The first year core strategy sequence is designed to introduce students to the strategy literature and the research approaches that strategy research uses.

- We will discuss the nature of scientific thought and inquiry, particularly as it applies to the social sciences.
- We will explore how to frame a research problem and develop and apply theory, including both the development of mathematical models and the formulation of formal hypotheses.
- We will learn about various empirical approaches and focus on general areas of concern such as measurement, selection, and endogeneity.
- We will do all this while reading and critiquing major branches and works within the strategy literature.
- Finally, we will provide regular opportunities for students to develop and present research ideas.

The seminar will meet every other Monday at 11:00am in both the Fall and Spring semesters. The course is designed to be taken as a sequence and students are expected to enroll in both the Fall and the Spring. The faculty for the course are Will Mitchell (willm@duke.edu) and Charles Williams (charlesw@duke.edu). The course web-site is: http://faculty.fuqua.duke.edu/~charlesw/s591/Strategy591_2009_2010.htm

**Course requirements**

- We expect you to attend each class, prepare assigned readings, and be prepared to discuss the readings.
- We will ask you to make regular presentations of your research ideas. Once the joint sessions with Bocconi begin, classes are organized as debates where two teams argue in favor of alternative propositions. We will regularly ask you to be part of one of these themes and prepare presentations to argue for your proposition.
- You will complete and submit a research paper by the end of the Spring term. The research paper will include identifying a focal question, providing a relevant literature review, developing logical hypotheses, and conducting at least a limited empirical exploration of the hypotheses.
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Annotated Syllabus


Note: We will add readings as the term progresses, in order to build on the ongoing discussion. Where possible, we will make the readings available via the course website.

1. Introduction to Strategy

An introduction to the history and development of the field of strategy.
- We will tackle several broad questions such as: What is strategy? What are the major themes and questions of strategy?
- We will discuss the disciplinary foundations of strategy.
- We will also take some time discussing some earlier works that have been influential in the development of the field.
- Finally, we will introduce the primary institutions (e.g. conferences, journals) supporting the strategy field.

- Readings (read and be prepared to discuss each of these readings):
  - Rumelt, Schendel, & Teece (RST). 1991 (SMJ). Strategic management and economics
  - RST, Chapter 1. Fundamental Issues in Strategy

- Foundational Works (each student will be assigned one to read):
  - Chandler, Alfred
  - Richard Cyert & James March
  - Penrose, Edith
  - Mintzberg, Henry
  - Andrews, Kenneth
  - Barnard, Chester

- Approaches to research: “Red state” versus “Blue state” papers

2. Philosophy of (Social) Science

Topics covered in readings and discussion: What is science? The scientific method. Epistemology, causality, and the “truthfulness” of theory. The challenge of social science. Kuhn/Popper.
- Babbie: Chapter 1
- Excerpts from “The Structure of Scientific Revolutions” - Thomas S. Kuhn
- Excerpts from “The Logic of Scientific Discovery” - Karl Popper
- Bill McKevelley: excerpt from “Complexity Theory in Organization Science: Seizing the Promise or Becoming a Fad?” Emergence v.1 n.1 1999.
Starting point discussion questions to consider during the readings
1. What is (social) science?
2. If reality is at least partly socially constructed, what are the implications for those of us who study social phenomena?
3. What are common errors in human inquiry? Can you find examples in the public media?
4. What are the relative strengths and weaknesses of deductive and inductive reasoning?
5. What are the relative strengths and weaknesses of positive and normative research?
6. What is a theory? What does it mean logically to formalize a theory? What purposes does this serve?
7. How do you evaluate a theory relative to competing theories?
8. What are the strengths and weaknesses of falsification as the primary test of theories?
9. What is a paradigm? What are its elements? What role do paradigms play for working researchers?
10. Evaluate Kuhn’s argument concerning how theories arise.
11. How does McKelvey’s division of scientific labor into theory-model validity and model-data validity help save the goals of science from the death of positivism?

Proto-research presentations: Each student will make a 5-10 minute presentation of a “red state” approach to a research question that interests her.

3. Theory Development

a. Readings topics: Where do good questions come from? hypothesis testing, verbal explication and box plots, mathematical models, game theoretic models, computational models, equilibrium analysis versus dynamic models, analytical tractability versus computational methods, relationship with empirical models
   • Babbie: Chapters 2 & 3
   • Singleton and Straights – Chapter 3 – The logic of scientific reasoning
   • Arthur Koestler “The case of the midwife toad”

Supplements on Academic Writing:
   • Hal Varian 1994, How to Write an Economic Model (book chapter)
   • Writing Style (Mitchell 2007)

b. Academic writing: Please review the posted articles about approaches to academic writing

c. Proto-research presentations: Each student will make a 5-10 minute presentation of a “blue state” approach to last week’s research question.
4. Research Design


- Babbie: Chapters 4 to 7

5. Data Collection

Topics covered: archival data, surveys, lab experiments, coding

- Babbie: Chapters 8 to 12
- Example papers: The web-site includes example papers – please focus on the data collection aspects of the papers, together with how data collection interacts with the framing and analysis.

