
B65.4301

Ph.D. STRATEGY

FALL 2010 SYLLABUS (v.8/17/10)

Professor Gabriel Natividad

New York University

Office: Tisch Hall 723

Phone: 998-0108

Email: gnativid@stern.nyu.edu

Class dates: September 13 to December 13, per the NYU Calendar.

Class times: Monday 9:30 a.m. to 12:30 p.m., Tisch Hall 720

Office hours: Thursday 8:30 a.m.–9:30 a.m. or by appointment.

COURSE DESCRIPTION

This course is designed to expose Ph.D. students to a broad foundation in scholarly strategy research. At the heart of the course will be our interest in explaining performance differences, both temporary and permanent, between firms within and across industries. Each session is meant to introduce you to some classic and current pieces on the topic, with an emphasis on the questions rather than the techniques. Some other key areas of research in strategy will not be covered here. This is not because these topics are less important, but merely due to time constraints and the fact that you will cover some of these topics in other courses. In particular, the required readings and emphasis of this course are intended to complement rather than substitute those of the Strategy (Economics) course to be taught by Allan Collard-Wexler in the Spring.

COURSE REQUIREMENTS AND GRADE WEIGHTS

1. **Class Participation** (35%). This is not a lecture course. Class discussion and interaction are a crucial part of our synthesis of the material and learning.
2. **Homework** (15%). You will turn in 3 individual assignments for Class 1, 2, and 13.
3. **Work-in-progress presentation** (10%). On the last day of class (December 13th), you will present in class the key elements of the Final Paper (see 4 below).
4. **Final Paper** (40%). You will write the front end of an individual research paper, consisting of a research question, a theoretical framework, and an empirical design. You are free to choose any theme loosely connected to the readings in the syllabus, and will discuss a brief outline (no longer

than 1-2 paragraphs) with the instructor no later than November 5th to receive guidance. The deadline for the Final Paper is Tuesday, December 21st at noon by email.

MATERIALS

A Blackboard website with links to all readings will be available ten days before Class 1. You can also find most of them on Google Scholar.

READING LIST

(* = mandatory readings)

Class 1 (September 13): **What is Strategy research?**

HOMEWORK DUE: Answer “What is strategy?” in a one-page original essay, in hard copy.

*Barney, Jay B. 1986. Strategic factor markets: expectations, luck, and business strategy. *Management Science* 32: 1231-1241.

*Teece, David. 1986. Profiting from Technological Innovation: Implications for Integration, Collaboration, Licensing and Public Policy. *Research Policy* 15: 285-305.

*Cohen, Wesley M. and Daniel A. Levinthal. 1990. Absorptive Capacity: A New Perspective on Learning and Innovation. *Administrative Science Quarterly* 35(1): 128-152.

*Kogut, Bruce, and Udo Zander. 1992. Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology. *Organization Science* 3(3): 383-397.

*Rivkin, Jan W. 2000. Imitation of Complex Strategies. *Management Science* 46(6): 824-844.

*Nickerson, Jack A. and Brian S. Silverman. 2003. Why Aren't All Truck Drivers Owner-Operators? Asset Ownership and the Employment Relation in Interstate for Hire Trucking. *Journal of Economics and Management Strategy* 12(1): 91-118.

*McDonald, Glenn and Michael D. Ryall. 2004. How Do Value Creation and Competition Determine Whether a Firm Appropriates Value? *Management Science* 50(10): 1319-1333.

Class 2 (September 20): **The Locus of Performance**

HOMEWORK DUE: Estimate Rumelt's (1991) model using the data set provided on BlackBoard. You can leave the covariance term out.

*Schmalensee, Richard C. 1985. Do Markets Differ Much?. *American Economic Review* 75(3): 341–351.

*Rumelt, Richard P. 1991. How Much Does Industry Matter?. *Strategic Management Journal* 12: 167–185.

*Bertrand, Marianne and Antoinette Schoar. 2003. Managing with Style: The Effect of Managers on Firm Policies. *Quarterly Journal of Economics* 118(4): 1169-1208.

