



MGT 298D-21: Foundations of Strategy

Prof. Olav Sorenson - Winter 2025

Location: C303; Time: Tuesdays 8:30am-11:30am

Course overview

This course provides a Ph.D.-level introduction to research on strategy. It aims to fulfill two objectives. First, it seeks to provide students with an understanding of some of the main perspectives used in current research on strategy. The course does not attempt, however, to cover every facet of the literature – a broad field – nor to provide a complete intellectual history of the subject. Instead, it will give students the analytical tools needed to pursue these topics on their own. Second, it aspires to teach students how to organize a literature and to develop research questions. Although graduate courses often focus on critiquing others’ research, the academic profession requires proficiency in consuming and building new theory.

Each class consists of four to five core readings. For each session, I have some questions to keep in mind while you read the papers. When reading them, I would encourage you to take notes on what ideas you believe that the paper contributes to the field. All papers have flaws, some more major, others more minor. But editors have chosen to publish them for a reason. What did you learn? You do not need to turn those notes in to me, but I will ask this question repeatedly so please come to class prepared to discuss it.

Each class also suggests a set of supplemental readings. I do not expect you to read all of them. They can, however, serve as additional references either in cases where you have trouble following a primary paper or if the topic piques your interest and you would like to learn more.

Assessment

This course consists of five components: class discussion and four assignments—research ideas, a career history, a literature analysis, and a final paper.

Component	Weight
Class participation	30%
Research ideas	10%
Career history	15%
Literature analysis	15%
Final paper	30%

Discussion: Each week, we will discuss four or five papers. This light reading load presumes that you will carefully read and think about each paper prior to class. Since everyone will have read every paper prior to class, discussions can focus on understanding the papers and the intellectual context surrounding them, and on brainstorming potential research areas that the paper appears to open.

Research ideas: I want you to get in the habit of keeping a journal of research ideas. Every week, you should come up with at least one idea for a paper topic. What sort of data would you need? How would you test it? Near the end of the term, I will schedule one-on-one meetings to discuss your accumulated ideas and which ones seem most promising.

Career history: You should write a research statement/intellectual biography of a senior scholar in strategy, ideally someone who received their Ph.D. between 2005 and 2015. What do you see as their perspective and central contributions? Do they focus on a theoretical perspective or on phenomena? How has their research and perspective evolved over time? Do some papers feel like logical extensions of earlier ones? Who has seemed most influential to their research? Due **February 14**.

Literature analysis: Writing compelling and efficient papers requires you to review the literature on a topic efficiently. That usually means grouping papers into categories, based on some similarities (e.g., in the theory, the methods, or the findings). Pick some phenomenon related to one of your research ideas. Find the articles that have studied the phenomenon. Categorize those articles into sets. Explain the key differences across the sets and the similarities within them. Due **February 28**.

Final paper: Your final paper should be the front end of a management-style paper (i.e. something that might appear in the *Strategic Management Journal* or *Organization Science*). It should have an introduction that motivates it and a theory section outlining the arguments. Aim for no more than 4,000 words. Due **March 14**.

Instructor

Feel free to contact me by e-mail: olav.sorenson@anderson.ucla.edu. I will also hold office hours every week (day/time TBD depending on the scheduling of the class).

Schedule

1. COURSE INTRODUCTION: WHAT IS STRATEGY?. (JANUARY 7)

Consider the syllabus for MGT 420, the core strategy course. Scan the articles in a recent issue of the *Strategic Management Journal* or *Strategy Science*. What would you infer, based on that information, defines strategy as a field? Is strategy a science? Is it an art? Is it superstition or a religion?

