Gemini, W.W. Grainger, Harnischfeger, Hearst, Hollister, IBM, Johnson & Johnson, Merck, Pfizer and Phillips. Ed Zajac is the current director of the Kellogg School of Management's Center for Strategic Alliance Research.



SESSION 306

**ECOSYSTEM INNOVATION AND FIRM CAPABILITIES**

<b>PLENARY</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	16:15 – 17:30 h
<b>Showcase Panel</b>	<b>Room</b>	Renaissance Ballroom East

**Panelists**

- John Camillus, *University of Pittsburgh*
- Bala Chakravarthy, *IMD*
- Yves Doz, *INSEAD*

Companies in a number of industries, such as pharmaceuticals, medical devices, aerospace, information and communications, are increasingly using external networks to source and accelerate their innovation. While the underpinnings and success factors of ecosystem innovation are now well-known, the demands it places on a firm’s organizational capabilities are less well understood. In order to successfully manage ecosystem innovation, the firm needs a unique set of strategic, relational, and collaborative skills. The panel examines these desired capabilities from the perspective of three types of organizations: a small startup, a mid-sized industry challenger, and an established industry leader.



**John C. Camillus** has been on the faculty of the University of Pittsburgh’s Joseph M. Katz Graduate School of Business since 1977. He has held the Donald R. Beall Endowed Chair in Strategic Management since 1991. In addition to teaching in the MBA and doctoral programs, Camillus has been extensively involved in designing and offering executive education programs for practicing managers in the United States, Europe, and Asia. Prior to joining the University of Pittsburgh, he was Professor of Management at the Indian Institute of Management, Ahmedabad. His research on strategic planning and management control has been funded by diverse organizations including the National Science Foundation, the Touche-Ross Foundation, the Copeland Fund, the Institute of Chartered Accountants of India, the American Productivity and Quality Center, the University Research Council and the National Energy Technology Laboratory. He has published extensively in professional journals, served on editorial boards, authored three books, and coauthored a fourth.



**Bala Chakravarthy** is Professor of Strategy and International Management and holds the Shell Chair in Sustainable Business Growth at IMD, Switzerland. Bala Chakravarthy’s research and teaching interests cover three related areas: strategy processes for sustainable business growth, corporate renewal, and leadership dilemmas. Bala has published four books, several case studies and numerous articles on these topics in top journals. He was a member of the Board of Directors of the Strategic Management Society (SMS) from 1999-2004. He is also an inaugural Fellow of the SMS.



**Yves Doz** is the Timken Chaired Professor of Global Technology and Innovation at INSEAD and Visiting Professor at the Helsinki School of Economics. He was Dean of Executive Education (1998-2002) and Associate Dean for Research and Development (1990-1995) at INSEAD. Yves Doz also was Director of the Management of Technology and Innovation programme at INSEAD, a multi-disciplinary effort involving about 20 faculty members and researchers that ran from 1987 to 1994. Yves Doz received his Doctoral degree from Harvard University and is a graduate of the Ecole des Hautes Etudes Commerciales (Jouy-en-Josas, France). He has also taught at the Harvard Business School, Stanford’s Graduate School of Business, and Aoyama Gakuin University in Tokyo.

TUESDAY PLENARY

## SESSION 306

**STRATEGIC RENEWAL: WHAT DO WE KNOW?  
WHAT SHOULD WE KNOW?**

<b>PLENARY</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	16:15 – 17:30 h
<b>Showcase Panel</b>	<b>Room</b>	Renaissance Ballroom West

**Panelists**

Steven Floyd, *University of St. Gallen*  
 Constance Helfat, *Dartmouth College*  
 Christoph Lechner, *University of St. Gallen*  
 Margaret Peteraf, *Dartmouth College*  
 Henk W. Volberda, *Erasmus University-Rotterdam*

Research on strategic renewal has strongly enriched the discipline of strategic management by its focus on cognitive and behavioral processes underlying the adaption of corporations over time. How organizations produce, alter and discard patterns of decisions and actions is at the forefront of attention. Strategic renewal deals with the activities of firms in altering their path dependence. Studying strategic renewal is important in order to meet today's demands of a dynamic and uncertain world. Environmental pressures to reactively overcome rigidities/inertia and to pro-actively shape uncertain environments are likely to increase in importance.



**Steven W. Floyd** is a Professor of Strategic Management at the University of St. Gallen. He is a member of the SMS Board of and has been active in the Society for 20 years. His research on strategy process has been published in *SMJ*, *AMR*, *AMJ*, *JMS*, and *Journal of Management*, among others. He is the co-author of three books, *Strategic Management: Logic and*

*Action, Building Strategy from the Middle: Reconceptualizing Strategy Process and The Strategic Middle Manager*. Co-authored papers won the 2005 SMS Best Conference Paper Prize and the 2006 Sumantra Ghoshal Research and Practice Award at the Academy of Management. He is a General Editor of *Journal of Management Studies* and serves on several editorial boards, including the *SMJ* and *AMJ*. He has led executive education program for leading companies in the US and Europe.



**Constance E. Helfat** is J. Brian Quinn Professor in Technology and Strategy at the Tuck School of Business at Dartmouth. Her research focuses on firm capabilities, including technological innovation and firm adaptation and change. She also has conducted research on corporate executives, including women executives. Constance

Helfat has published widely in leading academic journals, and has written and edited three academic books. She is a member of the SMS Fellows Group, serves as an associate editor of the *Strategic Management Journal* and *Management Science*, and is on the editorial boards of four other journals. She received her undergraduate degree from the University of California, Berkeley and her Ph.D. from Yale University. Previously, Constance Helfat served on the faculties of the Wharton School at the University of Pennsylvania, the Kellogg School at Northwestern University, and the Graduate School of Management at the University of California, Davis.



**Christoph Lechner** is a Chaired Professor of Strategic Management at the University of St. Gallen. He is Director of its Institute of Management, Academic Director of its PhD Program in "Strategy & Management", and Head of its Excellence Initiative on "Responsible Corporate Competitiveness" (RoCC). He has written

five books and published his research in outlets such as *Academy of Management Journal*, *Journal of Management*, *Journal of Management Studies*, *Long Range Planning*, *MIT Sloan Management Review*, *Wall Street Journal*, *Harvard Business Manager*, among others. He is member of the Editorial Boards of the *Strategic Management Journal*, *Journal of Management Studies*, *Long Range Planning*, and *Journal of Strategy & Management*. Co-authored papers won the 2005 SMS Best Conference Paper Prize and the 2006 Sumantra Ghoshal Research and Practice Award at the Academy of Management. He has led executive education program for leading companies in the US, Europe and Asia, and is a member of the board of directors of two public listed firms in Europe.



**Margaret Peteraf** is the Leon E. Williams Professor of Management at the Tuck School of Business at Dartmouth. She is a member of the Academy of Management's Board of Governors, and a past Chair of both the BPS Division of the Academy and the Competitive Strategy Interest Group of the SMS. She has served in various editorial

roles and is presently on 9 editorial boards, including the *Strategic Management Journal*, the *Academy of Management Review*, and *Organization Science*. She is best known for her work on strategic group identity, the resource-based view, and dynamic capabilities. Her 1993 *SMJ* paper, "The Cornerstones of Competitive Advantage: A Resource-Based View", won the 1999 SMS prize for its contribution toward the development of the strategic management field.



**Henk Volberda** is Professor of Strategic Management and Business Policy and Chairman of the Department of Strategic Management & Business Environment of the Rotterdam School of Management, Erasmus University. He is Scientific Director of INSCOPE: research for innovation, director of the Erasmus Strategic Renewal

Center, board member of the Netherlands Institute for Social Innovation, and member of the Editorial Board of *Journal of Management Studies*, *Long Range Planning*, *Organization Science* and *Organization Studies*. His research on Strategic Renewal, Strategic Flexibility, Co-evolution of Firms and Industries, Knowledge Flows and Innovation has been published in many books and a wide range of journals, such as *Academy of Management Journal*, *Journal of Business Venturing*, *Journal of International Business Studies*, *Journal of Management Studies*, *Long Range Planning*, *Management Science*, *Organization Studies* and *Organization Science*.



SESSION 307

**THE FUTURE OF CORPORATE PORTFOLIO MANAGEMENT**

<b>PLENARY</b>	<b>Date</b>	Tuesday, Oct 13
	<b>Time</b>	16:15 – 17:30 h
<b>Showcase Panel</b>	<b>Room</b>	Grand Ballroom

**Panel Moderator** Dieter Heuskel, Boston Consulting Group

**Panelists**

- Michael Mirow, *Siemens / TU Berlin*
- Michael Nippa, *Freiberg University*
- Harald Rubner, *Boston Consulting Group*

Although scholarly debated and called into question, Corporate Portfolio Management (CPM) is a strategic management concept that has not lost any practical relevance over the last forty years. Especially in the recent turbulent months, many corporations have rediscovered their portfolios as instruments to manage uncertainty. Apparently, academic research has not always kept up with the realities and needs of managing multi-business firms. This session will review the development of academic thinking in this field and compare it with the results of a broad survey of CPM practices among major public and private companies worldwide. In the panel discussion, leading global experts from industry and academia will discuss the relevance of CPM today and new challenges that uncover the limits of existing instruments. Our objective is to highlight areas of future research and senior management initiatives to revitalize CPM as an effective instrument for strategic decision making.



**Dieter Heuskel** is a Senior Partner and Managing Director in the Duesseldorf office of The Boston Consulting Group. He was Office Administrator of the Duesseldorf office and headed the worldwide Strategy Practice Initiative (SPI). Since 1998, Dieter Heuskel has been a member of BCG's worldwide Executive Committee, and from 1998 to 2006 he was head of the German, Austrian, and Greek Management Team. Since 2007 he has been Chairman of BCG Germany.



**Michael Mirow** has been a member of the Supervisory Board of Siemens AG from 2007-2009, currently works as senior advisor and consultant. He spent most of his professional career in many different businesses and functions at Siemens AG. Prior to his retirement from Siemens in 2002, he served as Senior Vice President Corporate Strategies. Michael Mirow currently teaches and has been awarded a honorary professorship for Strategic Management at the Technical University of Berlin and is also a visiting professor at the University of Innsbruck/Austria. Michael Mirow holds a degree in industrial engineering from the Technical University of Darmstadt/Germany and earned his PHD in Systems Theory at the Johann Wolfgang Goethe University of Frankfurt/Germany.



**Michael Nippa** is a Professor of Management, Leadership and Human Resources at Freiberg University. His research integrates corporate management and leadership, development and management of organizations, human resource management in an international context and formulation and implementation of strategy.



**Harald Rubner** is a Senior Partner and Managing Director in the Cologne office of The Boston Consulting Group. He is a member of the worldwide utility practice and also active in the Strategy Practice Initiative (SPI). In 2008, Harald Rubner was nominated as BCG Fellow. In his research he focuses on the topic of Corporate Portfolio Management.

## SESSION 308

**MELTDOWN OF THE FINANCIAL SYSTEM**

<b>PLENARY</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	08:00 – 09:30 h
<b>Showcase Panel</b>	<b>Room</b>	Renaissance Ballroom

**Session Chair**

Michael G. Jacobides, *London Business School*  
Sidney Winter, *University of Pennsylvania*

**Panelists**

Carliss Baldwin, *Harvard University*  
Douglas Duncan, *Fannie Mae*  
Takis Georgakopoulos, *JP Morgan Chase*  
Alice Rivlin, *Brookings Institution*

The near collapse of the financial sector, and the subsequent recession that ensued, has been remarkable on many fronts—including the fact that we neither expected it, nor did we have much intelligent to say about it as business academics. But we should learn from this crisis, and consider how we should update our theories and prescriptions moving ahead. This plenary panel brings together senior industry figures, a regulator, and academics who have worked in economics, finance and strategy, to consider what led to this mess. We will look at the changes in the architecture of the financial services sector that went largely undetected and discuss what lies ahead—both in terms of our actions, and in terms of our perspectives on the world as strategy scholars.



**Michael Jacobides** is Associate Professor of Strategic and International Management at London Business School, and Sumantra Ghoshal Fellow at the Advanced Institute for Management Research. His research focuses on industry/value chain evolution and profit migration, identifying the new strategic dynamics of changing “industry architectures”:

He looks at how technology, competition and de-regulation re-shape sectors, changing “who does what” and, as a result, “who takes what”. He also studies strategic design, looking at how to restructure and reconfigure value propositions and value chains to cope with domestic and global forces.



**Sidney G. Winter** is the Deloitte and Touche Professor of Management, Emeritus, at The Wharton School of the University of Pennsylvania. During his career he has held regular or visiting appointments at seven universities, served on the staffs of the U.S. General Accounting Office, the RAND Corporation and the U.S. Council of

Economic Advisers, been a consultant for various governmental and non-profit organizations, and appeared as an expert witness in antitrust and other litigation. With Richard Nelson, he co-authored *An Evolutionary Theory of Economic Change* (1982). His recent research focus has been on the study of management problems from the viewpoint of evolutionary economics. He is an elected fellow of the Econometric Society and of the American Association for the Advancement of Science. Sidney Winter is a graduate of Swarthmore College, and received his doctorate in economics from Yale University.



**Carliss Y. Baldwin** is William L. White Professor of Business Administration at the Harvard Business School. She studies the design architecture and its impact on the structure of industries over time. She is the co-author of *Design Rules: The Power of Modularity*, the first of a projected two volumes. Recent papers include “Where

do transactions come from? Modularity, transactions and the boundaries of firms,” (*Industrial and Corporate Change*, 2008), “Exploring the structure of complex software designs,” (with A. MacCormack and J. Rusnak, *Management Science*, 2006), and “How user innovations become commercial products,” (with C. Hienerth and E. von Hippel, *Research Policy*, 2006). Baldwin received a bachelor’s degree from MIT in 1972, and MBA and DBA degrees from Harvard Business School.



**Douglas G. Duncan** is Fannie Mae’s vice president and chief economist. He is responsible for managing Fannie Mae’s Economics & Mortgage Market Analysis Group. In this leadership role, he provides all economic, housing, and mortgage market forecasts and analyses and serves as the company’s thought leader internally

and with external constituent groups. Reporting directly to the senior vice president of Business Strategy, Duncan is an important source of information and commentary on the external business and economic environment, and is a key spokesperson on the economy, housing, and mortgage markets. Douglas G. Duncan received his Ph. D. in Agricultural Economics from Texas A&M University and his B.S. and M.S. in Agricultural Economics from North Dakota State University.



**Takis Georgakopoulos** is the Managing Director of Corporate Strategy at JP Morgan. Prior to joining JP Morgan, he was a Partner at McKinsey’s New York Financial Institutions Group, serving several of the largest universal and investment banks. He holds a PhD from

Technical University of Athens and an MA in Mathematics of Finance from Columbia University.



**Alice M. Rivlin** is a Senior Fellow in the Economic Studies Program at the Brookings Institution and a Visiting Professor in the Public Policy Institute at Georgetown University. She was the founding Director of the Congressional Budget Office, served as Director of the Office of Management and Budget in the

first Clinton Administration, and as Vice Chair of the Board of Governors of the Federal Reserve. She is a former president of the American Economic Association and winner of a MacArthur Prize Fellowship. Her Ph.D in economics is from Radcliffe College (Harvard University) and she has taught at Harvard, George Mason and the New School University. She is a regular commentator on *Nightly Business Report* and a member of the Board of NYSE Euronext.



## MANAGING INNOVATION IN UNCERTAIN ENVIRONMENTS

<b>TRACK A</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 6
<b>Session Chair</b>	Bjorn Ambos, <i>Vienna University of Economics &amp; Business</i>	

### Strong or Invisible Hands: Managerial Involvement in the Knowledge Sharing Processes of Globally Dispersed Groups

Katharina J. Raab, *WU Vienna*  
Bjorn Ambos, *WU Vienna*

This paper investigates globally dispersed group settings, which are increasingly put in place by MNCs faced with the challenges of uncertainty and increasing globalization to enhance their knowledge management capabilities. It proposes a research model to study factors affecting the knowledge sharing effectiveness in globally dispersed group settings within the MNC, and specifically focuses on the moderating effects of managerial involvement. Given conflicting findings in previous research concerning the role of management, this paper contributes to a deeper understanding of how knowledge is shared in globally dispersed settings in the MNC. By taking a mezzolevel approach, it additionally challenges some traditional assumptions on the appropriate level of analysis in studies of knowledge flows within the MNC.