*Bennedsen, Morten, Francisco Pérez-González, and Daniel Wolfenzon. 2008. Do CEOs Matter?. Working Paper.

McGahan, Anita M. and Michael E. Porter. 1997. How Much Does Industry Matter, Really?. *Strategic Management Journal* 18(Special Issue): 15–30.

Adner, Ron and Constance E. Helfat. 2003. Corporate Effects and Dynamic Managerial Capabilities. *Strategic Management Journal* 24(10): 1011–1025.

Class 3 (September 27): **Competition and Cooperation**

*Lieberman, Marvin B. 1987. Excess Capacity as a Barrier to Entry: An Empirical Appraisal. *Journal of Industrial Economics* 35(4): 607-627.

*Chevalier, Judith A. 1995. Capital Structure and Product-Market Competition: Empirical Evidence from the Supermarket Industry. *American Economic Review* 85: 415-435.

*Adner, Ron and Peter Zemsky. 2005. Disruptive Technologies and the Emergence of Competition. *RAND Journal of Economics* 36(2): 229-254.

*Schilling, Melissa A. and Corey. C. Phelps. 2007. Interfirm Collaboration Networks: The Impact of Large-Scale Network Structure on Firm Innovation. *Management Science* 53(7): 1113-1126.

Brandenburger, Adam and Harborne Stuart. 2007. Biform Games. *Management Science* 53(4): 537-549.

Mowery, David C., Joanne E. Oxley, and Brian S. Silverman. 1996. Strategic Alliances and Interfirm Knowledge Transfer. *Strategic Management Journal* 17(Special Issue): 77-91.

Dyer, Jeff H., and Harbir Singh. 1998. The Relational View: Cooperative Strategy and Sources of Interorganizational Competitive Advantage. *Academy of Management Review* 23(4): 660.

Gimeno, Javier. 1999. Reciprocal Threats in Multimarket Rivalry: Staking Out 'Spheres of Influence' in the U.S. Airline Industry. *Strategic Management Journal* 20(2): 101-128.

Class 4 (October 4): **The Resource-Based View and Firm Capabilities**

*Lippman, Steven A. and Richard P. Rumelt. 1982. Uncertain Imitability: An Analysis of Interfirm Differences in Efficiency Under Competition. *Bell Journal of Economics* 13(2): 418-438.

*Bernardo, Antonio E. and Bhagwan Chowdhry. 2002. Resources, Real Options, and Corporate Strategy. *Journal of Financial Economics* 63(2): 211-234.

*Henderson, Rebecca M. and Iain Cockburn. 1994. Measuring Competence? Exploring Firm Effects in Pharmaceutical Research. *Strategic Management Journal* 15(Special Issue): 63-84.

*Lieberman, Marvin B. and Rajeev Dhawan. 2005. Assessing the Resource Base of Japanese and U.S. Auto Producers: A Stochastic Frontier Production Function Approach. *Management Science* 51(7): 1060-1075.

Alchian, Armen A. and Harold Demsetz. 1972. Production, Information Costs, and Economic Organization. *American Economic Review* 62(5): 777-795.

Barney, Jay B. 1991. Firm Resources and Sustained Competitive Advantage. *Journal of Management* 17(1): 99-120.

Helfat, Constance E. and Margaret A. Peteraf. 2003. The Dynamic Resource-Based View: Capability Lifecycles. *Strategic Management Journal* 24(10): 997-1010.

Dierickx, Ingemar and Karel Cool. 1989. Asset Stock Accumulation and Sustainability of Competitive Advantage. *Management Science* 35(12): 1504-1511.

Sakakibara, Mariko. 1997. Heterogeneity of Firm Capabilities and Cooperative Research and Development: An Empirical Examination of Motives. *Strategic Management Journal* 18(Special Issue): 143-164.