- **Required:** Ghemawat, Pankaj (2002). “Competition and business strategy in historical perspective.” *Business History Review*, 76: 37-74
- Porter, Michael E. (1996). “What is strategy?” *Harvard Business Review*, Nov-Dec: 37-55
- **Required:** Feldman, Emilie R. (2020). “Corporate strategy: Past, present, and future.” *Strategic Management Review*, 1: 179-206
- **Required:** March, James G. and Robert I. Sutton (1997). “Organizational performance as a dependent variable.” *Organization Science*, 8: 698-706
- Denrell, Jerker, Christina Fang, and Chengwei Liu (2015). “Chance explanations in the management sciences.” *Organization Science*, 26: 923-930
- **Required:** Hempel, Carl, and Paul Oppenheim (1948). “Studies in the logic of explanation.” *Philosophy of Science*, 15: 135-175
- Popper, Karl (1959). *The Logic of Scientific Discovery*. London: Hutchinson

2. STRATEGY VERSUS MANAGEMENT? (JANUARY 14)

How is strategy different from management? Does a well managed organization need a strategy (i.e. is a good strategy either a necessary or a sufficient condition for firm success)? What did economists believe that managers did before the recent research by Bloom, Sadun, and others?

- **Required:** Mintzberg, Henry (1978). “Patterns in strategy formation.” *Management Science*, 24: 934-948
- Burgelman, Robert (1994). “Fading memories: A process theory of strategic business exit in dynamic environments.” *Administrative Science Quarterly*, 17: 159-192
- **Required:** March, James G. (1962). “The business firm as a political coalition.” *Journal of Politics*, 39: 24-56
- Cohen, Michael D., James G. March, and Johan P. Olsen (1972). “A garbage can model of organizational choice.” *Administrative Science Quarterly*, 17: 1-25
- **Required:** Nicholas Bloom, Benn Eifert, Aprajit Mahajan, David McKenzie, and John Roberts (2013). “Does management matter? Evidence from India.” *Journal of Political Economy*, 128: 1-51

- Drucker, Peter F. (1964). *Managing for Results*. New York: Harper & Row
 - **Required:** Bandiera, Oriana, Andrea Prat, Stephen Hansen, and Raffaella Sadun (2020). “CEO behavior and firm performance.” *Journal of Political Economy*, 128: 1325-1369
 - Bertrand, Marianne, and Antoinette Schoar (2003). “Managing with style: The effect of managers on firm policies.” *Quarterly Journal of Economics*, 118: 1169-1208
3. INDUSTRY/POPULATION COMPETITIVE INTENSITY AS A SOURCE OF PERFORMANCE DIFFERENCES. (JANUARY 21)

How do economic and sociological perspectives differ in their views of competition? How does competition in these perspectives differ from that in game theory? Do those differences have implications for firm strategy? Does industry analysis (e.g., the “Five Forces”) capture well differences in competitive intensity?

- **Required:** Porter, Michael E. (1981). “The contributions of industrial organization to strategic management.” *Academy of Management Review*, 6: 609-620
- Caves, Richard E., and Michael E. Porter (1977). “From entry barriers to mobility barriers.” *Quarterly Journal of Economics*,
- **Required:** Hannan, Michael T., and John Freeman (1977). “The population ecology of organizations.” *American Journal of Sociology*, 82: 929-964
- Hannan, Michael T., and John Freeman (1989). *Organizational Ecology*. Cambridge, MA: Harvard University Press
- **Required:** Porac, Joseph F., Howard Thomas, and Charles Baden-Fuller (1989). “Competitive groups as cognitive communities: The case of Scottish knitwear manufacturers.” *Journal of Management Studies*, 26: 397-416
- **Required:** Schmalensee, Richard (1989). “Do markets differ much?” *American Economic Review*, 75: 341-351
- **Required:** Wang, Ming zhu (2023). “Changes in industry and corporate effects in the United States, 1978-2019.” *Strategic Management Journal*, 44: 477-490
- Rumelt, Richard P. (1991). “How much does industry matter?” *Strategic Management Journal*, 12: 167-185
- McGahan, Anita M., and Michael E. Porter (1997). “How much does industry matter, really?” *Strategic Management Journal*, 18: 15-30

4. POPULATION/FIRM LEGITIMACY AS A DETERMINANT OF ACCESS TO RESOURCES.
(JANUARY 28)

Does economics have an equivalent of legitimacy? Does legitimacy depend on uncertainty as a scope condition? Should competition “discipline” legitimacy in the long run?