### From Industrial Clusters to Orchestrated Ecosystems: The Reframing of the Finnish Innovation System

Johan Wallin, *Synocus Group*

Finland used to be on top of country competitiveness charts, but has during the last couple of years lost its leading position. Due to this the Finnish government in 2006 launched a new strategy for how to organize its innovation system, moving from a traditional cluster based approach to give a stronger role to the leading companies within the Finnish industry. When previously the focus was on industrial clusters, the emphasis is now on orchestrated ecosystems. This paper presents how the shift in thinking took place, and presents implications for research and practice from the Finnish experiences.

### Imitators to Innovators: Exploring Sources of Innovation Capabilities in Firms from Developing Economies

Preet Aulakh, *York University*  
Raveendra Chittoor, *Indian School of Business, Hyderabad, India*  
Sougata Ray, *Indian Institute of Management-Calcutta*

This study examines sources of firm-level innovation capabilities in developing economies in the post-liberalization era characterized by institutional changes and global competition. Drawing from evolutionary economics, we develop a model incorporating the role of internationally acquired knowledge on indigenous innovation capabilities. We empirically test the hypothesized relationships on longitudinal data on 206 Indian pharmaceutical firms from 1995-2004. Our results show that while participation in global resource and product markets independently influence innovation capabilities, the

relationship between resource internationalization and innovation is partially mediated by product market internationalization. More fine grained analysis of firms in our data set also suggests the conditioning role of a unique institutional aspect of developing economies namely business groups, on these relationships with firms' development of innovation capabilities.

## SESSION 129

### PUTTING THINGS IN CONTEXT: COMPETITION AND NETWORK DYNAMICS

<b>TRACK B</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 14
<b>Session Chair</b>	Emery Yao, <i>University of Kentucky</i>	

### Competing in the Alliance Portfolio and Competing in the Marketplace: Alliance Dynamics Between Asymmetric Firms

Junichi Yamanoi, *University of Connecticut*  
Qing Cao, *University of Connecticut*

Prior research has implied that an alliance between a small firm and a large firm is likely to be unstable, yet little is known about how such an alliance will experience change. In this study, we examine antecedents to the likelihood that a small firm increases or reduces alliance strength with its large partner. We argue that such a change results from: 1) its competition with other firms within the same alliance portfolio of the large partner, and 2) its competition with rivals in the marketplace. Using longitudinal data on alliances between small and large department stores in Japan, we have found support to our theoretical framework.

### Does Competition Promote Environmental Investments? Retail Electricity Deregulation and Renewable Generation

Eun-Hee Kim, *George Washington University*

The central idea behind economic deregulation is that increased competition provides firms with incentives for greater efficiency. This paper explores how these incentives might bring about unintended consequences—negative environmental externalities—which could ultimately complicate the strategic choices of firms. It examines this question in the context of renewable electricity generation by electric utility companies in the US. In particular, I study how retail electricity deregulation, which allows retail customers to choose their own electricity suppliers, influences firms' investment decisions on renewables. I find that retail deregulation is associated with lower probability of entry into renewable generation by companies. Furthermore, once a company makes its initial investment, it tends to increase the share of renewables in its portfolio. Together, these findings suggest that the negative effect of retail electricity deregulation on renewables could persist past the initial period.

### Globalizing Through Alliances in the Fuel Cell Industry: The Influence of Country Inter-Connectedness and Homogeneity

Gurneeta Vasudeva, *University of Minnesota*  
Paul Almeida, *Georgetown University*

Based on a longitudinal study of firms' global fuel cell alliances, we examine the relationship between country configurations of firms'



alliance portfolios and their overall network centrality. Further we investigate the effect of firms' network centrality on their subsequent innovation and internationalization outcomes. Using a two-staged regression analysis, we find that firms' network centrality is positively related to the portfolio countries' technological homogeneity but negatively related to countries' interconnectedness. Central network positions in turn lead to greater innovativeness, and lower the need to internationalize at a rapid pace. Our findings point to the salience of country contexts within which firms locate their R&D partners and the significance of evaluating performance outcomes of alliance portfolios based on the linkages between the countries that they span.

### Selecting Competitive Benchmarks from Different Strategic Groups: The Role of Aspiration and Network

Kwangho Kim, *City University of Hong Kong*

This study investigates the boundary that strategic group can serve as a competitive benchmark. Although previous research has suggested that firms within the same strategic group are default benchmark target, this study argues that firms also select competitive benchmarks outside their own strategic groups because of aspiration and network considerations. Based on data analysis from the U.S. automobile industry, the preliminary results show that a firm relies more on others in the different strategic groups than on those within the same strategic group when the firm's vision is distinctive from its own strategic group members and when the firm's indirect ties are greater with different strategic group members than with its own strategic group members.

#### SESSION 179

### ENVIRONMENTAL DYNAMISM AND FIRM BEHAVIOR

<b>TRACK C</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 8

**Session Chair** Justin Jansen, *Erasmus University-Rotterdam*

### Contextual Ambidexterity - A Silver Bullet For Superior Performance: Investigating Environmental Moderators

Sven Kunisch, *University of St. Gallen*

Contextual ambidexterity, conceptualized by Gibson and Birkinshaw (2004) as a means to balance exploration and exploitation at a business unit-level, is presumed an organizational capacity which facilitates superior performance. In this paper, we not only seek for further empirical evidence for the contextual ambidexterity-performance relationship but also explore its boundary conditions, which have been disregarded thus far. Specifically, we advance the argument that the relationship is moderated by environmental factors. Drawing on three important characteristics of the external environment, we develop testable hypotheses respectively. Somewhat counterintuitive, the hypotheses suggest a certain conservatism in expectations with respect to the performance impact of contextual ambidexterity. The study mainly contributes to the ambidexterity research stream, as it aids surmounting indicated shortcomings in the literature.

### Intra-Industry Exits in Growing Markets: Endogenous Evolution of Firms' Geographic Scope

Lalit Manral, *University of Central Oklahoma*  
Kathryn Harrigan, *Columbia University*

The demand-side analysis of industry dynamics contained herein focuses on the dynamics of firms' endogenous horizontal scope decisions. The endogeneity of firms' horizontal scope decisions render it difficult to isolate their performance implications. Our data, which is drawn from a natural experiment, allows us to develop testable hypotheses concerning the exit behavior of firms. In a panel data setting of a horizontally fragmented industry we show how firms' exit is not a single event but one that plays out over a period as they contract. In a horizontally fragmented industry firms' exit decision is endogenous to their strategic choice of horizontal scope and thereby the investments underlying these choices. Horizontally diversified firms withdraw from certain segments before their eventual exit from the industry.

### Situational Determinates of R&D Innovation and the Moderating Effect of Slack Resources

Galia Rosen Schwarz, *Technion-Israel Institute of Technology*  
Zur Shapira, *New York University*

We extend the behavioral theory of R&D innovation along four lines; first, we broaden the scope of learning from performance feedback in terms of: motivation ( a focus on survival versus a focus on aspirations), time impact (short versus long term impact) and comparisons (self versus social comparisons). Second, we explore the direct impact of performance feedback on both R&D expenditures and R&D innovation and argue that this impact is conditional upon situational factors. Third, we consider the moderating effect of available slack resources on performance feedback learning. Finally, we complement former traditional industries studies and will test our propositions on a sample of 600 high tech firms traded in the US between 1988 and 2004, from 11 different industries.

### The Faster, the Better?: Knowledge Search Speed in the Fog of War for Industry Standard-Setting

Bongsun Kim, *Korea University*  
Eonsoo Kim, *Korea University*

Knowledge search speed can be a source of competitive advantage in knowledge-intensive industries. Prior studies have rarely dealt with search speed in knowledge domain and its interaction with environmental contingencies. Racing for an industry standard-setting creates a highly uncertain environment. This study examines how a firm's comparative search speed in knowledge-searching competition influences innovation performance, in an uncertain environment surrounding an industry standard-setting race. Since there is lack of prior research on the search speed and performance in the knowledge domain, we draw upon the market entry studies in the product/market domain as well as organizational learning theory and technology innovation studies. We argue that while fast search has a positive effect on innovation performance under high uncertainty, a negative effect under low uncertainty.



## SESSION 182

**COGNITIVE PROCESS UNDER UNCERTAINTY**

<b>TRACK C</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 11

**Session Chair** Rodolphe Durand, *HEC Paris*

**Cognitive Dynamics and Value Creation: Recognizing the Sequencing Trap**

Anjali Bakhru, *Middlesex University*  
Abhijit Mandal, *Middlesex University*

Should management pursue a balance in managing the trade-offs in value creation within the context of uncertainty? Our aim is to address the role of cognitive processes in influencing strategic choice through different modes of value-creation such as exploration and exploitation. We highlight the importance of sequencing in the context of the cognition-action-performance cycle, drawing specifically upon the need for both cognitive analysis and cognitive formulation. We show that the criticality of sequencing explains the prevalence of management trade-offs - and yet it diminishes their utility, constraining the potential for value creation.

**Leadership Strategies for an Uncertain World: Is Complexity Leadership Real? Is it Practicable?**

Jacqueline Fendt, *ESCP-EAP*  
Renata Kaminska-Labbe, *CERAM Business School Nice-Sophia Antipolis*

Inspired by complexity science, McKelvey and other scholars suggest Complexity Leadership, a different paradigm that frames leadership as a complex interactive dynamic, characterized by emergence and self-organization, from which arise such adaptive outcomes as learning, dealing with surprise, and innovation. We aim to confront this fairly recent construct with rich empirical data of 40 in-depth, narrative interviews of European Corporate CEOs, on leadership and learning behavior in situations of extreme complexity, recently gathered for a longitudinal study on strategic leadership and cognition in extreme situations. We lay down theoretical notions of coevolutionary dynamics, of complexity science and of complexity leadership. We then introduce in some detail our empirical material, propose and explain our research design and report on first results.

**Rethinking Strategic Consensus Theory: Embracing Uncertainty Calls for Both Agreement and Disagreement**

Page West, *Wake Forest University*

Strategy consensus research fails to account for three facets of the consensus-performance relationship: why consensus should invariably lead to superior performance; the need for top managers to agree on direction but also to challenge that direction; and the need to simultaneously measure how multiple individuals agree and disagree on multiple initiatives. These three facets prompt reconsideration of consensus theory and the methodologies to examine it. The present paper outlines foundations for the concept and measurement of consensus in social systems, and applies these ideas to top management teams. The ability of top managers to both differentiate and integrate among multiple strategic options enables firms to navigate complexity and achieve superior performance. We find empirical support for these ideas using a sample of technology-based firms.

**Strategic Opportunity or Trap: Can Corporate Political Activities (De)-Escalate Commitments**

Jan Siedentopp, *Free University of Berlin*  
Christian Goeke, *Free University of Berlin*  
Martin Gersch, *Free University Berlin*

We investigate the question if corporate political activities (CPA) as part of firms' non-market strategies can help deescalate commitments or if the contrary is the case. We question if the use of CPA is a strategic opportunity positively correlated to success in the market or rather a strategic trap. Using a mixed method design with a case study analysis in the German healthcare sector and a cross-sectoral quantitative analysis, we found that the answer is twofold: CPA can be a good means to support market strategies and long term market success. However, firms tend to invest too many resources in their non-market strategy side. As a consequence firms loose focus on their competitive market strategies side, e.g. customer satisfaction.

## SESSION 217

**DESIGNING ORGANIZATIONS TO SUSTAIN PERFORMANCE**

<b>TRACK E</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 7

**Facilitator** Jamal Shamsie, *Michigan State University*

**Complementarities in Organizations – An Empirical Review**

Edgar Ennen, *European Business School*  
Ansgar Richter, *European Business School*

The concept of complementarity and its role in the design of organizations has enjoyed increasing attention over the past twenty years. We provide a systematic review of the empirical studies on complementarities that considers the nature of the organizational design elements among which complementarities are found to exist, and the effects of complementarities in organizations. Our findings suggest that complementarities result from the skillful matching of heterogeneous resources but the empirical evidence on complementarities between a firm's resources and its organizational practices is not fully conclusive. We argue that complementarities exist within entire systems of organizational design elements. Therefore, future research should aim at uncovering complementarity effects among multiple design elements that capture organizational design systems better than a few selected design elements do.

**Dominant Logic - The Linkage between Management Cognition and Firm Performance: Preliminary Findings from an Empirical Study**

Artur Baldauf, *University of Bern*  
Karin Tremp, *University of Bern*

Exposed to a great number and variety of environmental influences managers face an excess of information. Due to the limited and selective attentional capability of human beings, managers meet this 'information challenge' by referring to mental models when interpreting complex situations and making decisions. Mental models facilitate decision making and allocate the attention of the managers. In strategically similar oriented (managed) business units, such mental models can result in a so-called (shared) dominant (general

management) logic. Survey data from top-managers of European firms largely confirm this assumption and thereby help to deepen not only our understanding of dominant logic but also performance differences of diversified firms.

## Elephants Cannot Jump! A Proposal for Overcoming the Threshold Effects by Technological Cooperation

Jean-Philippe Timsit, *IGS Business School*

The approach by the resources, or "Resource-Based View (RBV) conceives firms as a collection of idiosyncratic resources, whose purpose is to accumulate assets and skills to gain and / or protect a position on a recoverable market. We defend the idea that the accumulation of heterogeneous resources leads to threshold effects that are difficult to overcome. We show through an empirical study focused on technological cooperation with laboratories, that the firm can overcome these threshold effects by going through cooperation in technological resources. We will thus revealing three mechanisms: combination, acquisition and generation of resources.

## Implications of Internal Organization Structure for Firm Boundaries

Carmen Weigelt, *Tulane University*

Douglas Miller, *University of Illinois-Urbana Champaign*

The knowledge-based view (KBV) argues that internal organization structure influences a firm's ability to integrate and apply knowledge. Nevertheless, the question of how a firm's internal structure conditions its boundary choice for tasks of different complexity has received scant attention. We study the role that internal structure (decentralized accountability, incentive intensity, and lateral coordination) plays in firm boundary decisions. The findings show that internal structure affects firm boundaries and that internal structure (decentralized task accountability and incentive intensity) moderates the relationship between task complexity and vertical integration. The empirical setting is the U.S. banking industry.

## Reconfiguring the Activities: Internetworking and Value Creation in Value Chains

Ulas Burkay, *BI Norwegian School of Management*

Taking Internet as an enabler of conducting old functions with new methods at reduced costs, I demonstrate that how wide adoption of Internet enabled work practices, or internetworking, can affect activity configurations of the firms belonging traditional manufacturing industries. I bring a transactional value based explanation to the changes in boundaries of a business value system; in addition to the previous analysis which analysed effects of internetworking from a transaction cost viewpoint (Afuah, 2003). I forward five testable propositions about the possible structural effects of internetworking on the activity configurations of manufacturing firms given their strategic positioning.

## The Synergy of HR and Value Capture Strategy: Evidence From Service SMEs

Andreas Georgiadis, *Centre for Economic Performance*

Christos Pitelis, *University of Cambridge*

The aim of this study is to identify the main HR factors, value capture strategies and their complementarities that are associated with superior

performance of SMEs in the service industry using data from a large sample of businesses in the UK Tourism, Hospitality and Leisure (THL) sector. Our analysis suggests that the successful implementation of value capture strategies hinges critically on the skill, motivation and dedication of SMEs' employees. Accordingly the interactions of value capture strategies with human resources characteristics are expected to be major determinants of firm on profitability. Our provisional results provide support for the above.

### SESSION 216

## INDUSTRY EVOLUTION AND RESOURCE ARCHITECTURE

TRACK E	Date	Wednesday, Oct 14
Paper	Time	10:00 – 11:15 h
	Room	Meeting Room 4

Session Chair Michael G. Jacobides, *London Business School*

## Industry Evolution, Vertical Integration, and Innovation Over Successive Product Lifecycles

Constance Helfat, *Dartmouth College*

We address two unresolved issues with regard to vertical integration and firm boundaries. First, we address the specific question of the appropriate extent of vertical integration for a firm faced with a succession of technological changes in an industry. We show that the answer depends on the nature of the technological changes and how frequently they are likely to occur. Second, we address the general question of why vertically integrated and specialized (non-integrated) firms frequently co-exist within industries at a given point in time and over time. We suggest one possible answer to this question in the context of technological change. To address these questions, we develop a simple, stylized conceptual model of the firm's choice of whether or not to be vertically integrated at different points in the lifecycle of an industry. We illustrate these points with examples from different industries, including semiconductors and automobiles.