Ahuja, Gautam and Riitta Katila. 2004. Where Do Resources Come From? The Role of Idiosyncratic Situations. *Strategic Management Journal* 25(8-9): 887-907.

Class 5 (October 11): **Transaction Costs and Internal Organization**

*Williamson, Oliver E. 1976. Franchise Bidding for Natural Monopolies-in General and with Respect to CATV. *Bell Journal of Economics* 7(1): 73-104.

*Silverman, Brian S. 1999. Technological Resources and the Direction of Corporate Diversification: Toward an Integration of the Resource-Based View and Transaction Cost Economics. *Management Science* 45(8): 503-534.

*Azoulay, Pierre. 2004. Capturing Knowledge within and across Firm Boundaries: Evidence from Clinical Development. *American Economic Review* 94(5): 1591-1612.

*Mayer, Kyle J. and Jack A. Nickerson. 2005. Antecedents and Performance Implications of Contracting for Knowledge Workers: Evidence from Information Technology Services. *Organization Science* 16(3): 225-242.

Class 6 (October 18): Firm and Industry Dynamics

*Agarwal, Rajshree and Michael Gort. 1996. The Evolution of Markets and Entry, Exit and Survival of Firms. *Review of Economics and Statistics* 78(3): 489-498.

*Siggelkow, Nicolaj. 2001. Change in the Presence of Fit: The Rise, the Fall, and the Renaissance of Liz Claiborne. *Academy of Management Journal* 44(4): 838.

*Wu, Brian and Anne Marie Knott. Entrepreneurial risk and market entry. *Management Science* 52(9): 1315-1330.

*Oberholzer-Gee, Felix and Koleman Strumpf. 2007. The Effect of File Sharing on Record Sales: An Empirical Analysis. *Journal of Political Economy* 115(1):1-42.

Klepper, Steven and Sally Sleeper. 2005. Entry by Spinoffs. *Management Science* 51(8):1291-1306.

Teece, David J., Gary Pisano, and Amy Shuen. 1997. Dynamic Capabilities and Strategic Management. *Strategic Management Journal* 18(7) 509-533.

Pacheco-de-Almeida, Goncalo, Ashton Hawk, and Bernard Yeung, Speed and Tobin's Q, Working paper.

Mitchell, Will. 1989. Whether or When? Probability and Timing of Incumbents' Entry. *Administrative Science Quarterly* 34(2): 208-230.

Winter, Sidney G. 2003. Understanding Dynamic Capabilities. *Strategic Management Journal* 24(10): 991-995.

Cattani, Gino. 2005. Preadaptation, Firm Heterogeneity, and Technological Performance: A Study of the Evolution of Fiber Optics, 1970-1995. *Organization Science* 16(6):563-580.

Class 7 (October 25): Knowledge, Technology and Innovation Diffusion

*Makowski, Louis and Joseph M. Ostroy. 2001. Perfect Competition and the Creativity of the Market. *Journal of Economic Literature* 39(2): 479-535.

*Henderson, Rebecca M. and Kim B. Clark. 1990. Architectural Innovation: The Reconfiguration of Existing Product Technologies and the Failure of Established Firms. *Administrative Science Quarterly* 35(1): 9-30.

*Tushman, Michael L. and Philip Anderson. 1986. Technological Discontinuities and Organizational Environments. *Administrative Science Quarterly* 31(3): 439-465.

*Furman, Jeffrey L. and Scott Stern. 2010. Climbing Atop the Shoulders of Giants: The Impact of Institutions on Cumulative Research. *American Economic Review*, forthcoming.

King, Andrew A. and Christopher L. Tucci. 2002. Incumbent Entry into New Market Niches: The Role of Experience and Managerial Choice in the Creation of Dynamic Capabilities. *Management Science* 48(2): 171-186.

Cassiman, Bruno and Reinhilde Veugelers. 1998. R&D Cooperation and Spillovers: Some Empirical Evidence from Belgium. *American Economic Review* 92(4): 1169-1184.

