

INSTRUCTOR INFORMATION

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COURSE OVERVIEW

Course meets every Wed, between 1/23/13 and 3/15/13, from 1-4:30 pm, in Room 4534 VMH

This course is intended to introduce students to the academic fields of strategy and entrepreneurship. The course will be organized as a research seminar with students presenting and critiquing the assigned papers for each other. The primary audience is students enrolled in doctoral programs in the Management and Organization department at the R. H. Smith School of Business. Other interested students are also welcome to enroll, as the course will provide an overview of the critical questions that have motivated the evolution of strategy and entrepreneurship.

COURSE OBJECTIVES

This overview course is designed to provide a broad “birds-eye” view of issues critical to the domain of strategy and entrepreneurship. Given the overview nature of the course, we will not be able to provide in-depth coverage of any one topic, but the sessions will serve as a foundation upon which students can build their knowledge and expertise related to the specific domains. Also, since research in strategy and entrepreneurship has been informed by economic, behavioral (psychological) and sociological lenses on the phenomena of interest, the course will provide an overview of how the disciplinary perspectives have impacted scholarly thought in the area.

In addition to the above content, the “learning-by-doing” elements of the course are designed to enhance student ability to become an active thinker and researcher, rather than a mere processor of received wisdom. In essence, the objectives of the course are to provide

1. the foundation for students to develop an understanding of the theoretical and empirical research related to strategy and entrepreneurship
2. the conceptual “tool-kit” to develop a research perspective in strategy and entrepreneurship, and the vocabulary to converse within and across disciplinary perspectives
3. a forum to develop necessary skills to evaluate and critique existing literature, with the intent of identifying avenues to develop new insights and contribute to the academic literature in strategy and entrepreneurship.

COURSE STRUCTURE AND EVALUATION CRITERIA

The seminar structure of the course is intended to foster your development as a contributing member of the academic community. Accordingly, you are expected to take on an active role in your own learning, as well as your peers. Rather than following a lecture style, the class sessions will be discussion-oriented, and we will be adopting the role of a guide, facilitator and critic. Our success in meeting the above objectives thus hinges on your prepared and thoughtful participation.

To establish accountability, the following requirements have been put in place:

Class Attendance and Participation

Attendance is a necessary but not sufficient condition for participation. To be engaged in the class discussions, you need to read the assigned materials, and analyze/think through their individual and collective implications. We will actively “cold-call;” but in addition to answering questions, successful participation requires you to pose questions as well as engage in a meaningful discourse.

Leading of Discussions

We will be responsible for leading the discussions in the first session. In every subsequent session, one or more students will be assigned as the lead discussant. To perform the responsibility of the lead discussant, you will need to become completely familiar with the subject matter (be sure to read the material more than once!) and think through the issues critically. If the content seems difficult, the lead discussant should work to at least be clear on what the problems are, even if the answer does not seem evident. The lead discussant role is to make sure that the discussions proceed in a meaningful manner along well-informed ideas.

To assist in your preparation of this role, the lead discussant is responsible for preparing a written summary of the assigned material. These can be in the form of Word or PowerPoint documents. **The lead discussant should provide us with a draft version of the summary by Monday, 9 a.m. of the assigned week.** We will respond as quickly as possible with our comments, which should be incorporated in the final version. **Please post your summary on the Canvas website by Wednesday 9 a.m. in your assigned week.** In addition, please arrange to bring in the requisite number of handouts of these materials, so they can help in the class discussion (you can make arrangements for photocopying with the department staff). You should plan on no more than a 5 minute introduction of an assigned article (you may assume that everyone is familiar with the work, having read the assigned material at least once). The summary can be in outline form, but the content should focus on not merely regurgitating the material, but on abstracting the main points, and conducting a critical evaluation. In particular, your written summary should include:

- a. Complete citation of book/paper
- b. Definition of key concepts
- c. Assumptions, theoretical arguments, and their justification
- d. Conclusions, and theoretical/empirical significance of results
- e. Your evaluation of the papers’ strengths and weaknesses
- f. Identified linkages to other papers, concepts and models
- g. Integrated insights from the assigned readings for the session

Idea/Position Papers

Identifying research gaps and creating a plan to address them are important skills to develop as a researcher. Towards this end, each of you is responsible for creating an idea/position paper in the weeks when you are not a lead discussant. The paper should be geared towards addressing the question “What ideas/insights/research questions do the assigned readings spark in your mind?” The paper, single spaced, can be as brief as one page but no more than 4 pages in length, and include:

- a. Citations of relevant book/articles
- b. A concise statement of the central idea
- c. Your evaluation of its strengths and weaknesses *as applied to strategy and entrepreneurship research*
- d. Identified research gaps, and a realistic plan for developing the research idea

Each of your idea/position papers will be graded for completeness, and the logical connections that it makes. Additionally, to facilitate your interest in developing some of your idea papers further, we are going to ask you to **select 3 position papers for which we will provide more intensive comments, and these will be graded for “insightfulness” in addition to completeness.** You should let us know when you are submitting your paper as to whether the idea/position paper is to be more intensively graded or not. In choosing among the sessions for the more intense, you may want to think about what topics are more interesting to you, along with other scheduling factors as it relates to your workload. **Please submit your idea papers through the Canvas website by 9 a.m. every Wednesday**

Final Presentation

Given the broad aim of the course to provide a foundation for the study of strategy and entrepreneurship, the final deliverable requires that each student formulate and present their own, independent *account* of strategy and entrepreneurship. This account may take many different forms: you might construct your own worldview (see Boltanski and Thevenot, 2006); you might identify a central tension or paradox in one or more subareas of the field; you might develop a narrative that explains the rise and fall of interest in one or more specific topics or problems; you might identify a seminal work or journal and explain the role it played in the emergence of the field; or you might simply explain why and how strategy and entrepreneurship make sense to you. In contrast with many of your other seminar assignments, where you are expected to focus on specific theoretical gaps or empirical puzzles, in this instance you should emphasize creativity and breadth. Use the readings to help ground your own personal account (or, theory, if you prefer) of strategy and entrepreneurship. This is not an invitation to prattle on, say, or to write the Great American Novel. The deliverable will be negotiated with and approved by both instructors (please provide us your ideas for the final presentation by the 4th week of class) and should be developed in a format that can be presented to the class in the last session. First-year students may wish to think of this exercise as a dry run for your first-year papers, but do not feel obliged to do so.

Course Evaluation and Grade Requirements

Your final grade for the course is distributed as following:

- Class Participation: 25%
- Leading of Discussions: 15%
- Idea/Position Papers: 40%
- Final Presentation: 20%

Due dates will be strictly observed (based on the time stamp on Canvas), and extensions/incomplete grades will be considered only in extreme circumstances, most likely requiring documentation.

Grading standards consist of:

A+	Exemplary: Almost all model submissions
A	Excellent: Mostly model submissions; very good in all aspects
A-	Very good: Some model submissions; very good in all aspects
B+	Above Average: Very good in all aspects
B	Average
B-	Minimally Acceptable
C+ and below	Unacceptable to various degrees

SESSION OUTLINE AND READING LIST

In each of the sessions, the discussions are aimed at a) understanding the concepts and disciplinary perspectives and b) applying these to strategic issues. The required readings below include a mixture of classics, exemplars and recent advances, and there are additional optional readings provided for those interested in more in-depth coverage of the topic. Your assignments for each session, except for the 1st session is either to submit the idea/position paper, or in the session that you are a lead discussant, to submit the summary/critique and lead the discussion.

We note that the articles in the reading list are deliberately organized alphabetically, rather than in order of chronology or importance. This is because one of the skills we want you to develop is the identification of importance and linkages yourself, and because there may be “taste” differences on the margin regarding which of the articles are more important. In our class sessions, we will explicitly discuss how the articles may build on each other, or provide complementary or contradictory perspectives.