## Successful Patterns of Resources and Attention Allocation in Times of Discontinuous Change

Daniela Blettner, *University of Southern Mississippi*

Philipp Tuertscher, *University of St Gallen*

Richard Bettis, *University of North Carolina-Chapel Hill*

In order to survive or even grow in times of discontinuous changes in the environment, firms need to adapt. While adaptation of resource allocation has been studied extensively, only a few studies have examined the adaptation of firms' attention in response to discontinuous change. In this study, we compare and contrast the patterns of allocation of resources and attention as a function of performance along three dimensions: timeliness, magnitude, and persistence of adaptation. We show the importance of the interaction of resources allocation and attention allocation and discuss implications for theory and practice.

## Survival of the Fittest? Corporate and Location Effects on Firm Dynamics in Paper Mill Industry

James Costantini, *INSEAD*

A basic notion is that competitive interactions result in better firms surviving and growing, and weaker firms stagnating and exiting. The heterogeneity of competitive advantage across firms at a point in time in part reflects the time taken for firm dynamics to unfold, including



entry, exit and growth. I consider the effect of corporate scope and location on these firm dynamics: the pattern of diffusion of capacity upgrades across firms; and which firms enter and exit and the timing of entry and exit. I analyze these issues in the context of the European paper mill industry. I aim to contribute to understanding the extent to which corporate scope and location affect entry, exit and growth dynamics across firms and thereby affect firm competitive advantage.

### Value Chain Dynamics: From Scope to Profit Evolution, Given Modular and Architectural Innovations

Michael G. Jacobides, *London Business School*  
 Francisco Veloso, *Carnegie Mellon University*  
 Claudio Wolter, *Carnegie Mellon University*

The question of how, in an increasingly uncertain environment, firms choose their scope, is far from being settled. This paper builds on and extends recent research, and considers how different capabilities, transaction costs, and dynamic conditions (such as learning dynamics) interact to drive not only vertical scope, but also the resulting profits in a sector. We also consider how innovation affects both scope, and profit distributions, distinguishing between the impacts of modular and architectural innovations that either sustain or change the scope of firms, and re-shape profits in a sector.

SESSION 232

### STAKEHOLDERS IN THE CORPORATE GOVERNANCE EQUATION

<b>TRACK F</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 10

**Facilitator** Anja Tuschke, *University of Munich*

### A Behavioral Theory of R&D Investments and Institutions

Ali Shahzad, *University of Oklahoma*  
 Parthiban David, *University of Oklahoma*

We employ the behavioral theory of the firm (BTF) to explore the role of institutions in shaping managerial aspirations affecting R&D expenditures by the firm. We propose that the predictions of extant theory apply strongly to institutional contexts in developed economies, but require revisions for less developed economies. We test our hypothesis using data on firms in 80 industries drawn from 53 countries with varying levels of institutional protection of stakeholders. We find that there are systematic differences in the search behavior of firms across the globe. BTF predictions of increased R&D expenditures in response to the performance-aspiration gap are strongest in countries whose institutional context is similar to the United States and weaker in institutional contexts that provide greater protection of stakeholders

### Change From Without: The Dutch (Non)Response to Pressures for Shareholder Value

Pieter-Jan Bezemer, *Erasmus University-Rotterdam*  
 Frans A.J. Van Den Bosch, *Erasmus University-Rotterdam*  
 Henk W. Volberda, *Erasmus University-Rotterdam*

Recently, strategy scholars and practitioners have witnessed an increasing attention for the Anglo-American shareholder value model worldwide. The adoption and implementation as well as performance

implications of this new model in a stakeholder oriented context have, however, been topic of societal debate. Using a sociopolitical perspective, we examine to which extent the ownership structure of Dutch listed firms has influenced the espousal and implementation of a shareholder value orientation. Using panel data of top-100 listed Dutch firms from 1992 to 2006, we find that while Dutch corporate owners have limited the inclination of companies to implement Anglo-American ideas, corporate “outsiders” (Anglo-American investors and the pro-business Dutch government) have positively influenced the espousal of a shareholder value orientation among firms. We discuss strategy and performance implications.

### Factor Analysis on CSR Activities and Financial Performance for European and North American Companies

Toshio Ariu, *Central Research Institute of Electric Power Industry*

It is desirable to clarify a priority and performance for the contents of CSR activities as global standard. We carried out a questionnaire survey on measures for CSR activities, and obtained responses from 271 companies in Europe and North America. Based on factor analysis, we extracted 17 characteristics from CSR activities like corporate governance, employee management, environmental protection and community commitment. Among these characteristics, it was shown that there were significant mutual relationships between acceptance of employee proposals and stakeholder engagement or philanthropic organization, etc. Finally, this paper pointed out that there were some cause and effect relationships between these 17 CSR characteristics and indicators of corporate performance, such as ROA, Tobin’s q, growth rate, and profit stability.

### Strategic Governance for Sustainable Competitive Advantage

Lisa Papania, *Simon Fraser University*

The development of corporate governance theory is an increasingly important area of strategy research. Much of the extant literature focuses on uncovering the relationship between board composition and firm performance. As a result, general rules about board size and independence for most firms have become accepted. However, it appears that existing hypotheses about governance structures, especially for innovative small publicly-traded firms, are inadequate for predicting governance practices or their impact on firm success. Therefore we propose a theoretical model of corporate governance that positions board composition not as technical specification to be optimized, but as a component of corporate strategy that enables the firm to balance the needs of external stakeholders and internal opportunities to achieve sustainable competitive advantage.

### The Controlling Mechanism of Supervisory Boards and Block-Holders in a Two-Tier System

Jana Oehmichen, *University of Karlsruhe*  
 Marc Steffen Rapp, *Technical University of Munich*  
 Michael Wolff, *University of Karlsruhe*

Times of increasing uncertainty make the risk of incorrect management decisions more important for share- and stakeholders. Therefore the interest in efficient control mechanisms comes back to fore. Control mechanisms can be internal via board members or external via blockholders. We investigate how these mechanisms affect strategic decisions. For some decisions we expect a strong blockholder to substitute

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the importance of board efficiency. We examine this hypothesis based on a hand-collected panel data-set consisting of some 1,110 firm year observations between 2004 and 2007 from Germany containing more than 5,600 supervisory board members. We consciously choose Germany as basis since both control measures are clearly separable from other corporate governance effects and therefore easy to measure for the German corporate governance system.

### White Knight or Trojan Horse? Sovereign Wealth Fund Investment in US Firms

Karen Schnatterly, *University of Missouri*  
 Stephen Ferris, *University of Missouri*  
 Scott Johnson, *Oklahoma State University*

This study examines the investment practices of sovereign wealth funds. Using publicly available data on the stock purchases by SWFs, this study will provide initial empirical evidence regarding two important public policy questions. The first concerns whether sovereign wealth funds invest for profit or if they invest for the pursuit of non-commercial goals such as political influence or control of strategically critical infrastructure. The second question posed in this study is that of investor voice, and if sovereign wealth funds induce meaningful changes in corporate financial, operating or governance strategies following their equity purchases. The findings of this study have important implications regarding the relation between international capital markets, corporate governance and public policy.

#### SESSION 227

### CORPORATE STRATEGY & DIVERSIFICATION

<b>TRACK F</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 3

**Session Chair** Todd Alessandri, *Northeastern University*

### International Diversification and Managerial Ownership: Balancing Managerial Risk

Todd Alessandri, *Northeastern University*  
 Anju Seth, *Virginia Tech*

The linkage between diversification and managerial incentives has been the subject of considerable debate. Managerial ownership is one form of governance used to control managerial tendencies toward value-destroying industrial diversification. However, the linkage between international diversification and managerial ownership has received little attention. In this study, we explore the effects of changes in international diversification on managerial ownership. In addition, we explore the interaction effects of industrial diversification on this linkage. We use a managerial risk perspective to motivate our hypotheses. Our findings indicate a positive relationship between change in international diversification and managerial ownership. This relationship is positively moderated by industrial diversification. Lastly, we found no support for changes in managerial ownership influencing international diversification.

### Skill, Luck, and Reputation in Product Diversification Decisions: Evidence From Hedge Funds

Evan Rawley, *University of Pennsylvania*  
 Rui De Figueiredo, *University of California-Berkeley*

This paper examines how skill, luck and reputation influence firm product diversification decisions. We hypothesize that skill and luck drive firm performance and reputation. However, conditional on current reputation, future expected reputation effects reduce the attractiveness of product diversification for lower ability firms. We test these predictions using a large panel dataset on the global hedge fund industry. Our key results show that within-fund changes in returns are negative following diversification, but post diversification returns are 15-20 basis points per month higher in multi-fund firms compared to a matched control sample of focused firms. We interpret the results as evidence that firms exploit asymmetric information about their own ability to time new product launches, yet, reputation effects limit product diversification opportunities for lower ability firms.

### The Effects of Uncertainty on the Performance of Diversification Strategies

David Bryce, *Brigham Young University*

In this paper, we explore the impact of uncertainty on the performance of diversification strategies. Uncertainty arises from at least two sources in the decision to diversify: Uncertainty about how a firm's existing resources relate to those required in potential targets; and uncertainty about the profits available to the firm from entering potential targets. The costs of uncertainty are examined by comparing performance under optimal diversification to performance under decision heuristics that are likely to be employed by firm actors seeking to manage uncertainty. We show that sources of uncertainty can have a significant impact on the profitability of diversification strategies and discuss how choice of decision heuristic in choosing markets can mitigate some of this uncertainty.

### The Relative Size Effect on Capital Allocations

David Bardolet, *Bocconi University*  
 Dan Lovallo, *University of Sydney*  
 Richard Rumelt, *University of California-Los Angeles*  
 Craig Fox, *University of California-Los Angeles*

We investigate the effect of the relative size of a business with respect to the size of the rest of its corporation on capital investment behavior. We find higher investment when a business is smaller relative to the rest of its firm, holding everything else constant. This result agrees with the claim that multi-business corporations are inefficient in allocating capital and suggests that managers might be biased toward even allocations. We offer a behavioral account to explain this phenomenon, namely "naïve diversification", an alternative to the agency-based account proposed in the literature. Existing agency-based models do not readily explain the relative size effect. The conclusions of this paper are relevant to how organizational structure and psychological biases can affect investment behavior.



SESSION 146

**GLOBAL KNOWLEDGE SEARCH**

<b>TRACK G</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 15

**Session Chair** Michael A. Hitt, *Texas A&M*

**Competitive Channels and Corporative Channels of MNC Local Technology Sourcing**

Akie Iriyama, *University of Buffalo*  
Sean Tsuhsiang Hsu, *University of Pittsburgh*

We seek to conceptualize and synthesize two important channels of MNC technology sourcing from local organizations, i.e. corporative channels and competitive channels. The former includes alliances and technology licensing, where both technology sourcing firms (MNC subsidiaries) and technology origin firms (local firms) have an agreement of the technology transfer. The latter includes job-hopping and reverse engineering, where technology is leaked without intention of technology origin firms. Drawing from the learning theory, we argue that two channels differ in their effectiveness to MNC subsidiary's performance, depending on several firm/environment contingencies. Using the large-scale survey data of Taiwanese MNC, we test the hypotheses developed from our theoretical argument. Our study draws important contributions to the international business literature as well as the broad management literature.

**Search in a Distant Land: An Organizational Learning Perspective of Internationalization and Exploratory Knowledge Search**

Toyah Miller, *Indiana University*  
Michael A. Hitt, *Texas A&M University*

Research in international business and strategy emphasizes the acquisition of knowledge as an outcome of foreign expansion, and multiple research perspectives have viewed organizational experience an indicator of learning. We extend organizational learning theory to examine empirically how internationalization influences exploratory search, and explore how the rate and pattern of the firm's expansion path moderates this effect. In a longitudinal study of pharmaceutical firms, this study reveals that depth of international experience, speed of internationalization, and institutional distance moderate the relationship between internationalization and exploratory search. This study provides important contributions to the fields of strategic management, international business, and organizational learning.

**The MNE Knowledge Transfer Process Seen as Co-Evolution: Evidence from a Longitudinal Study**

Stephanie Hurt, *Meredith College*

We report the findings of a longitudinal study of retailers setting up operations in Poland seen through the lens of international management knowledge transfer. We draw on our findings to demonstrate that knowledge transfer can no longer be considered unidirectional but more correctly as multi-directional and multi-level, where knowledge is exchanged between the host country (HC) national and societal level, the industry level and the organizational level, i.e., the internationalizing firm. This knowledge exchange leads to co-evolution where both the internationalizing firm and the host country (HC) acquire new knowledge and alter their behaviors. The firm, after attempting to replicate its

model, learns to generate a hybrid model, affects and is affected by HC evolution, and transfers its learning back to the home office.

**Unpacking International Organizational Learning: The Impact of Firms' Internal Knowledge Processes on New Market Entry Strategy and Performance**

Michael Lord, *Wake Forest University*  
Annette Ranft, *Florida State University*  
Paul Nagy, *Florida State University*

This study addresses a significant gap in the literature by examining variations in firms' internal diffusion and integration of new international market knowledge, including the impact on critical variables such as strategic entry mode choices and performance. We find significant effects of these intra-firm knowledge processes on both strategic choice and performance. Firms appear to vary widely in terms of how, how much, or how quickly they learn about new international markets, and in the benefits or disadvantages they realize accordingly. Our findings have direct implications for both the research and practice of international expansion and new market entry, as well as for planning and execution of global strategy and knowledge management more generally.

SESSION 154

**KEY ACTORS IN STRATEGY PROCESSES**

<b>TRACK H</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 2

**Session Chair** Markus Kreutzer, *University of St. Gallen*

**Behavioral Aspirations or Adaptive Expectations**

Arkadiy Sakhartov, *Purdue University*  
Timothy Folta, *Purdue University*

It has been frequently argued that organizations satisfice in their strategic decision-making. However, the evidence around aspirations is not only sparse, but it suffers from one of the fundamental criterion for a strong test of theory as mentioned by Stinchcombe (1968: 20) – it does not “consider the alternative theories which might be explanations” for the observed phenomena. We contribute in two ways. First, we illuminate the theoretical overlap between satisficing and maximizing behavior, and specify how empirical attempts have neglected to address it. Second, we demonstrate the contexts where maximizing and satisficing strategies give similar predictions, thus highlighting how aspirations might be diagnosed, when in fact, maximizing behavior is present. To accomplish this second objective we use simulation.

**Does Employee Stock Ownership Affect Company Performance in Dynamic Industries**

Simon S. Torp, *Aarhus University*

Employee Stock Ownership (ESO) schemes have been widely discussed in the financial literature as a solution to agency problems. In dynamic industries high employee participation in the strategy process increases company performance. This study analysis the effect of ESO on participation in the strategy process defined as participation in decisions or distributed decision authority. The paper also analysis if companies in dynamic industries are more likely to implement ESO and if the effect of ESO on company performance is increased and if this effect is increased concurrently with a higher level of participation in the scheme. Most research on ESO has been done on listed companies.

This paper analyze if there is any difference between the participation and performance effect between listed and unlisted companies.

### Profiling Dimensions for Executive Strategic Decision-Makers Personalities

Rebekka Sputtek, *University of St. Gallen*

Upper echelons theory describes that executives are influenced by their personalities in strategic decision- making. However there has been demand for more direct measures of strategic decision makers' personalities. In this paper, profiling dimensions for strategic decision-makers personalities are defined. Our central argument is that the grouping of the dimensions inherent in core self evaluation and narcissism combined with sensitivity to criticism capture those elements of personality especially relevant in strategic decision-making behavior of top executives. We contribute to research on strategic decision-making by defining the personality of top executive decision-makers as (1) self esteem, (2) generalized self efficacy, (3) emotional stability, (4) locus of control, (5) exploitativeness/entitlement, (6) leadership/authority, (7) superiority/arrogance, (8) self absorptions/self admiration and (9) sensitivity to criticism.