Salomon, Robert and Xavier Martin. 2008. Learning, Knowledge Transfer, and Technology Implementation Performance: A Study of Time-to-Build in the Global Semiconductor Industry. *Management Science* 54(7): 1266-1280.

Alcácer, Juan and Wilbur Chung. 2007. Location Strategies and Knowledge Spillovers. *Management Science* 53(5): 760-776.

Class 8 (November 1): **The Strategy Process**

*Burgelman, Ron A. 1983. A Model of the Interaction of Strategic Behavior, Corporate Context, and the Concept of Strategy. *Academy of Management Review* 8(1) 61-70.

*Christensen, Clayton M. and Joseph L. Bower. 1996. Customer Power, Strategic Investment, and the Failure of Leading Firms. *Strategic Management Journal* 17(3): 197-218.

*Noda, Tomo and David J. Collis. 2001. The Evolution of Intraindustry Firm Heterogeneity: Insights from a Process Study. *Academy of Management Journal* 44(4): 897-925.

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

Eggers, JP and Sarah Kaplan. 2009. Cognition and Renewal: Comparing CEO and Organizational Effects on Incumbent Adaptation to Technical Change. *Organization Science* 20(2): 461-477.

Benner, Mary J. 2010. Securities Analysts and Incumbent Response to Radical Technological Change: Evidence from Digital Photography and Internet Telephony. *Organization Science* 21(1): 42-62.

Eisenhardt, Kathleen M. and Claudia B. Schoonhoven. 1990. Organizational Growth: Linking Founding Team, Strategy, Environment, and Growth Among U.S. Semiconductor Ventures, 1978-1988. *Administrative Science Quarterly* 35(3): 504-529.

Mintzberg, Henry and James A. Waters. 1985. Of Strategies, Deliberate and Emergent. *Strategic Management Journal* 6(3): 257-272.

Class 9 (November 8): **Vertical Integration and Relationships**

*Gibbons, Robert. 2005. Four Formal(izable) Theories of the Firm? *Journal of Economic Behavior & Organization* 58(2): 200-245.

*Acemoglu, Daron, Philippe Aghion, Rachel Griffith, and Fabrizio Zilibotti. 2008. Vertical Integration and Technology: Theory and Evidence. *Journal of the European Economic Association*, forthcoming.

*Forbes, Silke J. and Mara Lederman. 2009. Adaptation and Vertical Integration in the Airline Industry. *American Economic Review* 99(5): 1831-49.

*Novak, Sharon and Scott Stern. 2009. Complementarity Among Vertical Integration Decisions: Evidence from Automobile Product Development. *Management Science* 55(2): 311-322.

Mayer, Kyle J. and Nicholas S. Argyres. 2004. Learning to Contract: Evidence from the Personal Computer Industry. *Organization Science* 15(4): 394-410.

Corts, Kenneth and Jasjit Singh. 2004. The Effect of Relationships on Contract Choice: Evidence from Offshore Drilling. *Journal of Law, Economics, and Organization* 20(1): 230-260.

Lafontaine, Francine and Margaret Slade. 2007. Vertical Integration and Firm Boundaries: The Evidence. *Journal of Economic Literature* 45(3): 629-685.

Class 10 (November 15): **Diversification and Divisionalization**

*Lang, Larry H. and Rene M. Stulz. 1994. Tobin's Q, Corporate Diversification, and Firm Performance. *Journal of Political Economy* 102(6): 1248-1280.

*Villalonga, Belén. 2004. Diversification Discount or Premium? New Evidence from the Business Information Tracking Series. *Journal of Finance* 59(2): 479-506.

*Guadalupe, Maria and Julie Wulf. 2009. The Flattening Firm and Product Market Competition: The Effect of Trade Costs and Liberalization. *American Economic Journal: Applied Economics*, forthcoming.

*Klein, Peter G. and Marc R. Saldenberg. 2010. Organizational Structure and the Diversification Discount: Evidence from Commercial Banking. *Journal of Industrial Economics* 58(1): 127-155.