6. Industrial Organization & Structure

An introduction to industrial organization economics in general and the Bain IO model of industry structure in particular. We compare profitability in efficient markets with that of monopoly. We develop basic models of competition under oligopoly. We will then turn our attention to barriers to entry and monopoly rents paying particular attention to Porter’s use of industrial organization as a model for business strategy.

Readings:
- Caves & Porter. 1977. From Entry Barriers to Mobility Barriers. QJE.
- Porter. 1981. Contributions of IO to Strategic Management. AMR
- Porter Competitive Advantage 1985 Chapter 1

7. Rivalry & Competitive Dynamics

An introduction to game theory and the use of game theory in strategy. Different game types and the concept of Nash equilibrium will be introduce. Using game theory as a basis, we will discuss issues of rivalry such as competitive pricing and strategy such as advertising.

Readings:
8. Firm Heterogeneity and Ricardian Rents

An introduction to the resource-based view of the firm. We will ask how do firms differ? We will discuss what types of firm assets are likely to provide Ricardian rents. We will highlight the importance of information asymmetries in generating imperfect factor markets. In particular, we discuss the value of intangible assets such as knowledge and capabilities. We also introduce the notion of complementarities as a way of thinking about such rents.

Readings:
- Barney. 1986. Strategic Factor Markets. MS.
- Prahalad & Hamel. 1990. The Core Competence of the Corporation. HBR.
- Milgrom & Roberts. 1990. The Economics of Modern Manufacturing. AER.
- Peteraf. 1993. The Cornerstones of Competitive Advantage. SMJ.

9. The Boundaries of the Firm

An introduction to topics in corporate strategy. We introduce transaction cost economics and agency theory as two ways to think about the boundaries of the firm. We will compare and contrast the Berkeley perspective on transactions costs with the Cambridge perspective. We will then explore the debate transaction costs vs. capabilities explanations of the boundaries of the firm. We will tackle topics such as diversification, vertical integration, and network forms of organization such as alliances and joint ventures.

Readings:

Helper, MacDuffie and Sabel. 2000. Pragmatic collaborations: Advancing knowledge while controlling opportunism. Industrial and Corporate Change 9(3)


Alternative propositions:

1. Those sustaining transaction costs economics or property rights explanations of firms boundaries are victims of the elegance of those theories – while they seem powerful tools, they can explain firm boundaries only under very restrictive (and uninteresting) conditions. By contrast, competencies explanations are much more powerful explanatory tools in a world in which innovation plays a paramount role.

2. Competence and problem-solving explanations of firm boundaries are ad-hoc explanations, built on specific cases. Those sustaining these theories have as yet been unable to provide sufficient generalizations and formalizations to make their explanations convincing on a theoretical level. By contrast, transaction cost and property rights explanations offer a general framework that, suitably adapted, explains firm’s choices about their boundaries in most cases.

10. Growth through Acquisitions and Alliance

XX These Readings are to be Revised & ReducedXX

Readings:

Internal v. External Sourcing


- Anita McGahan, Will Mitchell. 2003. Editorial comment: How Do Firms Change in the Face

**Acquisitions**


**Alliances**

- Kulwant Singh and Will Mitchell. 2005. Growth dynamics: The bi-directional relationship between interfirm collaboration and business sales in entrant and incumbent alliances,

Alternative propositions

1. Alliances and acquisitions are key strategic tools that enable firms to cope with the growing breath, depth and rapid evolution of the knowledge used in economic activities. As long as these features of the economy remain in place, alliances and acquisitions are here to stay.
2. Alliances and acquisitions are very difficult to manage successfully and they are more likely to fail than to succeed. Their widespread use in recent years is the result of a managerial fashion that has emphasized ‘core competencies’ and ‘networking’, rather than any substantial change in the economy. They are a fad and as such they are going to disappear soon.

11. Cognition and strategy

- Gavetti, Giovanni, 2005. Cognition and Hierarchy: Rethinking the Microfoundations of Capabilities’ Development. OS

Alternative propositions:
1. Managerial cognition at both top and middle management level is key in strategic reorientation, as it enables firms to reduce the effects of path-dependency and renew themselves. It is therefore a central aspect of strategy.

2. The role of managerial cognition in strategy, and in particular top management cognition, is grossly exaggerated. Cognition in organizations is distributed and embedded into operational routines. Top manager cognition must to a considerable extent reflect the cognition already embedded in the organization for it to have any practical relevance. This means that strategy must be studied focusing on organization level constructs such as capabilities, and not on manager’s cognition.

12. Strategy in practice

Alternative propositions:

1. The focus on implementation and on how people make sense of strategy and then implement it is an important complement to approaches that focus on aseptic constructs such as ‘resources’ or ‘positions’. We cannot hope to have something relevant to say about strategy if we miss this crucial link with implementation and therefore with the success or failure of strategies.

2. The importance of studying the emergent properties of strategy is inversely proportional to the quality of the strategic plan. Well designed, well communicated strategic change leaves little space and little relevance to emergence.

13 & 14. Student Presentations