- **Required:** Meyer, John W., and Brian Rowan (1977). “Institutionalized organizations: Formal structure as myth and ceremony.” *American Journal of Sociology*, 83: 340-363
- DiMaggio, Paul J., and Walter W. Powell (1983). “The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields.” *American Sociological Review*, 48: 147-160
- **Required:** Lounsbury, Michael, and Mary Ann Glynn (2001). “Cultural entrepreneurship: Stories, legitimacy, and the acquisition of resources.” *Strategic Management Journal*, 22: 545-564
- Benford, Robert D., and David A. Snow (2000). “Framing processes and social movements: An overview and assessment.” *Annual Review of Sociology*, 26: 611-639
- Kaplan, Sarah (2008). “Framing contests: Strategy making under uncertainty.” *Organization Science*, 19: 729-752
- **Required:** Rao, Hayagreeva, Phillippe Monin, and Rodophe Durand (2003). “Institutional change in toque ville: Nouvelle cuisine as an identity movement in French gastronomy.” *American Journal of Sociology*, 108: 795-843
- **Required:** Zuckerman, Ezra W. (1999). “The categorical imperative: Securities analysts and the illegitimacy discount.” *American Journal of Sociology*, 104: 1398-1438
- Hsu, Greta, Michael T. Hannan and Özgecan Koçak (2009). “Multiple category memberships in markets: A formal theory and two empirical tests.” *American Sociological Review*, 74: 150-169
- Negro, Giacomo, and Ming D. Leung (2013). “‘Actual’ and perceptual effects of category spanning.” *Organization Science*, 24: 684-696

5. INDUSTRY/POPULATION EVOLUTION. (FEBRUARY 4)

Does industry evolution follow product evolution or vice versa? Does the arrival of a dominant design (or dominant location) seem predictable? What might it depend on?

- **Required:** Hannan, Michael T., and John Freeman (1984). “Structural inertia and organizational change.” *American Sociological Review*, 49, 149-164

- **Required:** Hannan, Michael T., Glenn R. Carroll, Elizabeth A. Dundon, and John C. Torres (1995). “Organizational evolution in a multinational context: Entries of automobile manufacturers in Belgium, Britain, France, Germany and Italy.” *American Sociological Review*, 60, 509-528
- Carroll, Glenn R., and Michael T. Hannan (2000). *The Demography of Corporations and Industries*. Princeton, NJ: Princeton University Press
- **Required:** Klepper, Steven (1996). “Entry, exit, growth, and innovation over the product life cycle.” *American Economic Review*, 86, 562-583
- Klepper, Steven (1997). “Industry life cycles.” *Industrial and Corporate Change*, 6, 145-182
- **Required:** Sorenson, Olav, and Pino G. Audia (2000). “The social structure of entrepreneurial activity: Geographic concentration of footwear production in the United States, 1940-1989.” *American Journal of Sociology*, 106: 424-462
- Sorenson, Olav (2017). “Regional ecologies of entrepreneurship.” *Journal of Economic Geography*, 17, 959-974
- **Required:** Carroll, Glenn R., and Anand Swaminathan (2000). “Why the microbrewery movement? Organizational dynamics of resource partitioning in the U.S. brewing industry.” *American Journal of Sociology*, 106, 715-762
- Carroll, Glenn R. (1985). “Concentration and specialization: Dynamics of niche width in populations of organizations.” *American Journal of Sociology*, 90, 1262-1283

6. RESOURCE ENDOWMENTS AS A SOURCE OF COMPETITIVE ADVANTAGE. (FEBRUARY 11)

Is the resource based view of the firm an *ex post* explanation for getting lucky? Could you invest based on it? Does a capability create value in the same way that a (rare) resource does?

- **Required:** Syverson, Chad (2011). “What determines productivity?” *Journal of Economic Literature*, 49, 326-365
- **Required:** Barney, Jay (1991). “Firm resources and sustained competitive advantage.” *Journal of Management*, 17, 99-120
- Penrose, Edith T. (1959). *The Theory of the Growth of the Firm*. Oxford: Oxford University Press
- Wernerfelt, Berger (1984). “A research-based view of the firm” *Strategic Management Journal*, 5, 171-180
- Dierickx, Ingemar, and Karel Cool (1989). “Asset stock accumulation and sustainability of competitive advantage.” *Management Science*, 35, 1504-1511