Lamont, Owen. 1997. Cash Flow and Investment: Evidence from Internal Capital Markets. *Journal of Finance* 52(1): 83-109.

Liebeskind, Julia P. 2000. Internal Capital Markets: Benefits, Costs, and Organizational Arrangements. *Organization Science* 11(1): 58-76.

Rawley, Evan and Timothy S. Simcoe. 2010. Diversification, Diseconomies of Scope and Vertical Contracting: Evidence from the Taxicab Industry. *Management Science*, forthcoming.

Zhou, Yue M. 2010. Synergy, Coordination Costs, and Diversification Choices. *Strategic Management Journal*, forthcoming.

Class 11 (November 29): **Mergers and Acquisitions**

*Harford, Jarrad. 2005. What Drives Merger Waves?, *Journal of Financial Economics* 77: 529–560.

*Capron, Laurence. 1999. The Long-Term Performance of Horizontal Acquisitions. *Strategic Management Journal* 20: 987-1018.

*Garmaise, Mark J. and Tobias J. Moskowitz. 2006. Bank Mergers and Crime: The Real and Social Effects of Bank Competition. *Journal of Finance* 61(2): 496–538.

*Savor, Pavel G. and Qi Lu. 2009. Do Stock Mergers Create Value for Acquirers? *Journal of Finance* 64(3): 1061-1097.

Maksimovic, Vojislav and Gordon Phillips. 2008. The Industry Life Cycle and Acquisitions and Investment: Does Firm Organization Matter?, *Journal of Finance* 63(2): 673-708.

Chevalier, Judith. 2004. What Do We Know About Cross-Subsidization? Evidence from Merging Firms. *Advances in Economic Analysis & Policy* 4(1).

Karim, Samina. 2009. Business Unit Reorganization and Innovation in New Product Markets. *Management Science* 55(7): 1237—1254.

Class 12 (December 6): **Information and Incentives inside the firm**

*Bandiera, Oriana, Iwan Barankay, and Imran Rasu. 2007. Incentives for Managers and Inequality Among Workers: Evidence from a Firm-Level Experiment. *Quarterly Journal of Economics* 122(2): 729-773.

*Marion, Justin G. and Erich Muehlegger. 2008. Measuring Illegal Activity and the Effects of Regulatory Innovation: Tax Evasion and the Dyeing of Untaxed Diesel. *Journal of Political Economy* 116(4): 633-666.

*Hertzberg, Andrew, Jose Maria Liberti, and Daniel Paravisini. 2010. Information and Incentives Inside the Firm: Evidence from Loan Officer Rotation. *Journal of Finance* 65(3): 795-828.

*Garmaise, Mark J. and Gabriel Natividad. 2010. Information, the Cost of Credit and Operational Efficiency: An Empirical Study of Microfinance. *Review of Financial Studies* 23(6): 2560-2590.

Chiappori, Pierre-André and Bernard Salanié. 2000. Testing for Asymmetric Information in Insurance Markets. *Journal of Political Economy* 108(1): 56-78.

Hubbard, Thomas N. 2003. Information, Decisions, and Productivity: On-board Computers and Capacity Utilization in Trucking. *American Economic Review* 93(4): 1328–1353.

Snyder, Jason. 2010. Gaming the Liver Transplant Market. *Journal of Law, Economics, and Organization*, doi:10.1093/jleo/ewq003

Class 13 (December 13): **Student work-in-progress presentations.**

*Oxley, Joanne, Jan Rivkin, Michael D. Ryall, and the Strategy Research Initiative. 2010. Recognizing and Encouraging High Quality Research in Strategy. Working paper.

IN-CLASS EXERCISE: We will use a handout in class to apply the criteria of the assigned reading to the student work-in-progress presentations. You will turn in the handout for each presentation of your colleagues so that I will assess how you've grasped the concepts of the reading and how you've judged your colleagues' research. I will grade the presentation of your colleagues or yours independently from the handout scores.