### Senior Management Competences in Project Portfolio Management: An Interpretive Study in Financial Services

Mariano Garrido-Lopez, *Cardiff University*  
Véronique Ambrosini, *Cardiff University*

Effective strategy consists of choosing to do the right things. Strategic execution results from executing the right set of strategic projects in the right way. This is the realm of Project Portfolio Management (PPM). Senior managers usually participate in PPM governance committees, where they make decisions around the planning, prioritization, selection and management of the corporate project portfolio. This paper presents a field study of senior managers' conceptions of their PPM work in financial services multinational companies. The interpretive research approach known as phenomenography was applied to the study of their conceptions. Analysis of the interviews revealed different conceptions of PPM work, each with multiple attributes. Thus far, the conclusions point to the existence of a hierarchy of conceptions in PPM work.

#### SESSION 211

### KNOWLEDGE TRANSFER

<b>TRACK I</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 12
<b>Facilitator</b>	Robert Grant, <i>Bocconi University</i>	

### Best Practice Transfer: Resolving the Replication vs. Adaptation Puzzle

Adeline Thomas, *Free University Berlin*  
Matthias Meier, *Free University Berlin*

Best practice transfer poses an organizational challenge, especially across heterogeneous contexts. Though adaptation is ultimately desirable, the prevailing studies indicate that it is very problematic. Therefore, scholars frequently suggest adaptation's delay in favor of accurately replicating the practice first. We challenge this position

arguing that different situations demand different transfer approaches. In order to establish this argument, we integrated previous research on the replication and adaptation of best practices to present a coherent transfer theory including four propositions to be tested in future research. We expect that the chosen transfer approach will depend on three interdependent factors: context-dependence, context-disparity and the firm's level of understanding. Our model thereby identifies situations requiring replication and adaptation respectively, while also clarifying what determines the adaptation extent and timing.

### Between Availability and Exploitation: Inter-Organizational Interaction, Knowledge Transfer and Value Creation

Simone Santoni, *University of Bologna*  
Andrea Lipparini, *University of Bologna*

This study focuses on the factors that foster an effective knowledge transfer among organizations operating in dynamically-competitive market environments (Grant 1996). Drawing on social capital theory, strategic alliances literature and the knowledge based view of the firm we attempt to show the relative importance of a series of sociological antecedents of knowledge transfer activities. Furthermore we suggest that knowledge transfer activities represent the 'glue' keeping together the socio-technical system underlying a set of organizations and the value creation process occurring at firm level. The set of hypothesis was tested on primary data about an inter-organizational community of high-tech firms.

This preliminary result suggests that network centrality positively influences the performance of the firm, however its role is fully mediated by fine-grained knowledge transfer activities.

### Knowledge Transfer and Role Changes: A Case Study of an International Professional Service Firm

Sverre Tomassen, *BI Norwegian School of Management*  
Randi Lunnan, *BI Norwegian School of Management*

In many cases, subsidiaries are assigned or create roles as knowledge hubs and premise providers in MNCs. However, over time the roles may shift due to changes in the environment, modifications in the headquarters strategies, or changes in subsidiary initiatives. These transformations are often confronted with major obstacles as former central hubs may be reluctant to cede influence resulting in power games with time consuming bargaining among actors within the MNC. Through the lenses of organizational justice and the network perspective, role changes may affect knowledge management and financial performance through perceptions of fairness and already established network structures. Based on longitudinal research we are able to look into the changes taking place in this company, and speculate about the possible effects of these changes.

### Managing Knowledge Transfer in New Environments: A Study of Chinese Firms

Feng Tian, *University of Newcastle-Australia*  
Julian Lowe, *University of Ballarat*  
David Lynch, *University of Ballarat*

The paper reports on a research study of knowledge acquisition by Chinese firms involved in collaborative ventures with foreign enterprises. The study uses 152 Chinese businesses located around the cities of Shenzhen and Shanghai and examines how the successful transfer of knowledge into recipient (or learner) companies occurs and



whether management interventions in that process can significantly improve successful knowledge absorption and exploitation. The study uses a multivariate modeling approach to examine the impact of various factors on successful knowledge transfer. It finds that absorptive capacity (ACAP), as conceptualized by Cohen and Levinthal (1990) and developed by Zahra and George (2002), and the structural antecedents associated with the knowledge to be transferred, have a significant effect on successful knowledge transfer. However the strength of communication relationships adds significantly to successful learning by recipient companies. This is similar to the social integration mechanisms proposed Zahra and George (2002).

**The Cost of Knowledge Transfer: Disruptive Effects of Transferring Environmental Knowledge Among Business Units**

Luis Diestre, *Instituto de Empresa Business School*  
 Rui Wu, *University of Southern California*

Current research on knowledge transfer often assumes scale-free knowledge, or the sending party remain intact after knowledge transfer. We challenge this assumption and propose a new perspective about the disruptive impacts on the performance of the knowledge sender. We argue that, in intrafirm knowledge transfer, a sender may suffer from losses of strategic resources when transferring key inputs to another business unit. Senders' performance is also affected by two types of distance between the sender and the recipient: geographic and technological distance. Proximity on both distances increases the impacts of knowledge transfer on the sender's performance, operationalized as environmental efficiency. We test our hypotheses in a longitudinal sample of public US manufacturing firms from 1995 to 2005.

**The Motivational Foundations of Knowledge Transfer**

Petra Nylund, *IESE Business School*

If the firm is a superior vehicle for tacit knowledge (Kogut & Zander, 1993), how come knowledge with a large tacit component is transferred outside the firm? In this paper, I investigate why firms are small in industries with high use of tacit knowledge. I thus go outside the much used setting of the multinational enterprise, and can explain a dimension of the firm boundaries which has previously not been investigated. I recur to the motivational micro-foundations of knowledge transfer and hypothesize that firm boundaries depend on the degree of interesting knowledge, i.e. knowledge which holds the attention of the recipient. I find empirical support in quantitative data. The practical implications include contextualization of knowledge to make it more interesting.

SESSION 215  
**KNOWLEDGE-BASED STRATEGIC INTERACTION**

<b>TRACK I</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 16

**Session Chair** Francesco Baldi, *University of Rome*

**Does Innovation Hinder or Promote Corporate Political Strategy? Strategic Choice and Resource Dependence Perspectives**

Mine Ozer, *SUNY-Oneonta*  
 Livia Markoczy, *University of Texas-Dallas*

Building on strategic choice and resource dependence perspectives, this study examines the relationship between the non-market strategic choices of investing in political strategies and other market oriented strategic choices, such as investing in innovation. In particular, we investigate whether innovation and corporate political strategies are alternatives, or complementary to each other. We further examine whether the relationship between innovation and corporate political strategy depends on industry context and firm characteristics. Based on a sample of 745 U.S. manufacturing firms during the period 2000-2002, we find that corporate political strategies tend to be complementary to innovation strategies as opposed to an alternative to such a choice.

**How Do Internal Openness and External Openness Affect Innovation Capabilities and Firm Performance?**

Yi-Ching Wu, *National Tsing Hua University*

Open innovation is a paradigm that assumes firms should use external ideas and internal ideas, as they advance their technology and competitive advantage, and by implication, their performance. About explaining an openness strategy, this study clearly defines external openness, a search for external channels of information used to innovate, and internal openness, a kind of open culture within a firm. However, the process of turning innovative ideas into performance should be concerned firms' innovation capabilities. Thus, this empirical study explores the relationship among external openness, internal openness, innovation capabilities and performance, and examines the mediating effect and the moderating effect. It used an international survey, executed by the MINE program, to demonstrate the value of harmonizing external openness with internal openness for favorable manager decisions.

**Patent Leveraging Strategies: Fight or Cooperate?**

Francesco Baldi, *University of Rome*  
 Lenos Trigeorgis, *University of Cyprus*

We consider a dynamic notion of strategy involving the use of a menu of patent leveraging strategies enabling the firm to switch among compete, cooperate or wait modes that may prevail under different future demand scenarios, depending on the relative competitive advantage of the firm's patented innovation vis-à-vis the rival's existing technology. Besides traditional patent licensing, we consider circumstances under which strategic patenting is best used in a fight mode (patent wall or bracketing), or in a cooperate mode (cross-licensing). Hybrid strategies may result, involving switching from one fight mode to another (from patent wall under intermediate demand to bracketing as demand rises under large advantage) or from a fight mode to a cooperation mode as demand rises further or cost advantage gets small.

**Uncertainty or Candor? The Impact of Tacit Knowledge and Open Strategy Implementation on Competitive Advantage**

Philippe Byosiere, *Doshisha University*  
 Denise Luethge, *Northern Kentucky University*

This paper investigates how strategy implementation affects domains of competitive advantage based on the perceptions of 998 managers in a large multinational consumer goods firm. The importance of different sources of tacit knowledge influencing the strategy implementation-



competitive advantage relationship is assessed between the headquarters (597 managers) and the divisions (391 managers). Results indicate strong positive effects of "open strategy implementation" on all domains of competitive advantage. Only HQ-based managers reveal moderate positive effects of "top management implementation strategy" on technology, marketing and financial performance competitive advantage. The impact of tacit knowledge on competitive advantage is limited to managers at the divisions with "specialist tacit knowledge" and "intra-firms tacit knowledge" the firm's competitive advantage in terms of technology, marketing and corporate profile.

## SESSION 119

**A STRATEGY AS PRACTICE AGENDA**

<b>TRACK J</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Auditorium

**Session Chair** Ludovic Caillaud, *University of Toulouse*

**A Practice View of Strategic Planning in a Unit Within a Complex Multi-Business Firm**

Chatchai Thnarudee, *University of Canterbury*  
Paul Knott, *University of Canterbury*

A crucial limitation of research on strategic planning is that it has always viewed strategic planning as a single process in a corporation. In practice, strategic planning in complex multi-business corporations has evolved into a network of multi-level and multi-unit strategic planning processes. This makes it challenging for managers and strategists to undertake the activities needed to run those strategic planning systems effectively. In this paper, we present a qualitative study that shows how strategy practitioners in a unit within a complex M-form corporation collaborate with each other to align and integrate strategies in the unit with those of the corporation. Our analysis sheds light on the interplay of strategy practices and praxis as practitioners enact strategic planning within a multi-level and multi-unit environment.

**Practice Theory Approach to Strategic Marketing: Unpacking Paradoxes of Strategy Work**

Sari Stenfors, *Stanford University*  
Paavo Järvensivu, *Helsinki School of Economics*  
Johanna Moisander, *Helsinki School of Economics*  
Henrikki Tikkanen, *Helsinki School of Economics*

This paper brings clarification to paradoxes in everyday managerial practice by looking at strategic marketing as an organizational practice. Drawing on the 'practice turn' in contemporary social theory and the literature on strategy-as-practice, the paper works towards a new theoretical perspective on strategic marketing. This perspective is illustrated by means of a case study of strategizing in a small start-up company, in the context of new business development in waste management. The study focuses on the immanent logics of practices that are drawn upon in talk and interaction during strategy meetings, and that orient the carriers of these practices towards markets and customers. Overall, this paper builds a framework to understand practical attractiveness of different marketing strategies and ways organizations respond to uncertainty and opportunities.

**Strategy Implementation in Practice: A Multifaceted Phenomenon Consisting of Formal and Informal Ingredients**

Joerg Dederichs, *University of Surrey*  
Laura Costanzo, *University of Surrey*

The recent practice turn in strategy research (Johnson et al., 2007; Whittington, 2006) understands strategy as a highly interwoven social activity. This study examined the praxis of strategy implementation in a subsidiary of a multinational organisation with a particular interest in the relevance of formal and informal processes. Using a single-case study approach the preliminary findings suggest that strategy implementation is not only a formal and detached process but also an informal and social process. Extending previous research, the study indicates that lower level management is more concerned with formal processes whereas senior management is more concerned with informal processes; indicating a reciprocal relationship in which senior management acts via informal processes as an enabler to formal processes.

**Strategy in Practice: Understanding Processes and Outcomes through the Richness of Corporate Archives**

Ludovic Caillaud, *University of Toulouse*  
Matthias Kipping, *Schulich School of Business*

Through an in-depth case analysis this paper extends the social perspective on strategy making to the outside of organizations and to the outcomes of strategy processes. It takes into account a variety of external actors (governments, competitors, cartels) and the relationship between internal and external actors. The research is based on a longitudinal case study of the aluminium industry, using the richness of corporate archives. The paper participates in developing a very promising area of research of strategy-in-practice - the relationship between extra-organizational actors and strategy praxis - that has been relatively neglected until recently. In addition, it provides additional methodological avenues for the study of decision making processes, which has so far relied largely on participant recall or observations in using the rich material available in corporate archives, which include confidential memos, reports, minutes of meetings as well as correspondence between actors.

## SESSION 105

**CURRENT RESEARCH ON SERIAL ENTREPRENEURS AND MARKET MAKERS**

<b>TRACK K</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room5

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

**Performance Differentials Between Returnee and Homegrown Entrepreneurs in China**

Haiyang Li, *Rice University*  
Yan Zhang, *Rice University*  
Li-An Zhou, *Peking University*  
Weiying Zhang, *Peking University*

Do returnee entrepreneurs from overseas perform better than their homegrown counterparts? In this study, we draw upon the resource-based view and the institutional theory and examine how and under what conditions returnee entrepreneurs may outperform homegrown



entrepreneurs in an emerging market. With a sample of Chinese technology ventures, we find that while on average new ventures headed by returnee entrepreneurs outperform those headed by homegrown entrepreneurs, the performance differentials are context specific. Our results suggest that returnee entrepreneurs are more likely to create value when they are in an institutional context that is similar to that in their host developed country in which they have developed their capabilities and skills.

### The Entrepreneur As Market Maker: A Focus on Consumer Value Creation and Entrepreneurial Action

Douglas Johansen, *Florida State University*  
Tim R. Holcomb, *Florida State University*

Value creation is a central concept in the entrepreneurship literature examining entrepreneurial action. Whether conceptualized as new products or services, entry into new markets, or the creation of a new venture, consumers perceiving benefits from entrepreneurial action is essential to success. In this regard, consumers are the arbiters of value, validating the subjective benefits these actions are thought to produce. Therefore, success depends in part on consumers' perceptions of the value they will realize, which in turn affects their willingness to pay. Despite their central role, consumers have received little attention in the entrepreneurship literature. In this study, we examine entrepreneurial action pertaining to the creation of value for consumers. Specifically, we develop theory to explain the "market making" role of the entrepreneur.

### The Second Time Around? Repeat Entrepreneurs from MIT

Charles Eesley, *Stanford University*  
Edward Roberts, *Massachusetts Institute of Technology*

In this paper we explore the factors that condition the likelihood that an entrepreneur starts a second firm. We use data from survey responses of 1,789 entrepreneurs to examine firm founding behavior. Results indicate that "repeat" entrepreneurs differ from single-firm entrepreneurs in certain demographic and educational characteristics prior to starting a first firm. The phenomenon of graduates embarking on careers of repeat entrepreneurship appears to be growing over time. The results also show that the first firms of eventual repeat entrepreneurs differ from the first firms of single-firm only entrepreneurs. The paper indicates that those entrepreneurs with the highest probability of starting a second firm have greater time and access to financial resources to undertake a new venture.

### Where Do We Go From Here? Entrepreneurial Recovery and Re-Start After Failure

Alan Boss, *University of Maryland*  
J Robert Baum, *University of Maryland*  
Henry Sims, *University of Maryland*

Eventually, everyone experiences failure. Entrepreneurs, especially, have a high incidence of failure, with estimates that over 60% fail within six years. Yet, a high percentage of failed entrepreneurs recover and start another business. What characteristics of entrepreneurs help them to recover from failure? Based upon fundamental theories of human behavior and recent inquiries that have influenced the entrepreneurship literature, we propose that four areas of research can lead to a path to recovery, namely, (1) entrepreneurial self-efficacy, (2)

emotion regulation, (3) practical intelligence, and (4) self-leadership. We suggest that these areas of research may enhance our knowledge of how entrepreneurs recover from failure.