I. Introduction, and Early Economic Influence on Strategy and Entrepreneurship (Date: January 23; Faculty Lead: Rajshree Agarwal and David Kirsch)

This session will provide a brief overview of the course, and then dwell into the early influence of economics on strategy. The violations of the assumptions/welfare theorems that underpin the concept of competitive markets and their implications have had a profound impact on strategy research. The session will discuss these, and the dominant paradigm of structure-conduct-performance as determinants of firm performance. To the extent that industry factors increase profitability, firms earn “monopoly rents.”

Required Readings

- Caves, R.E. and M. E. Porter 1977 From Entry Barriers to Mobility Barriers: Conjectural Decisions and Contrived Deterrence to New Competition *The Quarterly Journal of Economics*, 91(2): 241-262.
- McGahan, A. M., & Porter, M. E. 1997. How much does industry matter, really? *Strategic Management Journal*, 18: 15-30.
- Nelson, R.R. 1991. Why do firms differ, and how does it matter? *Strategic Management Journal*, 12(Winter): 61-74.
- Porter, M. E. 1979. How Competitive Forces Shape Strategy, *Harvard Business Review*, 57(2):137-145
- Porter, M. E. 1991. Towards a Dynamic Theory of Strategy *Strategic Management Journal*, 12 (Winter): 95-117.
- Mahoney JT, Qian L. 2013. Market Frictions as Building Blocks of an Organizational Economics Approach to Strategic Management *Strategic Management Journal*, forthcoming
- Rumelt, R.P., Schendel, D., & Teece, D. 1991. Strategic management and economics. *Strategic Management Journal*, 12(Winter): 5-30.
- Yao, Dennis A. 1988. Beyond the reach of the invisible hand: Impediments to economic activity, market failures and profitability. *Strategic Management Journal*, 9 (Summer): 59-70

Optional Readings

- Foss, N.J. 1996. Research in strategy, economics, and Michael Porter. *Journal of Management Studies*, 33:1-24.

McGahan, A. M., & Porter, M. E. 2003. The emergence and sustainability of abnormal profits. *Strategic Organization*, 1(1): 79-108.

Rand, A, 1962 Antitrust: The Rule of Unreason *The Objectivist Newsletter* 1(2):p 5-8

Rumelt, R. P. 1991 "How Much Does Industry Matter?" *Strategic Management Journal*, 12: 167-185.

II. Sociological Perspectives on Institutional and Organizational Management Theory (Date: January 30; Faculty Lead: David Kirsch)

This session introduces the contemporary study of institutions to the field of strategic management. Early work establishes the point of departure: "Institutions matter" for industry-, firm- and individual-level analysis. The later papers seek to refine this insight and identify those domains in which institutional approaches bring unique explanatory power to the field and where institution-informed analyses may lead to new perspectives on traditional decision-making.

Required Readings

Aldrich, H. E., & Fiol, C. M. 1994. Fools rush in? The institutional context of industry creation. *Academy of Management Review*, 19(4), 645-670.

DiMaggio, P. and W. Powell. 1983. The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review* 48:147-160.

Meyer, J. and B. Rowan. 1977. Institutionalized Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 83:340-363.

Peng, M., S. L. Sun, B. Pinkham and H. Chen. 2009. The Institution-Based View as a Third Leg for a Strategy Tripod. *Academy of Management Perspectives*, 23(3):63-81.

Scott, W. R. 2007. Approaching Adulthood: The Maturing of Institutional Theory. *Theory and Society*, 37: 427-442.

Sine, W., H. Haveman, and P. Tolbert. 2005. "Risky Business? Entrepreneurship in the New Independent-Power Sector." *Administrative Science Quarterly*, 50: 200-232.

Optional Readings

Baron, J., F. Dobbin, and P. Jennings. 1986. "War and Peace: The Evolution of Modern Personnel Administration in U.S. Industry." *American Journal of Sociology* 92: 350-383.