- **Required:** Lieberman, Marvin, and David B. Montgomery (1998). “First-mover (dis)advantages: Retrospective and link with the resource-based view.” *Strategic Management Journal*, 9, 41-58
- Lieberman, Marvin, and David B. Montgomery (1988). “First-mover advantages.” *Strategic Management Journal*, 19, 1111-1125
- **Required:** MacDonald, Glenn, and Michael D. Ryall (2004). “How do value creation and competition determine whether a firm appropriates value?” *Management Science*, 50, 1319-1333
- Brandenburger, Adam M., and Harborne W. Stuart, Jr. (1996). “Value-based business strategy” *Journal of Economics & Management Strategy*, 5, 5-24
- **Required:** Peteraf, Margaret, Giada Di Stefano, and Gianmario Verona (2013). “The elephant in the room of dynamic capabilities: Bringing two diverging conversations together.” *Strategic Management Journal*, 34, 1389-1410
- Teece, David J., Gary Pisano, and Amy Shuen (1997). “Dynamic capabilities and strategic management.” *Strategic Management Journal*, 18, 509-533
- Eisenhardt, Kathleen M., and Jeffrey A. Martin (2000). “Dynamic capabilities: What are they?” *Strategic Management Journal*, 21, 1105-1121

7. RELATIONSHIPS AS RESOURCES. (FEBRUARY 18)

Who owns relationships, the firm or the employees? Can firms/managers form relationships strategically? Do they need to actively manage their networks to benefit from them? Can a firm (or an individual) build status?

- **Required:** Uzzi, Brian (1996). “The sources and consequences of embeddedness for the economic performance of organizations: The network effect.” *American Sociological Review*, 61: 674-698
- Granovetter, Mark S. (1985). “Economic action and social structure: A theory of embeddedness.” *American Journal of Sociology*, 91: 481-510
- **Required:** Sorenson, Olav, and David M. Waguespack (2006). “Social structure and exchange: Self-confirming dynamics in Hollywood.” *Administrative Science Quarterly*, 51: 560-589
- **Required:** Burt, Ronald S. (2004). “Structural holes and good ideas.” *American Journal of Sociology*, 110: 349-399
- Granovetter, Mark S. (1973). “The strength of weak ties.” *American Journal of Sociology*, 78: 1360-1380
- Burt, Ronald S. (1992). *Structural Holes: The Social Structure of Competition*. Cambridge, MA: Harvard University Press

- Ryall, Michael D., and Olav Sorenson (2007). “Brokers and competitive advantage.” *Management Science*, 53: 566-583
- **Required:** Podolny, Joel M., and James N. Baron (1997). “Resources and relationships: Social networks and mobility in the workplace.” *American Sociological Review*, 62: 673-693
- **Required:** Podolny, Joel M. (1993). “A status-based model of market competition.” *American Journal of Sociology*, 98: 829-872
- Merton, Robert K. (1968). “The Matthew effect in science.” *Science*, 159: 56-63
- Simcoe, Timothy S. and David M. Waguespack (2011). “Status, quality, and attention: What’s in a (missing) name?” *Management Science*, 57: 274-290
- Sorenson, Olav (2014). “Status and reputation: Synonyms or separate concepts?” *Strategic Organization*, 12: 62-69

8. LEARNING AS A SOURCE OF PERFORMANCE DIFFERENCES. (FEBRUARY 25)

Does the existence of learning curves create barriers to entry? Can firms use learning as a source of competitive advantage? If so, how, what would they do differently?

- **Required:** Argote, Linda, and Dennis Epple (1990). “Learning curves in manufacturing.” *Science*, 247: 920-924
- Rapping, Leonard (1965). “Learning and World War II production functions.” *Review of Economics and Statistics*, 47: 81-86
- Darr, Eric, Linda Argote, and Dennis Epple (1995). “The acquisition, transfer, and depreciation of knowledge in service organizations: Productivity in franchises.” *Management Science*, 41: 1750-1762
- Thornton, Rebecca A., and Peter Thompson (2001). “Learning from experience and learning from others: An exploration of learning and spillovers in wartime shipbuilding.” *American Economic Review*, 91: 1350-1368
- **Required:** Thompson, Peter (2001). “How much did the Liberty ship-builders learn? New evidence from an old case study.” *Journal of Political Economy*, 109: 103-137
- **Required:** Levitt, Steven D., John A. List, and Chad Syverson (2013). “Toward an understanding of learning by doing: Evidence from an automobile assembly plant” *Journal of Political Economy*, 121: 643-681
- **Required:** March, James G. (1991). “Exploration and exploitation in organizational learning,” *Organization Science*, 2: 71-87
- Levinthal, Daniel A., and James G. March (1993). “The myopia of learning.” *Strategic Management Journal*, 14: 95-112.