#### SESSION 112

### THE IMPACTS OF DIVERSIFICATION ON ENTREPRENEURIAL VENTURES

<b>TRACK K</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	10:00 – 11:15 h
<b>Paper</b>	<b>Room</b>	Meeting Room 13
<b>Session Chair</b>	Todd Zenger, <i>Washington University-St.Louis</i>	

### Big Expansions, Monopoly Markets and the Survival of de Novo Entrants

Terence Fan, *Singapore Management University*

This paper challenges the misconception that high growths automatically enhance the survival of de novo entrants, and cautions managers of de novo new entrants against too aggressive a production increase over a short time frame. Instead of narrowing the gap in production scale with incumbents and galvanizing employees through ambitious target, aggressive expansions in production can subject new entrants to increased survival hazards should demand fall below expectations. Empirical evidence from the intra-European airline industry confirms the significant survival risk incurred by the biggest and most aggressive production expansions. Meanwhile, exploring and continuing production in monopoly markets are shown to significantly reduce the survival odds of de novo new entrants.

### First-Time Diversification and Survival of Young Firms

Rui Baptista, *Technical University of Lisbon*  
Murat Karaöz, *Technical University of Lisbon*  
Joao Leitao, *Technical University of Lisbon*

Diversification of young, small firms has deserved little study. In particular, it has not been clarified by the literature whether the use of such strategy in early years makes any significant contribution to firm survival. We investigate the effect of first-time diversification and expansion by young firms on survival. We find that the decision of new firms to diversify for the first time significantly increases survival probability. We find that young firms expanding into the same industry by creating a new establishment are more likely to survive than those who do not (regardless of overall size). However, young firms diversifying into other industries have a significantly higher chance of survival than start-ups expanding into the same industry. These results suggest that diversification may be a life-saving strategy for start-ups.

### Internal Network and Diversification: Empirical Evidence From Family Business Groups in Taiwan

Hsi-Mei Chung, *I-Shou University*  
Hung-Bin Ding, *Loyola College-Maryland*

Diversification is a major strategic choice. As diversification strategies supported by strong organizational knowledge base are more likely to succeed, firms seeking diversification opportunities would search for new information to complement their existing expertise. However not all organizations are equipped with the same ability to process and to acquire external knowledge when considering diversification decisions. In this research, we focus on family business groups to examine the

relationship between diversification and the internal network with a family business group. Using panel data of family business groups in Taiwan, the results of our analysis suggest that internal network within a firm affect its propensity to diversify. However, delegation and participation in public affairs are positively correlated with the degree of diversification.

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### **Performance Implications of Product/International Diversification in SMEs: New Evidence**

Maria J. Sanchez-Bueno, *University of Salamanca*

Fernando Muñoz-Bullon, *University Carlos III-Madrid*

We examine the joint effect of product and international diversification on the performance of small and medium enterprises (SME) in Spain over the period 1993-2006. The evidence reveals the existence of a negative relationship between geographic expansion and profitability. In turn, the adoption of both product and international diversification is not associated with higher performance. These results suggest that although diversification may be a relevant strategy for small businesses, the distinctive particularities of the latter — e.g., limited resources, lack of previous experience in the adoption of new products and accessing new markets — might constrain this alternative for business growth. As a conclusion, Spanish SMEs should overcome their shortcomings before adopting diversification.



SESSION 246

**STRATEGIC RESPONSES TO TURBULENT ENVIRONMENTAL CONDITIONS**

<b>TRACK A</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 10
<b>Facilitator</b>	Stephen Tallman, <i>University of Richmond</i>	

**Managing Strategic Risk: Exploring the Role of Innovation**

Torben Juul Andersen, *Copenhagen Business School*

Turbulent business conditions accentuate the need for strategic response capabilities. This extends conventional risk management perspectives to consider both the ability to gain upside potential and circumvent adverse effects from environmental change. Hence, we argue that effective strategic risk management outcomes are associated with investment in innovation supported by a conservative capital structure. An analysis of 896 companies provides initial support for this proposition.

**How Helpful Can the Uncertain World be?**

Denise Fleck, *Coppead/University Federal-Rio de Janeiro*

This paper submits that when the earth is included among the organization's stakeholders, the uncertain world can help the organization to develop a propensity to long-term success. Organizational success is examined in the context of organizational archetypes of success and failure (Miller & Friesen, 1977; Fleck, 2005). Building on the two approaches, theoretical development suggests that the organizational concern for environmental sustainability contributes variety, and can potentially help neutralize the organizational tendency for triggering simplicity processes. The paper examines General Motors' trajectory of success and decline in light of the ideas put forward, suggesting, among other things, that by failing to perceive itself dissociated from the environment, the company failed to benefit from environmental uncertainty and to strengthen its chances of long-term survival.

**Slow versus Fast – Synchronizing Strategy Speed with Environmental Uncertainty**

Klaus Meyer, *University of Paris II*

The recent global economic disturbances have had an important impact on the business organization's strategy options. This article posits that the change in business dynamics has resulted in a reduced importance of speed in organizational actions. It is therefore proposed that conscious slowness in strategy building can help alleviate the profound uncertainty in the economic environment. Strategic slowness focuses on long-term goals replacing short term fast-paced organizational actions. The article uses an in-depth case study for an explanation of the theoretical framework.

**How Does Subsidiary Response to Major Risks Vary Based on the Type of Risk and the Quality of Country Governance**

Chang Hoon Oh, *Brock University*  
Jennifer Oetzel, *American University*

We argue that subsidiary response to major event risks - like terrorist attacks, technological, and natural disasters - will vary depending upon the type of event, but not necessarily the severity of the disaster. We also argue that the quality of the institutions and governance in the

host country will be related to continued subsidiary investment after a major event risk. An implication of our study is that the severity of the event risk is less important than the host country's ability to respond to it. Our hypotheses are tested with a panel dataset of 71 large European multinational corporations and their subsidiaries, with a total of 31,285 observations for the years 2001-2006. Results indicate that higher quality country governance positively moderates the relationship between event risks and subsidiary investment.

**What Keeps Them Going: Examination of Subsidiary Resilience to Terrorist Attacks in the Host Country**

Seemantini Pathak, *University of Houston*  
Katalin Takacs Haynes, *Texas A&M University*  
Barbara Carlin, *University of Houston*

Terrorism has become a part of today's business environment. We examine two sets of capabilities that enable multinational enterprise subsidiaries to bounce back from the performance decline caused by institutional disruption arising from a terrorist attack. Capabilities that help overcome institutional inefficiencies and those that enable a subsidiary to draw upon the multinational enterprise's prior experience with terrorism or weak institutional environments are likely to increase subsidiary resilience. We also discuss the roles played by host country cultural environment and interaction among a multinational enterprise's subsidiaries in building these capabilities.

**How Do Firms Strategically Respond to Violent Conflict Risk**

Jennifer Oetzel, *American University*  
Kathleen Getz, *American University*

The aim of this paper is to explore the factors that affect the likelihood that firms will respond to violent conflict in countries where they operate, and to identify specific strategies used to do so. Building on the literature in international strategy and political science, we hypothesize that firm characteristics and stakeholder pressures will affect the likelihood that firms will respond to violent conflict. Results of a survey of United Nations Global Compact members (based on 471 responses) indicates that firms facing external stakeholder pressures were significantly more likely to adopt strategies that have a direct affect on the conflict than those firms without such pressure.

SESSION 135

**THE GOOD, THE BAD AND THE NOT SO BAD: ENHANCING PERFORMANCE BY DISCERNING EXTERNAL RELATIONSHIPS**

<b>TRACK B</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 11
<b>Facilitator</b>	Pierre Dussauge, <i>HEC Paris</i>	

**Organizations' Coexistence in Crowded Markets: The Role of Collaborative Relationships**

Samira Dias dos Reis, *Bocconi University*

This article investigates the impact of concentration among generalist organizations on collaboration. I propose that concentration among generalists affects the number of collaborations in the industry. There are at least two ways in which organizations decide to collaborate to

manage resources when the competition is high. On the one hand, specialist organizations collaborate among themselves to use the resources left by generalist organizations. On the other hand, generalist organizations decide to collaborate with specialist organizations to compete against other generalist organizations. Analyzing organizations from the TV production in the United States from its inception until mid-80s, I find that the number of new collaborations increase with concentration among generalist organizations. This finding has important implications for competitive and collaborative dynamics in uncertain environments.

### Overt Marginalization of External Stakeholders in an Uncertain World

Jonathan Raelin, *Loyola College-Maryland*  
Pete Tashman, *George Washington University*

In an uncertain world where national governments find it increasingly difficult to regulate markets, the relationships between firms and their external stakeholders are becoming more complex. Stakeholder theory positions management of stakeholder expectations as the central unit of business analysis, suggesting that firms should prioritize external stakeholders based on salience. Yet, recent corporate activities reveal a darker possibility in which a group of unaware stakeholders, labeled "marginalized stakeholders", have information asymmetries used against them to ensure they remain unaware of relevant organizational strategies. Given marginalization's ability to limit resistance and increase financial gains, we suggest that many organizations are incentivized to pursue this strategy. We propose to examine marginalized stakeholders and the organizational rationale for maintaining their lack of awareness via a critical ethnography.

### The Complementary Effect of Partner Selection and Alliance Scope on the Innovative Performance of R&D Alliances

Antonio Capaldo, *Catholic University of the Sacred Heart*  
Antonio Messeni Petruzzelli, *Polytechnic University of Bari*  
Daniele Rotolo, *Polytechnic University of Bari*

This paper investigates how the scope of technological search performed by allied firms complements the effect of two major partner selection criteria on the innovative performance of strategic alliances. Based on the empirical analysis of 1,912 R&D alliances in the EEE industry, we show that the selection of both: (1) distant partners, and (2) partners belonging to the same industrial group as the selecting firm, exert a negative impact on innovation. However, the impact of the two selection criteria on the alliance innovative performance is positive when the alliance is aimed at searching widely. We argue that the wider search scope the more knowledge diversity between partners and the existence of strong control mechanisms within the relationship enhance innovation in R&D alliances.

### Enhancing Profitability via Entering Strategic Alliances: Effects of Alliance Types and Co-Alignment Factors

Chiung-Hui Tseng, *National Cheng Kung University*

Firms enter strategic alliances generally for two purposes and, based on the two motives, alliances can be identified as either scale or link alliances. In scale alliances, allying firms pursue scale economies and

contribute similar resources and skills to the collaboration. On the other hand, firms participating in link alliances look for learning opportunities and each partner makes complementary contributions to the joint activities. Different from extant literature paying most attention to the alliance dynamics of these two types of alliances, this paper attempts to investigate two under-explored while prominent research questions: (1) how do these alliance types influence focal firms' profitability enhancement? and (2) how does this performance impact vary with different conditions, in particular different governance forms and partner attributes? A theoretical framework linking the alliance types and their co-alignments with governance structures as well as partner attributes to participating firms' profitability enhancement is developed.

### Inter-Organizational Relationships and Negative Effects on a Firm's Growth

Konstantinos Poulis, *National University of Ireland - University College Cork*  
Efthimios Poulis, *Buckinghamshire New University*

Inter-organizational relationships (IORs) have been credited with offering benefits to participating firms such as enhanced innovation skills, accelerated internationalisation processes and expansion of firms' resource bases. Such value-adding partnerships often account for the enhanced levels of growth a firm enjoys as partner in relevant relationships. This paper, without denying the positive side of IORs, also stresses that such formations often turn out to become detrimental to a focal firm's further growth. The growth-related flipside of IORs is illustrated through an exploratory study of four cases.

### Do Managerial Ties Affect Firm Performance? A Meta-Analysis

Natalia Lorinkova, *University of Maryland*  
R. Scott Livengood, *University of Maryland*

Are external managerial ties useful to firm performance? This meta-analysis of 31 studies suggests that there is a significant relationship between managers' personal ties to external stakeholders and firm performance. More specifically, we found that overall managerial ties, as well as specific ties to business partners or government officials, positively predict firm performance. We also examined the moderating effect of macro-economic setting and type of ties on the described relationships. Results suggest that it is important for firms and their managers to implement policies and strategies that allow for the development, maintenance, and utilization of external managerial ties.

#### SESSION 130

### ALLIANCES, KNOWLEDGE TRANSFER, AND PERFORMANCE

<b>TRACK B</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 14
<b>Session Chair</b>	Justin Jansen, <i>Erasmus University-Rotterdam</i>	



★ **Social Capital, Knowledge Transfer, and Outcomes: Meta-Analytic Evidence on a Moderated Mediation Model**

Justin Jansen, *Erasmus University-Rotterdam*  
 Raymond Van Wijk, *Erasmus University-Rotterdam*  
 Marjorie Lyles, *Indiana University*

Research on how social capital influences knowledge transfer and subsequent organizational outcomes is burgeoning, and yet our understanding of how they relate remains unclear. Although conceptual reviews have emerged, no study has explicitly attempted to examine the mediating role of knowledge transfer. In this paper, we develop moderated mediation model on social capital, knowledge transfer and outcomes. We distinguish between structural and relational capital, and argue that knowledge transfer is a necessary step in converting benefits of social capital into organizational outcomes. We also demonstrate how boundary conditions and industry type moderate the relationships. By consolidating existing research, our study not only reveals new insights into how social capital influences organizational knowledge transfer and outcomes, but also provides meaningful directions for future research.

**Knowledge Transfer Among Chinese SME's: The Coordination of Interfirm Relationships in a Transitional Economy**

James Robins, *WU Vienna*  
 Kathleen Yi Jia Low, *City University of Hong Kong*

External relationships have taken on greater complexity as firms have become more reliant on knowledge transfer from outside sources (Grant, 1996; Spender, 1996; Stuart, 2000). Coordination of knowledge transfer is difficult; relationships are vulnerable to opportunism (Adler, 2001). These issues are especially important in transitional economies as firms struggle to upgrade capabilities to deal with new international competitors. We use survey data from China to examine roles played by three coordinating mechanisms in knowledge transfer to SME's: guanxi, formal contracting, and informal business connections. We find that contract and guanxi act as substitutes, while business connections have an independent effect. The study expands prior work on coordination of inter-firm relationships by Adler (2001), Poppo and Zenger (2002), and Peng and Luo (2000).

**The Effects of International R&D Alliances on the Performance of High-Tech Start-Ups: A Longitudinal Analysis**

Evila Piva, *Polytechnic University of Milan*  
 Luca Grilli, *Polytechnic University of Milan*  
 Lucia Piscitello, *Polytechnic University of Milan*  
 Samuele Murtinu, *Polytechnic University of Milan*

In this paper we rely on resource- and competence-based perspectives and global strategic network theory to analyze the effects of international R&D alliances on the performance of high-tech start-ups (NTBFs). We claim that these effects depend on the selection of suitable partners. Alliances involving many industrial partners located in countries close to world's knowledge sources are expected to provide the greatest benefits. In the empirical section we consider EU funded international R&D alliances established by a large sample of Italian NTBFs that are observed over a 10 year period. We measure firm performance through total factor productivity. The results (obtained resorting to system GMM estimates) show that NTBFs benefit from international R&D alliances, but the extent of these benefits closely depend on partner choice.

**Alliance Performance: How to Apply Performance Metrics in Alliances?**

Gerrit Willem Ziggers, *Radboud University Nijmegen*  
 Brian Tjemkes, *VU University Amsterdam*

In contrast to the common conception that performance metrics always fosters superior alliance performance, this study's aim is to contribute to an understanding about the effective use of performance metrics by highlighting the conditions under which performance metrics fosters alliance performance. That is, we hypothesize that higher levels of alliance performance depend on the type of performance metric applied (financial, operational, or relational oriented), the extent to which the performance metric is formalized, and alliance maturity (building and maturity stages). Preliminary results indicate that that the impact of performance metrics is conditional to the type of performance metrics applied, the degree to which it is formalized, and the alliance development stage. We contribute to the alliance literature by demonstrating that a distinction between outcome and behavioral metrics is necessary to advance theory development.