Powell, W. and P. DiMaggio. 1991. *The New Institutionalism in Organizational Analysis*, Chicago, IL: University of Chicago Press.

Tolbert, P., R. David, and W. Sine. 2011. Studying Choice and Change: The Intersection of Institutional Theory and Entrepreneurship Research. *Organization Science*, 22(5): 1332-1344.

III. Resource Based View and Dynamic Capabilities (Date: February 6; Faculty Lead: Rajshree Agarwal)

In contrast to the SCP framework, which focuses on factors affecting product market rivalry (e.g. barriers to entry), RBV examines the role of access to superior factors in resource market as a source of competitive advantage. In this session, we will review the literature that examines the importance of resources and capabilities, and their dynamic evolution over time. To the extent that superior resources increase profitability, firms earn "Ricardian rents."

Required Readings

Barney, J. 1991. "Firm Resources and Sustained Competitive Advantage". *Journal of Management* 17, pp. 99-120.

Eisenhardt KM, Martin J. 2000. Dynamic capabilities: What are they? *Strategic Management Journal* 21(10-11): 1105-1121.

Gans, J., & Stern, S. 2003. The Product Market and the Market for Ideas. *Research Policy*, 32(2): 333-350.

Peteraf, M., Di Stefano G, & Verona, G. 2012. The Elephant in the Room of Dynamic Capabilities: Bringing Two Diverging Conversations Together, *Strategic Management Journal*, forthcoming

Pisano, G. 2006 "Profiting from innovation and the intellectual property revolution" *Research Policy* 35: 1122-1130

Teece, D. 1986 "Profiting from technological innovation" *Research Policy* 15: 285-305.

Teece, D., Pisano, G., Shuen. 1997. "Dynamic Capabilities and Strategic Management" *Strategic Management Journal*. 18(7). 509-531.

Wernerfelt, B. 1984. "A Resource-based View of the Firm", *Strategic Management Journal*, pp. 171-180.

Optional Readings

Agarwal, R., and Helfat, C. 2009. Strategic renewal of organizations. *Organization Science* 20(2): 281–293.

Penrose, E. 1959. Theory of the Growth of the Firm. Chapters 1, 2, 5.

Mahoney JT, Pandian JR. 1992. The resource-based view within the conversation of strategic management. *Strategic Management Journal* 13(5): 363–380.

IV. Behavioral Theory of the Firm (Date: February 13, Faculty Lead: David Kirsch)

The Behavioral Theory of the Firm (BTF) emerged from the basic work of Herbert Simon in the early 1950s and was later codified by Simon, Cyert and March in the early 1960s. This approach matured in parallel with, and in distinction to, work in the SCP and TCE traditions. And while RBV sees the firm as a bundle of resources, BTF sees the firm as collection of different groups of actors, alternately competing for resources and collaborating to meet joint goals. These insights drove scholars to look at resource allocation and decision making processes within the firm in new ways and has yielded a number of important findings that continue to influence management research many decades later.

Required Readings

Argote, L., and H. Greve 2007. A Behavioral Theory of the Firm--40 Years and Counting: Introduction and Impact. *Organization Science*, 18(3), 337-349.

Cyert and March 1963 *A Behavioral Theory of the Firm*. Chapters 7, 8, 9.

Gavetti G. and J. Rivkin 2007. On the Origin of Strategy: Action and Cognition over Time *Organization Science* 18(3), pp. 420–439.

Greve, H. 1998. Performance, Aspirations, and Risky Organizational Change. *Administrative Science Quarterly*, 43(1): 58-86.

Jordan, A. and P. Audia. 2012. "Self-Enhancement and Learning from Performance Feedback," *Academy of Management Review* 37(2):221-231.

Gavetti, Levinthal and Ocasio. 2007. Neo-Carnegie: The Carnegie School's Past, Present, and Reconstructing for the Future. *Organization Science*, 18(3): 523-536.