- **Required:** Denrell, Jerker and James G. March (2001). “Adaptation as information restriction: The hot stove effect” *Organization Science*, 12: 523-538
- Christensen, Clayton M., and Joseph L. Bower (1996). “Customer power, strategic investment, and the failure of leading firms.” *Strategic Management Journal*, 17: 197-218.

9. THEORY AS A SOURCE OF COMPETITIVE ADVANTAGE. (MARCH 4)

Is the “theory based view” the new “resource based view”? Do managers and entrepreneurs benefit from having a theory because it improves their strategy or because it leads to better management?

- **Required:** Felin, Teppo, and Todd R. Zenger (2017). “The theory-based view: Economic actors as theorists.” *Strategy Science*, 2: 258-271
- Felin, Teppo, and Todd R. Zenger (2009). “Entrepreneurs as theorists: On the origins of collective beliefs and novel strategies.” *Strategic Entrepreneurship Journal*, 3: 127-146
- Sørensen, Jesper B. and Glenn R. Carroll (2021). *Making Great Strategy: Arguing for Organizational Advantage*. New York: Columbia Business School Press.
- **Required:** Camuffo, Arnaldo, Alessandro Cordova, Alfonso Gambardella, and Chiara Spina (2020). “A scientific approach to entrepreneurial decision making: Evidence from a randomized control trial.” *Management Science*, 66: 564-586
- **Required:** Sorenson, Olav (2024). “Theory, search, and learning.” *Strategy Science*, 9: in press
- Gavetti, Giovanni, and Daniel A. Levinthal (2000). “Looking forward and looking backward: Cognitive and experimental search.” *Administrative Science Quarterly*, 45: 113-137
- Fleming, Lee, and Olav Sorenson (2004). “Science as a map in technological search.” *Strategic Management Journal*, 25: 909-928.
- **Required:** March, James G., Lee S. Sproull, and Michal Tamuz (1991). “Learning from samples of one or fewer” *Organization Science*, 2: 1-13
- **Required:** Ehrig, Timo, and Jens Schmidt (2022). “Theory-based learning and experimentation: How strategists can systematically generate knowledge at the edge between the known and the unknown.” *Strategic Management Journal*, 43: 1287-1318.

10. COORDINATION AS A SOURCE OF COMPETITIVE ADVANTAGE. (MARCH 11)

Why do we not have “theories of the market”? In other words, why do we start with markets as the default and then ask why firms exist rather than starting with organizations as the default and asking why markets exist? Would it matter? Are the two ideas completely symmetric?

- **Required:** Williamson, Oliver E. (1981). “The economics of organization: The transaction cost approach” *American Journal of Sociology*, 87: 548-577
- Coase, R.H. (1937). “The nature of the firm.” *Economica*, 4: 386-405
- Williamson, Oliver E. (1975). *Markets and Hierarchies: Analysis and Antitrust Implications*. New York: Academic Press.
- **Required:** Ghoshal, Sumantra, and Peter Moran (1996). “Bad for practice: A critique of the transaction cost theory.” *Academy of Management Review*, 21: 13-47
- **Required:** Grossman, Sanford J., and Oliver D. Hart (1986). “The costs and benefits of ownership: A theory of vertical and horizontal integration.” *Journal of Political Economy*, 94: 691-719
- Roberts, John (2004). *The Modern Firm*. Oxford: Oxford University Press.
- **Required:** Lafontaine, Francine, and Margaret Slade (2007). “Vertical integration and firm boundaries: The evidence.” *Journal of Economic Literature*, 45: 629-685
- Baker, George P., and Thomas N. Hubbard (2004). “Contractibility and asset ownership: On-board computers and governance in U.S. trucking.” *Quarterly Journal of Economics*, 119: 1443-1479