SESSION 184  
**VALUE CREATION UNDER UNCERTAINTY**

<b>TRACK C</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 7

**Facilitator** Michael G. Jacobides, *London Business School*

**Conflict of Interest: The Impact of Dual Agency on the Price and Speed of Residential Real Estate Transactions**

Vrinda Kadiyali, *Cornell University*  
 Jeffrey T Prince, *Cornell University*  
 Daniel H Simon, *Cornell University*

We study conflict of interest in dual agency, where the same agent/ agency represents both the buyer and seller. Using residential real estate data, we test two two-sided hypotheses: (1) dual agency affects the sale price; (2) dual agency affects the time to sale. We find no effect of dual agency on average sale price. However, on a small percentage of deals, when an internal buyer with a high willingness-to-pay is available, agents strategically set higher list prices, and earn higher sale prices. We also find that dual agency deals conclude about seven percent faster than cross-agency deals. Therefore, we find little evidence that the conflict of interest, inherent in dual agency, leads to overall negative outcomes in the real estate market.

**Managing Stars: Incomplete Contracts and Dynamic Value Appropriation**

Shad Morris, *Massachusetts Institute of Technology*  
 Janice Molloy, *Michigan State University*

Despite the importance of star employees, there is little theory that addresses the management dilemmas arising with stars. Indeed, although stars make disproportionate contributions to firm performance it is not clear who appropriates this value. We address these gaps through application of incomplete contract theory. First, we lengthen the time horizon extant theory considers to include not only employment relationship formation but also re-contracting. Implications are discussed, including specification of how bargaining power is likely to shift over time from the star to the firm. Second, we

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expand the range of prescribed governance devices for stars to include policies that increase the stars' costs of switching employers. Through these extensions a dynamic value appropriation policy is specified that optimizes knowledge generation and firm performance.

### Managing Strategic Priorities in Daily Management

Barry Witcher, *University of East Anglia*  
Vinh Chau, *University of East Anglia*

Rumelt commented in December 2008 that the present economic downturn calls for doing things differently, in a way that denotes such a flexible system deemed necessary for effective management and organizing. For this, the paper makes a distinction between strategy implementation and strategy execution, which is rarely covered in the literature. Implementation concerns putting in place organizing structures and systems, including mid-term strategic planning, while execution concerns 'strategic performance management' – the overview, management, and delivery of an executive's key strategic priorities in daily management. The paper proposes a new conceptual framework on how an executive can manage everyone's participation in strategy, and to understand how its strategy is being managed. It draws on a framework used popularly by the Japanese, called hoshin kanri.

### Shaping Responsible Supply Chains: From Cost Benefits to Value Creation

Clodia Vurro, *Bocconi University*  
Angeloantonio Russo, *Parthenope University*  
Francesco Perrini, *Bocconi University*

Paralleling the globalization of production activities, new supply chain management models are emerging, differing on the extent to which social and environmental issues and concerns are integrated into processes and relationships. Despite a growing interest in investigating relational approaches to supply chain management based on collaboration, long-term partnerships and transparency among partners their performance consequences are still open to debate. Relying on a mixed method approach, our study both investigates qualitatively the changes occurring in the shift from cost-reduction strategies to value-driven approaches and test their impact on firm performance. Results show the specificities of alternative supply-chain management models, the drivers of CSR integration and the critical dimensions hindering the ability of firms to manage differently stakeholder relations along the chain.

### Strategy as a Value Creation Process in an Evolving World: Towards a Taxonomy

Roy Hamans, *Cambridge Executive Partners*

Rather than thinking about strategy as value created for a certain place and point in time, this work takes the perspective of strategy as a recurrent process creating value in an evolving world. Following this perspective, the aim of this work is to pinpoint what are some of the elementary aspects of strategy and the evolving world, as part of a wider inquiry guiding organisations how strategy could be made interrelated to an evolving world. As such this work strives towards a taxonomy of an evolving world and of strategy, and suggests two basic categorizations. Based on a synthesis of these two categorizations, some of the basic interrelations are illustrated and a brief overview of a process guiding strategy in an evolving world is outlined.

### The Effects of Process Orientation on Customer Satisfaction, Product Quality and Time-Based Performance

Markus Kohlbacher, *Graz University of Technology*

Does process orientation matter? Several organizations choose to be process-oriented. They focus on business processes instead of emphasizing functional structures. This paper empirically explores the relationship between process orientation (PO) and non-financial firm performance. Process orientation is measured by means of ten dimensions. Firm performance is measured by customer satisfaction, product quality, time to market, delivery time and delivery reliability. It is also examined if firm size and manufacturing process type moderate the investigated relationships. The paper uses a sample of Austrian firms operating in metal and machinery industry. Preliminary findings indicate that PO is related positively to all aforementioned performance dimensions.

#### SESSION 180

### THE DYNAMICS OF TOP MANAGEMENT TEAM IN ACHIEVING LONG TERM PERFORMANCE

TRACK C	Date	Wednesday, Oct 14
	Time	11:30 – 12:45 h
Paper	Room	Meeting Room 6

Session Chair Rodolphe Durand, *HEC Paris*

### Adaptation at the Top and the Middle: Synchronizing Upper & Middle Management for Strategic Renewal

Mariano Heyden, *Erasmus University-Rotterdam*  
Frans A.J. Van Den Bosch, *Erasmus University-Rotterdam*

We build on the notion of management turnover as an adaptation mechanism by considering how managers concurrently connect the firm to its task environment at multiple levels of the hierarchy. We contend that synchronizing turnover of managers at multiple levels is a key mechanism by which firms can align themselves to different dimensions of the environment in order to strategically renew. Specifically, we propose that adaptation to changes in environmental dynamism will be mostly reflected in turnover at the middle, whereas adaptation to changes in environmental competition will be mostly reflected in turnover at the top. We further argue turnover at middle to be more highly associated with internal renewal and turnover at the top to be more highly associated with external renewal.

### An Examination of the Effect of Improvisational Decision Making in Top Management Teams on Performance

Susana Velez-Castrillon, *University of Houston*  
Dusya Vera, *University of Houston*  
Ariff Kachra, *University of Western Ontario*

After reviewing traditional models of decision making-- bounded rationality, power and politics, and the garbage can--and pinpointing their limitations for explaining decision making in highly dynamic contexts, we describe our improvisational model of decision making. In the context of strategic decision making, we define improvisation as the extent to which the decision process is spontaneous, creative, action-oriented, and makes use of any relevant information and resources at hand of both objective and subjective, conscious and subconscious



nature. We posit that the five dimensions of improvisational decision making, intuition, expertise, emotion, constructive conflict, and minimal structures reduce ambiguity in the decision context and improve firm performance. Our findings offer partial support for our model of the link between improvisational decision making and firm performance

### Strategic Groups' Logics and Adoption Decision

Rodolphe Durand, *HEC-Paris*  
Erik Lootvoet, *HEC-Paris*

In this paper, we focus on revealing internal organization asymmetries in practice adoption between two distinct strategic groups of organizations. We combine institutional isomorphism with strategic group homophilia to predict a focal organisation's practice adoption. We study the late diffusion of anti-nosocomial practices in healthcare organizations over time in two strategic groups: public-service hospitals and for-profit clinics. Our results show contrasted patterns of influence whereby 1) homophilia effect is not always dominant and 2) the main driver of public hospitals' practice adoption is nation-wise legitimacy and that of private clinics is regional competition. We derive implications for the study of institutional theory, strategic groups, and practice adoption literatures.

### Top Management Team Diversity and Firm Performance – Evidence from Disrupted Insurance Markets

Markus Schimmer, *University of St. Gallen*

Team diversity has opposing effects. It increases the potential for creativity and simultaneously lowers group coherence. We delineate these positive and negative effects in the context of top management teams (TMT) and firm performance. For doing so, we develop a model that relates the distinct effects of TMT diversity to contextual factors. Our analyses of the global insurance industry (1998-2007) test how TMT diversity affects the way firms respond to market disruptions. We argue that high levels of TMT diversity allow firms to react both more consciously and briskly, whereas low levels of TMT diversity make them mimic their peers. Yet, since the extensive decision making of diverse TMTs involves costs and since its benefits fade during stable times, TMT diversity remains a double-edged sword.

SESSION 214

### MANAGERIAL CAPABILITIES AND THE MICROFOUNDATIONS OF STRATEGY

<b>TRACK E</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 4

**Session Chair** Margaret Peteraf, *Dartmouth College*

### Cognitive Capabilities and the Entrepreneurial Management Components of Dynamic Capabilities

Constance Helfat, *Dartmouth College*  
Margaret Peteraf, *Dartmouth College*

Capabilities play a central role in determining which firms are more successful than others. Although strategy research on capabilities has begun to incorporate managerial cognition, this literature has yet to focus specifically on the important role of mental activities, rather than mental representations. The concept of cognitive capability enables us to close this gap. Drawing on research in cognitive psychology and neuroscience,

we analyze the ways in which the capacity to perform mental activities undergirds managerial capabilities, and through these capabilities, can influence organizational performance and strategic change. In order to provide a detailed example of how managerial cognitive capabilities affect strategic change and persistent heterogeneity of firm performance, we apply the concept of cognitive capability to Teece's (2007) sensing-seizing-reconfiguring framework of dynamic capabilities.

### Corporate Strategy and the BTOF: Examining the Moderating Influence of Corporate Diversification

Gerry McNamara, *Michigan State University*  
Federico Aime, *Oklahoma State University*  
Kalın Kolev, *Michigan State University*

We examine managerial responses to performance shortfalls and slack resources under different current organizational strategies. We find that the level of corporate diversification moderates the relationship between attainment discrepancy and both R&D investments and corporate scope so that highly diversified firms are less responsive to performance shortfalls. We also find that the level of corporate diversification moderates the relationship between its slack resources and risk taking so that narrowly diversified firms emphasize changes in scope as a response to slack while highly diversified firms tend to invest in R&D within their current businesses. Our findings demonstrate that the current strategic position of the firm, measured as the degree of diversification in this study, has a strong influence on how it responds to behavioral pressures.

### Microfoundations of the Human Capital Resource: A Multilevel Model

Thomas P. Moliterno, *University of South Carolina*  
Robert Ployhart, *University of South Carolina*

We propose a conceptual model that explores the "microfoundations" of the unit-level human capital resource, connecting micro (psychology, human resources, organizational behavior) and macro (strategy, economics) levels of analysis and theoretical traditions. Multilevel theory is used to guide and structure this theoretical integration. Our synthesis identifies a number of potential fallacies and shortcomings in how both micro and macro levels of analysis have conceptualized human capital. We argue that a multilevel model more fully captures the creation and application of the human capital resource, providing a framework that spans, and incorporates insights from, both levels of analysis. The model we propose develops the human capital construct beyond its current conceptual development, and prompts a variety of new research questions and directions.

### When Does Excess Human Capital Enhance Exploration?

Daniel Tzabbar, *University of Central Florida*  
Terry Amburgey, *University of Toronto*  
Alex Vestal, *University of Central Florida*

Prior research views human capital slack as a sticky resource negatively related to exploration, whereas data pertaining to 456 dedicated biotechnology firms between 1973 and 1999 suggests the relationship between slack human capital and exploration may be curvilinear. Building on firm capabilities literature, we show that a high degree of collaboration among scientists, technological breadth, and decentralized control in the top management team moderate this relationship, strengthening the positive effect at low levels of slack and weakening the negative effect of high levels of slack. The results offer an alternative view of the impact of slack human capital and a model that links the resource-based view to firm capabilities literature.

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## SESSION 196

**BEHAVIORAL PERSPECTIVES ON BOARDS OF DIRECTORS**

<b>TRACK F</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Auditorium
<b>Session Chair</b>	James Westphal, <i>University of Michigan</i>	

**Does History Matter in Corporate Governance? Influence of Owner's Legacy on Firm Performance**

Indrajit Mukherjee, *Indian Institute of Management - Calcutta*  
 Apalak Khatua, *Indian Institute of Management-Calcutta*

This study explores how backgrounds of different categories of controlling owners in emerging economy influence firm performance. The legacy of pre-liberalization era of the different owner-categories, manifested through the social network and organizational routines, influence the firm performance in the post-liberalization era. The results validate our core thesis that the legacies of different categories of controlling owners influence the performance of firms. The study extends the corporate governance theory by taking a multi theoretical perspective. It has important implication for policy decisions on privatization and limits of foreign direct investment. The insights will help practicing managers in understanding ways in which owners contribute or hinder firm performance and to take necessary actions to leverage advantages and overcome hindrance.

**★ Group Polarization on Corporate Boards: Theory and Evidence on Board Decisions About Acquisition Premiums**

Hongquan Zhu, *Arizona State University*

This study examines how a fundamental group decision-making bias (i.e., group polarization) may influence boards' decisions about acquisition premiums. The theory explains how board discussions can induce directors to make a collective decision that amplifies their average pre-meeting position. Specifically, I suggest that when prior premiums experienced by directors would lead them to on average support a high (low) premium prior to a meeting, they tend to approve a focal premium that is even higher (lower). I also examine several key moderators of polarization. Results based on acquisitions made by Fortune 500 boards (95-06) provide strong support to the theory. This study advances a social psychological perspective on corporate governance, and explains how group processes may influence the diffusion of acquisition practices through interlock networks.

**The Higher They Rise, the Harder They Fall: The Insidious Effects of Ingratiation Towards High Status Corporate Elites**

Sun Hyun Park, *University of Michigan*  
 James Westphal, *University of Michigan*  
 Ithai Stern, *Northwestern University*

Our study contributes to an understanding of executive career dynamics by suggesting how high levels of ingratiation experienced by CEOs as they rise to higher social status positions can lead to biased self perceptions that impair subsequent strategic decision making and eventually put their positions at risk. Our theoretical framework and

supportive empirical findings indicate that CEOs ascending to higher social status positions in the corporate elite by acquiring more board appointments become increasingly attractive targets of ingratiation from colleagues. High levels of received ingratiation can increase CEOs' overconfidence in their strategic judgment and leadership capability, which results in failure to initiate strategic change in response to poor performance, and such strategic persistence can ultimately increase the likelihood of the CEO's dismissal.

**When Institutional Logics Collide, Who Wins? The Incorporation of Independent Directors into Family Firms**

Chi-Nien Chung, *National University of Singapore*  
 Young-Choon Kim, *National University of Singapore*  
 Edward Zajac, *Northwestern University*

We study the influence of foreign institutional investors on corporate governance reform in the context of family governance in emerging economies. Using the sample of the listed Taiwanese firms, we examine the appointment of independent directors between 2002 and 2005. Our findings suggest that Taiwanese firms responded to pressure of foreign institutional investors when they are weakly controlled by the family or when a firm's CEO has been exposed to alternative governance models through formal education in the U.S. This finding supports the argument that external pressure of foreign institutional investors is moderated by the strength of family control and the alternative cognition scheme of the key decision-maker. We discuss the implication of our research on institutional change in globalized environments.

## SESSION 225

**ACQUISITIONS AND CORPORATE STRATEGY**

<b>TRACK F</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 15
<b>Session Chair</b>	Ravi Madhavan, <i>University of Pittsburgh</i>	

**Divestment: The Other Part of "What Businesses a Firm Should Be In"**

Jason Ridge, *Oklahoma State University*  
 Margaret White, *Oklahoma State University*  
 Aaron Hill, *Oklahoma State University*

Organizational boundary decisions are an important facet of strategic management research. While a great deal of extant literature has been dedicated to expansionary boundary practices such as mergers and acquisitions, comparatively little investigation has focused on the process of reducing an organization's boundaries through divestiture. The current study seeks to address the paucity of research on divestment, including antecedents and outcomes for both the firm divesting (parent company) and the divested entity (the subsidiary or spin-off). We make three important contributions to the literature: first, we utilize a multi-paradigmatic assessment process; second, we investigate potential antecedents of divestiture; and third, we explore the processes involved in implementation of a divestment and the characteristics of successful divestment processes.



### ♣ Do Opposites Attract? An Industry-dyad Perspective of the Effect of Environmental Uncertainty on Diversification

Jason Park, *University of Pittsburgh*  
Ravi Madhavan, *University of Pittsburgh*

Environmental uncertainty is a known driver of diversification. However, existing studies support this relationship indirectly by examining sets of firms and observing the correlation between changes in environmental uncertainty and rates of merger and acquisition (M&A) activity. In contrast, we analyzed directly how acquirer and target industries' relative uncertainty levels elicit diversified M&A. Using quadratic assignment procedure bootstrapping in conjunction with logistic regression on data from 1995 containing 1,722 observations from 42 2-digit SIC codes for 2,566 inter-industry M&As, we find that the likelihood of M&A between uncertain acquirer and less uncertain target industries increases in a curvilinear fashion as the difference in their uncertainty levels increases. Our study confirms that M&As are uncertainty-reduction mechanisms for diversified firms managing their corporate portfolios.