Ocasio, W. 1997. Towards An Attention-Based View of the Firm. *Strategic Management Journal*, 18: 187-206.

Dew, N., Read, S., Sarasvathy, S. D., & Wiltbank, R. 2008. Outlines of a behavioral theory of the entrepreneurial firm. *Journal of Economic Behavior & Organization*, 66(1), 37-59.

V. Boundaries of the Firm: A Transactions Costs Perspective (Date: February 20; Faculty Lead: Rajshree Agarwal)

While the unit of analysis for both SCP (focus on market structure) and RBV (focus on factor markets) is the firm, the TCE perspective defines the boundaries between markets and firms by focusing on the *transaction* as the unit of analysis. Thus, TCE has important insights to offer regarding when transactions are undertaken within firm boundaries, in markets, or in hybrid forms (e.g. alliances and acquisitions). This perspective is the foundation of much work in vertical integration, corporate strategy, and development of firm ecosystems.

Required Readings

Anderson, E. and Schmittlein, D. 1984. Integration of the sales force: An empirical examination. *Rand Journal of Economics*, 15 (Autumn): 385-395.

Coase, R., 1937. "The Nature of the Firm," *Economica*, Vol. 4, pp. 386-405.

Foss, N.J. and Klein P.G. 2005. Entrepreneurship and the Economic Theory of the Firm: Any Gains from Trade, Ch. 4 in Alvarez, Sharon, Rajshree Agarwal, and Olav Sorenson (editors), *Handbook of Entrepreneurship Research: Disciplinary Perspectives* International Handbook Series on Entrepreneurship, 2005, New York: Springer Publications

Klein, B, Crawford, R.G. and Alchian, A.A. 1978. Vertical integration, appropriable rents, and the competitive contracting process. *Journal of Law and Economics*, 21 (2): 297-326.

Mahoney, J T. 1992. The choice of organizational form: Vertical financial ownership versus other methods of vertical integration. *Strategic Management Journal*, 13 (8): 559-584.

Masten, S. E., Meehan J. W. and Snyder, E.A. 1991. The costs of organization. *Journal of Law, Economics and Organization*, 7 (1): 1-25

Williamson, O. E. (1991). Comparative economic organization: The analysis of discrete structural alternatives. *Administrative Science Quarterly*, 36 (2): 269-296.

Optional Readings

Argyres, N. S., Bercovitz, J. and Mayer, K.J. 2007. Complementarity and evolution of contractual provisions: An empirical study of IT services contracts. *Organization Science*, 18 (1): 3-19.

Bucheli, M., Mahoney, JT and Vaaler, PM 2010. Chandler's living history: The *Visible Hand* of vertical integration in 19th Century America seen under a 21st century transaction costs economics lens. *Journal of Management Studies*, 47 (5): 859-883.

Hennart, JF 1993. Explaining the swollen middle: Why most transactions are a mix of “market” and “hierarchy.” *Organization Science*, 4 (4): 529-547.

Mahoney, J.T. (2005). *Economic Foundations of Strategy*. Thousand Oaks, CA: Sage Publications.

VI. Evolutionary Economics and Organizational Ecology (Date: February 27; Faculty Lead: Rajshree Agarwal and David Kirsch)

The view of markets and firms (with the exception of dynamic capabilities) discussed thus far has been largely static. In this session, we will focus on work that takes an explicitly evolutionary lens, for both markets and firms, and within the economics and sociology tradition. The different theories make different assumptions regarding selection vs. adaptation, and the level at which these mechanisms operate, but all of them are dynamic in their context. From the economic perspective, to the extent that increases in profitability stem from innovation (doing things differently over time), firms earn “Schumpeterian rents.”

Required Readings

Agarwal, R., Sarkar, M. B., & Echambadi, R. 2002. The Conditioning Effect of Time on Firm Survival: An Industry Life Cycle Approach. *Academy of Management Journal*, 45(5): 971-994

Gort, M., & Klepper, S. 1982. Time paths in the diffusion of product innovations. *The Economic Journal*, 92(367), 630-653.