### The Contrasting Demands of Acquisitive and Organic Growth: Top Management Team Composition and Experiential Learning

Mario Schijven, *Texas A&M University*  
Anna Nadolska, *Erasmus University-Rotterdam*  
Harry Barkema, *Erasmus University-Rotterdam*

We study how top management teams (TMTs) influence the effectiveness with which their firms engage in acquisitive and organic growth over extended periods of time. First, we argue that acquisitive and organic growth contrast sharply in terms of the TMT composition that is conducive to their success. Subsequently, by integrating the upper-echelons and organizational learning literatures, we posit that the potential benefits of TMT heterogeneity (creativity and distant search) and homogeneity (efficiency and local search) may only be unlocked if the TMT has experience with the specific task at hand (i.e., with acquisitions or start-ups). We test our theory using panel data on firms undertaking almost 1600 acquisitions and 500 startups over a period of four decades (1966-2005).

### Value Creation, Appropriation and Destruction in M&A: An Industry Merger Wave Perspective

Benjamin W. Blunck, *Aarhus University*

Research reports that acquisitions in industry merger 'waves' on average both create value and lead to value appropriation for the acquiring firm – especially when they occur in the beginning of the wave – and more so than acquisitions out of waves. However, this research has ignored the simultaneous potential for value destroying motivations within waves. Adopting a novel conceptual approach to measuring returns to acquisitions, we show that the relative incidence of value destroying acquisitions is in fact higher in waves than out of waves, and that value destroying acquisitions destroy more value than their out-of-wave counterparts. However, in-wave acquisitions which are synergistically motivated create more value than their out-of-wave counterparts. The timing of acquisition strategies within industry merger waves has no effect on these relationships.

#### SESSION 147

### INTERNATIONALIZING THE FIRM: INSTITUTIONS, EMERGING MARKETS AND PERFORMANCE CONSIDERATIONS

<b>TRACK G</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Common Ground</b>	<b>Room</b>	Meeting Room 12

**Facilitator** Alvaro Cuervo-Cazurra, *University of South Carolina*

### Dynamic Globalization of Emerging Multinational Corporations

Hwy-Chang Moon, *Seoul National University*  
Jin-Sup Jung, *Chungbuk National University*  
Jin Uk Kim, *Seoul National University*

The purpose of this study is to present the success factors of emerging multinational corporations (EMNC). First, based on previous literatures, this paper identified two apparently contradicting trends which are unconventional firm specific advantage and accelerated internationalization. Through various examples, this paper identifies the link between the two concepts in order to reconcile the apparent contradiction. Next, additional distinct characteristics of EMNCs such as entry mode, dynamic global strategy and adaptation to emerging market are identified to present a broader picture of EMNCs. Last, the above findings are organized into a modified version of Porter's diamond model in order to provide a comprehensive analytical perspective. This paper concludes that accelerated globalization enables EMNCs to overcome their disadvantage and amplify their unconventional advantages.

### Facing Revenues Uncertainties in Public Industries: The Design of Business Models For Satellite Services

Lucia Marchegiani, *University of Rome*  
Enzo Peruffo, *LUISS Guido Carli University*  
Luca Pirolo, *LUISS Guido Carli University*

With the internationalization and the emergence of new and more powerful technologies, innovative business models are at the core of international firms' success. Nevertheless, business models have been confined on the private industries, In light of the recent debate about the management of the public sector, it is possible to affirm that in public management the opportunity to protect the public interest is paired with the need of reaching higher degree of efficiency and effectiveness. This leads to introduce the logics of private management into public projects. From this standpoint, the study of business models could provide insights on the management challenges that public administrators face nowadays, which is the goal of this paper, focusing on a dynamic, international, and innovative industry, namely the aerospace.

### Institutional Environment, Firm Motives, Entry Strategy: When Certainty is a Source of Uncertainty

Rimi Zakaria, *Florida International University*  
Sumit Kundu, *Florida International University*

Reflecting upon institutional theory, transaction cost economics, resource-dependence theory, agency theory, and eclectic paradigm we examine institutional uncertainties encountered by service MNEs that venture into emerging economies. Given the entry motivations of the

firms, a wide array of hypotheses are presented to predict that there is a linkage between different sources of institutional uncertainty and service MNEs equity and non-equity mode of entry. Synthesizing a number of prior studies, we propose that corruption, government policy instability, economic uncertainty, and cultural distance are negatively correlated with firms' equity entry; whereas, risks from the regulatory environment is positively correlated with firms' equity entry strategy. Based on the theoretical perspectives, we offer a research design to empirically test the relationship.

### Is Offshoring Decision a Strategic Orientation for Growth or a Strategic Response to Declining Firm Performance?

Hassan Kharroubi, *Macquarie University*

Despite the growing importance of offshore sourcing, there is relatively little academic research to understand the phenomenon. In this study, using the path dependency theory, contingency theory and strategic change literature, offshore sourcing decision is conceptualized as a strategic orientation for growth or as a strategic response to declining firm performance. Next, using primary data, we empirically test the proposed model to study the role of the 'strategic orientation' and 'strategic response' in explaining the degree of offshoring. The present study is a quantitative empirical investigation of the underlying decision process to offshoring projects. The study is based on an on-line survey to small to medium size companies. The paper concludes with a discussion of the implications of the results for research and practice.

### Regulatory Governance, Multinational Firms and Entry Strategies

Bertrand Quelin, *HEC-Paris*

Santiago Urbiztondo, *Latin American Economic Research Foundation*

Jean-Philippe Bonardi, *University of Lausanne*

In this paper, we analyze the international development of firms in regulated industries. We analyze the impact of the regulatory governance on the entry and performance level of firms in such environment. We focus on the case of mobile telecommunications. The article explores the relationship between the existing national regulatory governance, competitive environment and performance of mobile network operators (MNO) in Europe. We exploit a unique dataset comprising firm-level information for a sample of 60 companies and 20 European countries over the 2000-2007 period. The results indicate that the market size and geographical proximity explain the entry. The transparency and credibility of regulation also help entry. Moreover, the size, financial strength and international experience of the firm determine the economic its economic performance.

### The Synergy of Business Groups in the Emerging Economy

Chien-Nan Chen, *National Dong Hwa University*

Wenyi Chu, *National Taiwan University*

A number of studies have compared the overall financial characteristics of the group-affiliated firms and the independent firms in emerging economies. However, there are no studies that compare the financial characteristics of the overall group-level and independent firms. To understand the notion of synergy in diversified business groups

in emerging economies, this study attempt to do the comparison of financial characteristics between business groups, group-affiliates, and non-group-affiliates. The preliminary results show that the profitability of firms affiliated with groups is significantly higher than that of non-group-affiliates. Meanwhile, business groups and group-affiliates both show a significantly higher level of growth in size, and a higher level of debt capacity than non-affiliates. It is also found that business groups demonstrate higher expansion capability and obvious financial synergies. However, they also have lower operating efficiency, implying that managing an overall business group is more difficult than managing an independent firm.

#### SESSION 151

### COGNITIVE APPROACHES TO STRATEGY PROCESSES

TRACK H	Date	Wednesday, Oct 14
Paper	Time	11:30 – 12:45 h
Session Chair	Room	Meeting Room 3
Rhonda Reger, <i>University of Maryland</i>		

### A Beliefs-Preferences-Attributions Model of Strategic Decision Making

Massimo Garbuio, *University of Sydney*

Adelaide King, *University of Virginia*

Dan Lovallo, *University of Sydney*

This proposal develops a unifying framework for the behavioral foundations of strategic management. To this end, we develop a theoretical model of strategic decision making that builds on realistic assumptions about human behavior to explain how major intended and emergent strategic initiatives are identified, executed, and assessed. Our model sheds light on the persistent individual level patterns of an executive's beliefs – the way expectations are formed, preferences – the way alternatives are ranked, and attribution biases—the way that the determinants of outcomes are ascribed. We aim to provide a robust framework to organize insights from existing scholarship, as well as inform an agenda to continue rigorous theoretical development and testing.

### Methods to Study the Cognitive Micro-foundations in Strategic Management: Computer Simulations and Games

Wei Guo, *University of Maryland*

Rhonda Reger, *University of Maryland*

While the recognition of the cognitive, psychological, and social psychological micro-foundations of strategy offers exciting promise for research progress in strategic management, empirical researchers often face intractable methodological challenges. Computer-based business simulations (also known as simulation games) provide a powerful methodology to address these challenges. This paper provides an understanding of the usefulness of simulation games to study the cognitive, psychological and social psychological micro-foundations of strategy research. We describe the nature and history of management simulations and their attractions and limitations for strategic management research. We also provide a research agenda focused on the cognitive underpinnings of many theories currently informing strategy research where more rapid and nuanced progress could be afforded via computer-based simulation methodology.



### Testing the Strategic Mindset Theory

Thomas Nelson, *University of Louisville*  
Robert Sinclair, *University of Louisville*

We empirically test a recently proposed cognitive theory of strategic behavior. Using a large student sample we link the concepts of entity-schema, self-schemata and self-efficacy to mindset, and determine what a strategic mindset 'looks like.' We differentiate strategic mindset from other mindsets likely to be found in student samples, such as entrepreneurial and/or accounting. We do not do this to 'sort' students, or later, practitioners, but to understand which sorts of mindsets lead to success in business strategy development in order to enable students to create those mindsets in themselves.

### The Effect of Market Segmentation on Business Performance: A Critical Review and Conceptual Framework

Adina Poenaru, *ESCP-EAP*

Market segmentation has been established as a key component of strategy development, but now is criticized due to its implementation problems, increased marketing ineffectiveness and product proliferation. These, together with developments in information and communication technologies, have complicated the decision of how to "go to market", which is a key aspect in firms' attempt to achieve competitive advantage. This paper clarifies the current role of market segmentation by analyzing it from three different perspectives: research technique, managerial decision making tool and competitive strategy. It also undertakes the first comprehensive and structured review of the conceptual and empirical evidence on the outcomes of market segmentation. Finally, it proposes a conceptual model and launches the quest for further research into how segmentation influences business performance.

SESSION 213

### THE HUMAN FACTOR IN KNOWLEDGE AND INNOVATION

<b>TRACK I</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 16

**Session Chair** Véronique Ambrosini, *Cardiff University*

### Exploring the Mediating Role of Decision Style on the Scale and Quality of Innovative Output

Jose Lejarraga, *University Carlos III-Madrid*  
Ester Martínez-Ros, *University Carlos III-Madrid*

This paper extends the longstanding "size-R&D productivity" dilemma by exploring how firms change internally as they evolve from small to large firms, and how this evolutionary change affects R&D outcomes. More precisely, we focus on how firm's decision-making capabilities are affected by firms' size evolution, and how different decision styles arise as a consequence of this evolution and ultimately affect different dimensions of firms' innovative output. Moreover, because most research has looked at how size affects the number of innovations, we question whether variations in the scale of new product's portfolio hold at the expense of the quality of their innovative output. To address these concerns we propose a mediation model and test it empirically using longitudinal data from Spanish manufacturing firms.

### Person Organization Fit as a Vehicle for Knowledge Sharing and Creation

Véronique Ambrosini, *Cardiff University*  
Jon Billsberry, *Coventry University*

Tacit knowledge is difficult to transfer. It is also context specific. Hence it is often argued to be a key strategic asset and as such attention to how it is created and transferred in organisation is critical to strategists. The transfer of tacit knowledge is however still a challenge. It is known that shared communication and socialization are important processes in the transfer of tacit knowledge and person-organization fit (POF) is associated with such phenomena. Hence we argue that POF is likely to shape the transfer of tacit knowledge with higher levels of one resulting in higher levels of the other. We explore the interaction of tacit knowledge and POF fit and develop a matrix that suggests a complex interaction between the two.

### TMT Functional Background Diversity, Profitability, and Systems Innovation: The Unique Role of "Any" Marketing Experience

Willow Sheremata, *York University*  
Thomas Medcof, *York University*  
Peter Lee, *York University*  
Wan Li, *York University*

Systems innovation is a complex task that requires diverse knowledge and schemata in the top management teams (TMTs) of single-business firms. We investigate the relationship between TMT functional background diversity and profitability in the computer industry, 32 single-business firms in the period 1977-2004. Results from analyzing 288 firm-years indicate dominant functional background diversity had no significant effect on profitability. However, diversity indices composed of "any" experience in business functions were negatively associated with profitability. Our analysis of the underlying proportions of functional backgrounds indicates which functions were more expendable than others—legal—and which were not—marketing. We conclude that modeling the content of TMT composition offers a fine-grained, and comparative, analysis of which functional backgrounds contribute to profitability and which detract.

### Trust-Dependent Knowledge Flow: The Competitive Advantage Implications of Intraorganizational Trust

Mark Hansen, *Brigham Young University*  
Amanda Christensen, *Brigham Young University*

This paper examines the effect of trust on knowledge sharing decisions in organizations. The model developed here focuses on the value of new ideas (knowledge) and how they flow through an organization. Trust leads to more efficient knowledge sharing because it allows knowledge to flow more directly between the people who can best leverage the knowledge in question. Such efficient knowledge flow may simultaneously facilitate increases in benefit and reduction in cost of knowledge flow. Specifically, the model explains how new ideas may result in latent knowledge, combinative knowledge, or stand-alone knowledge. Latent knowledge may put a firm at competitive disadvantage while combinative and stand-alone knowledge may lead to competitive advantage for firms marked by trust.

WEDNESDAY 11:30 - 12:45

## SESSION 219

**AMBIDEXTERITY**

<b>TRACK I</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 2
<b>Session Chair</b>	Maurizio Sobrero, <i>University of Bologna</i>	

**Ambidexterity at the Boundaries: The Role of Nurturing and Reverse Nurturing**Christian Welling, *University of St. Gallen*

This paper develops a theoretical model of organizational ambidexterity at the boundaries. The boundary-spanning activities of nurturing and reverse nurturing are suggested as the processes that lead to contextual ambidexterity at the boundaries of intra-organizational business units. It is argued that the higher the level of nurturing is, the higher will be the level of contextual ambidexterity at the boundaries of the exploratory unit. Conversely, the higher the level of reverse nurturing is, the higher will be the level of contextual ambidexterity at the boundaries of the exploitative unit. A quantitative research design based on a large-scale business unit sample is proposed. The framework introduced in the paper contributes to the current revival of the boundary-spanning concept as a core analytical element in organization theory.

**Exploration, Exploitation, and Financial Performance: Does the Market Reward Exploration?**John Burr, *Purdue University*  
Dinesh Iyer, *Ohio University*

In this paper, we use patent data citations to clearly identify when firms have engaged in exploration and their resulting influence on firm performance. We extend the work of Uotila et al. by specifically considering patent data in determining optimal trade-off levels between exploration and exploitation. We focus on the realized outcomes of search by analyzing patent activity to determine an optimal amount of exploration after controlling for industry. We find that exploration is value enhancing for lower levels while exploitation at high level can actually be value destroying as firms alter their technological course.

**In the Mix: Exploration and Exploitation in New Product Creation**Enrico Forti, *University of Bologna*  
Simone Ferriani, *University of Bologna*  
Elisa Montaguti, *University of Bologna*  
Maurizio Sobrero, *University of Bologna*

This proposal considers the dynamic interplay between the exploration of new possibilities and the exploitation of old certainties in new product development. Delineating distinct domains of exploration-exploitation within and beyond firm's boundaries, we propose that firms balance exploration and exploitation overtime within as well as across domains. In doing so we suggest that firms' search efforts actually vary across two distinct dimensions within each domain: search depth, or how much the firm reuses (exploits) known product attributes and relational structures; and search scope, or how widely the firm explores new knowledge and partners. Empirically, we present a multilevel model of exploration/exploitation in new product development, addressing some key issues concerning product and brand strategy in the context of music industry.