Hannan, M. T., & Freeman, J. 1977. The population ecology of organizations. *American Journal of Sociology*, 929-964.

Hargadon, A. B., & Douglas, Y. (2001). When innovations meet institutions: Edison and the design of the electric light. *Administrative Science Quarterly*, 46(3), 476-501.

Helfat, C. E., & Lieberman, M. B. 2002. The birth of capabilities: market entry and the importance of pre-history. *Industrial and Corporate Change*, 11(4), 725-760.

Kirzner, I. 1997. Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach. *Journal of Economic Literature*, 35: 60-85.

Nelson and Winter. 1982. An evolutionary theory of economic change. Chapters 1 and 2 and Preface to the Japanese translation.

Optional Readings

Agarwal, R. and M. Tripsas 2007. Technology and Industry Evolution in Shane, Scott (ed) *Handbook of Technology and Innovation Management* West Sussex, England: John Wiley and Sons Ltd.

Caves, R. E. 1998. Industrial Organization and New Findings on the Turnover and Mobility of Firms *Journal of Economic Literature*, 36(4): 1947-1982.

Lieberman, M. B and D. B. Montgomery 1988 First-Mover Advantages *Strategic Management Journal*, 9(Summer):41-58.

VII. Micro-foundations of Strategy and Entrepreneurship (Date: March 6; Faculty Lead: Rajshree Agarwal and David Kirsch)

More recently, strategy and entrepreneurship scholars have renewed attention to the *individual* as the unit of analysis. After all, markets, firms and transactions don't make decisions, *people* do! When making strategic and/or entrepreneurial decisions, people are shaped by their prior histories and experiences,

and their cognitive abilities to recognize opportunities. In this session, we will focus on the role of cognition and individuals in firm formation, growth/renewal, and performance. As in the last session, readings include both economic/strategic and sociology/psychological perspectives.

Required Readings

Agarwal, R., Echambadi, R., Franco, A. M., and Sarkar, M. B. 2004. Knowledge Transfer Through Inheritance: Spin-Out Generation, Development and Survival. *Academy of Management Journal*, 47(4), 501-522.

Eggers, JP and Kaplan, S. 2013 Cognition & Capabilities: A Multi-Level Perspective *Academy of Management Annals*, forthcoming

Kennedy, M. T. 2008. Getting counted: Markets, media, and reality. *American Sociological Review*, 73(2), 270-295. Journ

Klepper, S. 2007 Disagreements, Spinoffs, and the Evolution of Detroit as the Capital of the U.S. Automobile Industry, *Management Science* 53(4):616-631

Pfarrer, M., Pollock, T. & Rindova, V. 2010. A tale of two assets: The effects of firm reputation and celebrity on earnings surprises and investors' reactions. *Academy of Management Journal*, 53 (5): 1131-1152.

Porac, J. F., Thomas, H., Wilson, F., Paton, D., & Kanfer, A. 1995. Rivalry and the industry model of Scottish knitwear producers. *Administrative Science Quarterly*, 203-227.

Ruef, M., Aldrich, H. E., & Carter, N. M. 2003. The structure of founding teams: Homophily, strong ties, and isolation among US entrepreneurs. *American sociological review*, 68(2), 195-222.

Tripsas, M. and Gavetti, G. 2000. Capabilities, Cognition, and Inertia: Evidence from Digital Imaging *Strategic Management Journal*, 21(10/11): 1147-1161

Zuckerman, E. W. 1999. The categorical imperative: Securities analysts and the illegitimacy discount. *American Journal of Sociology*, 104(5), 1398-1438.

Optional Readings

Kaplan, S. 2011. Research in cognition and strategy: reflections on two decades of progress and a look to the future. *Journal of Management Studies*, 48(3), 665-695.

VIII. Final Presentation (Date: March 13)

This session will consist of student presentations based on their final deliverable. The schedule of presentations will be decided closer to the due date, and taking student preferences into account.