**Surviving Change: Structural Micro-Foundations of Exploration, Exploitation, and Ambidexterity**Konstantinos Grigoriou, *Georgia Institute of Technology*

High tech industry environments are characterized by frequent technological change and knowledge intensity. Performance in these environments depends on the firms' capabilities to continuously innovate and on effective development of their knowledge resources. However, prior research's focus on the action of collectives has made it difficult to understand the micro-processes and individual roles that are the building blocks of higher level theoretical constructs such as "resources" or "capabilities". In this paper, I propose that looking at the internal knowledge networks that emerge in research organizations can provide us with valuable insight into the micro sources of innovation. I construct testable propositions and describe my research design to uncover the impact of structural individual roles on exploration, exploitation, ambidexterity and subsequently, on the creation of sustainable competitive advantage.

## SESSION 117

**EXPLORING FIRM PERFORMANCE**

<b>TRACK J</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 8
<b>Session Chair</b>	Paul Knott, <i>University of Canterbury</i>	

**A Cognitive Approach to the Resource-Performance Relationship**Uta Morgenstern, *University of Nottingham*  
Andy Lockett, *University of Nottingham*  
Gerard Hodgkinson, *University of Leeds*  
Laure Cabantous, *University of Nottingham*

To date RBV scholars have treated firm-specific resources as objective entities waiting to be discovered through some formal analysis. In contrast, the literature on cognition suggests that what matter are actors' mental beliefs about the causal relationship between firm resources and performance. Therefore, in this paper we adopt a cognitive approach to examine the relationship between resources and performance. Our empirical approach involves undertaking a causal mapping exercise across two organizations over time in order to examine the extent to which there is consensus or disagreement about what drives firm performance in the two firms. Our research contributes to an understanding of micro processes in organizations and tackles some of the theoretical and methodological limitations of the RBV.

**Is the VRIO Method A Useful Tool to Analyze a Firm's Resources?**Paul Knott, *University of Canterbury*

This paper reports on a study aimed at advancing understanding of the in-use efficacy and effects of the well-established VRIO (value-rarity-imitability-organization) method for analyzing a firm's resources. Resource based theory and VRIO have diffused into most texts and courses, but until now, no research has verified their usefulness to the target audience. This research uses an experimental exercise to compare analysis that uses VRIO with analysis using only pragmatic business methods. This is a suitable method because it isolates the effects of



the tool from that of other influences on strategic thinking and action. The results will provide insight into how practitioners actually apply resource based analysis to a firm, and to what extent this helps them make better recommendations.

### Outsourcing – A Key Strategic Management Decision

Nicholas O'Regan, *University of the West of England*  
 Gerhard Kling, *University of the West of England*  
 Martin Sims, *University of Hertfordshire*

This study identifies why firms outsource R&D activities and the resultant impact on profitability. Modelling the interrelations between outsourcing, R&D investment, and profitability, we derive the following results: (1) small firms tend to outsource R&D; (2) a high labour cost share makes outsourcing more likely; (3) outsourcers invest less in R&D – but achieve similar research outcomes in terms of patented products; (4) outsourcing enhances profitability – albeit the benefit of outsourcing decrease with firm size. Therefore outsourcing R&D can reduce R&D expenditure and achieve a similar degree of product innovation with resultant increases in profitability.

### Timing and Performance in Acquisition Waves: Lessons from Practitioners

Casper Van der Veen, *Strategy Academy*  
 Jos Eeland, *Strategy Academy*  
 Fred Huibers, *Strategy Academy*

Acquisition waves are generally acknowledged as key moderators of acquisition performance. Timing of an acquisition within a wave has significant effects on returns (McNamara et al., 2008). The key question that we ask ourselves is "How can and do managers recognize an acquisition wave and the right acquisition timing in this wave?". Following Halebian et al. (2009) in their call for research that gets more "inside" of the phenomenon, we add a micro-level perspective to the macro-level research conducted so far from in-depth interviews with CEO's in the European building products and retail industry. We discover a potentially important variable in assessing the relationship between acquisition timing in waves and performance: acquisition activity of private equity investors, showing interesting areas for future research.

#### SESSION 104

### EMPLOYEES MOBILITY AND CORPORATE ENTREPRENEURSHIP

<b>TRACK K</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room5

**Session Chair** Theodore Khoury, *Oregon State University*

#### ★ Employee Mobility, Employee Entrepreneurship and the Effects on Parent Firm Performance

Benjamin Campbell, *Ohio State University*  
 Martin Ganco, *University of Illinois-Urbana Champaign*  
 April Franco, *University of Toronto*  
 Rajshree Agarwal, *University of Illinois-Urbana Champaign*

Employee entrepreneurship – startup founding by individuals previously employed with industry incumbents – has been identified as an important driver of intra-industry dynamics. Employee mobility

– movements of individuals across existing firms – was found to be a strong conduit for knowledge transfer. However, less is known about the impact of these events on the parent firm and the nature of transferred knowledge. Using the data from the U.S. Census we find that higher quality individuals self-select into employee entrepreneurship but that the negative effect on parent firm is not attributable only to selection. Our findings also suggest that both the transfer of opportunities and the transfer of routines play an important role in determining the impact of exiting employees on parent firm performance.

### Linking Corporate Entrepreneurship to Performance: The Pivotal Role of Strategic Alliance Portfolio Resources

Zeki Simsek, *University of Connecticut*  
 Smriti Prabhakar, *University of Connecticut*

Are firms pursuing corporate entrepreneurship (CE), defined as the sum of a company's innovation, renewal, and venturing efforts (Zahra, 1996), more likely to attain greater performance levels than firms pursuing less CE? We argue that a firm's alliances are potent conduits by which the firm accesses the needed resources for successfully pursuing CE. Thereby acting as resource "gap-fillers," they condition the shaping potential of CE on performance. In particular, we specify four alliance portfolio resource conditions that will determine the shaping potential of CE on performance; complementarity, specificity, tacitness, and first mover. Our preliminary analyses, using multi-source firm-level data, show support for the pivotal role of alliance portfolio resource conditions specified in our model.

#### ★ ❁ The Influence of Technological Interdependence on Employee Entrepreneurship and Mobility: Evidence from the Semiconductor Industry

Martin Ganco, *University of Illinois-Urbana Champaign*

The intra-industry activities of employees post-exit from incumbent firms have been identified as an important determinant of industry dynamics and structure. The post-exit founding of startups – employee entrepreneurship – is widely heralded as an important driver of innovation, firm creation and growth. Similarly, post-exit mobility to rival firms has been recognized as a crucial channel for knowledge spillovers. Far less is known, however, about how technology influences this flow of talent. This study investigates one attribute of technology – technological interdependence. Drawing on a unique database of intra-industry inventor entrepreneurship and mobility events in the U.S. semiconductor industry, I find that the propensity to engage in employee entrepreneurship increases, but to join a rival firm, decreases with the technological interdependence of inventor's prior patents.

#### Why do Employees Leave Their Job for Self-Employment?: The Impact of Entrepreneurial Working Conditions

Arndt Werner, *IfM Bonn*  
 Petra Moog, *Siegen University*

Based on the finding that founders of new firms tend to work as employees of small rather than large firms, we test how different working conditions might affect this decision. We find that working conditions like the ability to independently decide how to structure and complete work tasks, varied work hours according to the work load and participation in important company decisions are significantly related

to firm size when predicting the probability and decision of leaving paid-employment for self-employment. We find that when large firms offer entrepreneurial working conditions qualified employees are motivated to stay whereas in SMEs the best employees leave. This is a strategic dilemma for SMEs to be solved and a strategic advantage for large firms to hold entrepreneurial oriented employees.

## SESSION 109

## CURRENT RESEARCH ON UNCERTAINTY AND ENTREPRENEURSHIP

<b>TRACK K</b>	<b>Date</b>	Wednesday, Oct 14
	<b>Time</b>	11:30 – 12:45 h
<b>Paper</b>	<b>Room</b>	Meeting Room 13
<b>Session Chair</b>	Richard Reed, <i>Washington State University</i>	

### Framing the Future: Putting Society back into Strategy

Susan Tempest, *University of Nottingham*

In uncertain contexts firms have been encouraged to be more proactive in their strategic management by building on their competencies for strategic innovation to shape their destinies (Prahalad & Hamel, 1990; Kim & Mauborgne; 1997). Yet, uncertainty remains a threat. The financial crisis and the bail out of some of the world's largest financial institutions by nation states, together with the rising challenges of: demographic ageing; peak oil; and environmental degradation remind us that the strategies of the future will have to reflect the broader macro environment to a greater extent. These challenges warrant greater collaboration with politics, psychology and sociology going forward if strategy is to be developed in a more holistic and sustainable way.

### In the Middle of Uncertainties: An Examination of the Emergence and Evolution of Social Enterprises

Dorothy Kirkman, *University of Houston-Clear Lake*

This paper examines how uncertainties influenced the emergence and evolution of a revolutionary innovation – social enterprises (SEs). SEs introduce for-profit market strategies into social sector (Austin et al., 2006). I present two models to facilitate this discussion. The antecedence of social enterprise model (ASM) highlights the uncertainties that led some nonprofit organizations (NPOs) to seek a different way of doing things (Schumpeter, 1934) and draws attention to NPOs growing dependence on their environment for resources (Pfeffer and Salancik, 1978). The post-innovation model (PIM) describes the uncertainties that materialized when NPOs exploited SE opportunities. This discussion facilitates a robust understand of NPOs strategic response to uncertainty and provides a framework through which scholars may integrate strategy and nonprofit research.

### Managing Uncertainty Using Real Options and Goals That Investors Have: A Preliminary Analysis

Tandy Dilworth, *University of Colorado-Denver*

The business climate is fraught with uncertainty and uncertainty can be problematic in this environment because individuals are faced with decision problems that must be addressed in the near term, but that could have long-reaching effects for an organization. This research focuses on how uncertainty affects individuals and firms that manage

multiple investments in startup firms in light of their goals. Real options theory has proved effective as a tool in helping firms manage uncertainty so I use this theoretical approach along with goal setting theory to uncover differential decision making in the private equity context. This study starts the conceptual process of shedding light on the question, how do goals affect the selection and management of real options for investors?

### Uncertainty and Risk as Determinants of New-Venture Strategies

Richard Reed, *Washington State University*  
 Susan Storrud-Barnes, *Cleveland State University*  
 Leonard Jessup, *Washington State University*

Technological, economic, social, and political change has been increasing at an increasing rate, and with such change comes increased uncertainty. We argue that uncertainty is not the same as risk, which is generally thought of in terms of the downside. As the finance literature on options and the strategy literature on real-options explains, with uncertainty there also exists the potential for an upside. We draw on real-options thinking and on prospect theory to determine how uncertainty and risk affect entrepreneurial actions. Specifically, how do they affect the likelihood of undertaking new ventures, and what strategies are independent entrepreneurs and managers in established firms most likely to adopt—licensing, alliances, or new-venture development—under the contingencies of uncertainty and risk.







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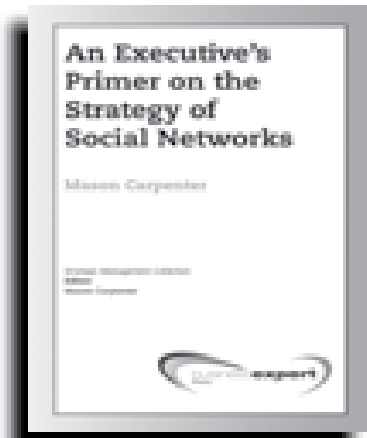
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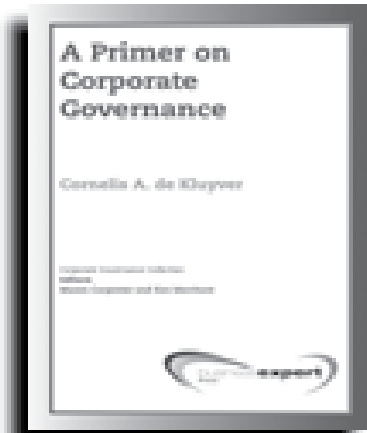
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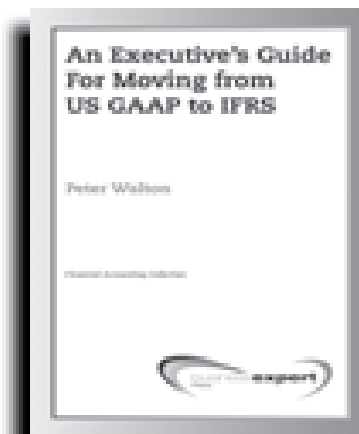
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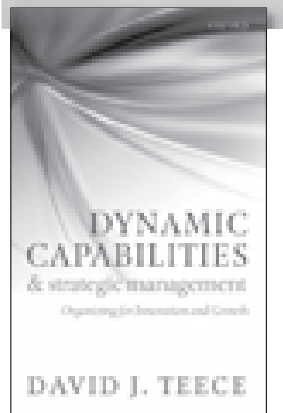


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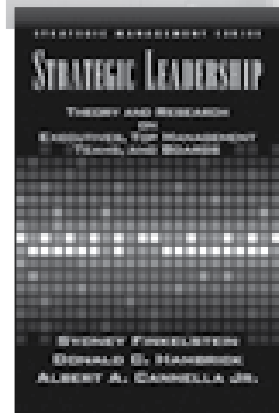


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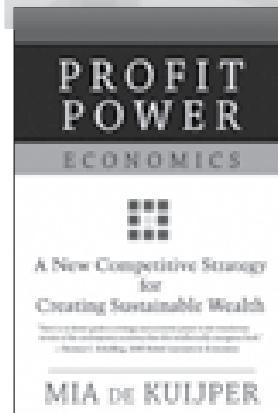
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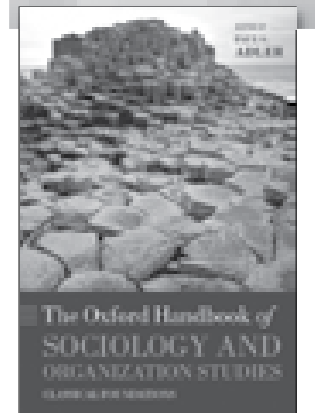
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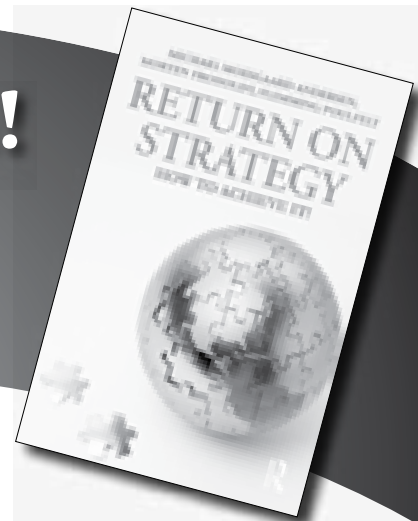
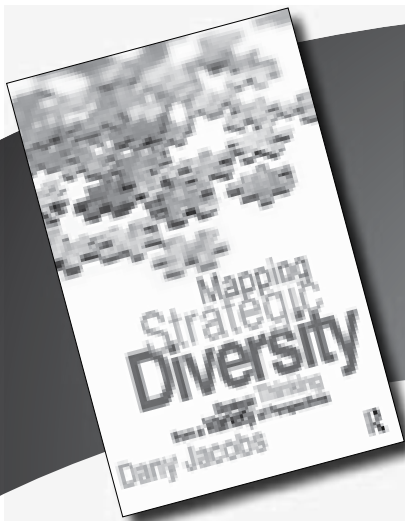
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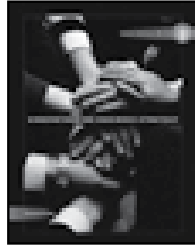
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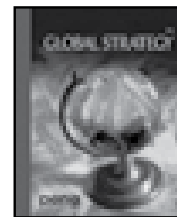


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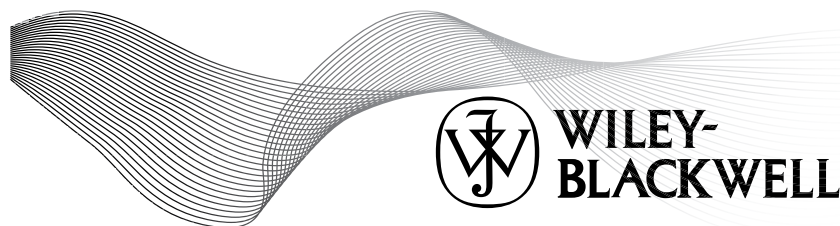
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