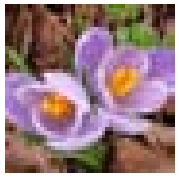
Competitive Strategy Newsletter



Spring Issue

Competitive Strategy Interest Group ● Strategic Management Society

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Ideas Matter

Xavier Martin
Competitive Strategy Interest Group Chair
Tilburg University

Welcome to the second newsletter of the Competitive Strategy Interest Group (CSIG) of the Strategic Management Society. This spring newsletter focuses on ideas and opportunities that matter for Competitive Strategy researchers and practitioners. In the pages that follow you will find three provocative thought pieces about emerging issues and trends in strategy, and a series of announcements pertaining to events and accomplishments within our community.

The first items in this newsletter are updates about the 2008 conference in Cologne. Program Chair Laura Cardinal tells us about the planning of the main conference program (October 13-15). I join her in thanking the authors and reviewers whose work will make the final program possible. Assistant Program Chair Gianmario Verona provides a glimpse of the preconference program (Sunday October 12). Finally, for the first time, the CSIG will offer a Junior Faculty and Paper Development Workshop for which the call follows. This session, scheduled on Sat October 11, will combine a paper development workshop with elements of a junior faculty consortium. It represents one of our IG's efforts to reach out to members, especially recent graduates, and offer them research and career support at a critical career stage. Together, the Saturday workshop, the Sunday preconference and the regular conference (Monday through Wednesday) promise to make for an exciting overall program for CSIG members. Don't forget to register soon if you have not already, and we look forward to seeing you in the vibrant city of Cologne!

This newsletter contains three thought pieces whereby we encouraged authors to speculate about important issues for future research and practice in competitive strategy. We are most grateful to the authors who contributed, including two of our field's most accomplished scholars. Sidney G. Winter (Wharton School) starts with a trenchant analysis of the recent mortgage crisis or "credit crunch" in the United States. He describes the intended and unintended consequences of the vertical reorganization of the mortgage industry,

provides a provocative comparison with the handling of risk and failure in the area of airline safety, and offers several concepts for understanding the issues involved. Compelling opportunities – and indeed an imperative – for research follow at the industry level and at the firm level. Understanding the purpose and consequences of reorganization at the industry level, with its policy as well as strategic dimensions, may in fact be closely tied with understanding differential corporate foresight and robustness when conditions fall outside the range where the industry has developed after its reorganization.

Beyond its unfolding impact on the worldwide economy and financial sector, Professor Winter's discussion should also be interesting to non-U.S. readers as partly comparable instances of moral hazard-inducing disintermediation-cum-superintermediation have occurred far and wide – in utilities on all continents, for example. Interestingly, in the next thought piece, Craig Crossland (Penn State / UT Austin) and Don Hambrick (Penn State) emphasize a phenomenon that could certainly make a difference to such situations: The level of managerial discretion, i.e. the CEO's ability or propensity to lead their firms into radical moves, varies substantially and systematically across countries. The authors spell out an intriguing tension about the consequences for managerial and firm performance and for competitive dynamics. It is worth contemplating contingencies too. Clearly, there is grit for thought for CSIG scholars at multiple levels in this piece too.

We invited the third thought piece from Warren Miller of Beckmill Research LLC. Warren and Hugh Courtney (U. of Maryland) have agreed to serve as "practice representatives" for the IG, and this is but the first of their contributions to bridging the academic, business and consulting audiences in our midst. Warren Miller proposes that academics, in particular, should pay more attention to small- and medium sized enterprises (SMEs). These are neither very small nor very large; most of them are not specifically entrepreneurial as commonly understood; and they may vary in their ownership structure. What they share, albeit arguably to varying extents in different industries and countries again, is that they contribute a large share of business activity – and that there is a relative dearth of research about them. Warren Miller describes further characteristics of SMEs and lays out a provocative series of research questions. If these points resonate with you, heed his call for like-minded researchers and practitioners to reach out to each other in Cologne.

Other pages in this newsletter report on various accomplishments and opportunities for our members. Read on for conference and book announcements that our Newsletter Editor Govert Vroom selected for their relevance to Competitive Strategy researchers and practitioners, and for news of two career moves – including as it were one by Govert, who will continue to serve the CSIG from his new home at IESE come the Fall semester.

Last but not least, this newsletter contains a Call for Nominations for future leaders of the CSIG. The future of the CSIG depends on members who volunteer to serve as Representatives-at-Large and as officers of the IG. Check out the call for nominations, and I look forward to hearing from all interested.

As the pages that follow will show, the Competitive Strategy IG is vibrant, with active members and a subject area at the forefront of strategic management. I wish you a productive spring and summer, and look forward to seeing you in Cologne next fall.

Xavier Martin
CS IG Chair
Tilburg
University

Update Cologne Competitive Strategy Conference Program

Laura B. Cardinal, Program Chair
Tulane University

The Competitive Strategy Interest Group (IG) main conference program is shaping up nicely. A big change for the SMS IG program chairs is that in past years the program was put together in March and this year the program will be put together starting in June, incorporating those authors who have confirmed their attendance by the May deadline.

The CS IG had a total of 120 submissions (including one panel). We had close to 100 initial submissions and then the remaining submissions were reassigned to the CS IG by the other interest group chairs and the SMS Program Chair as being more appropriate for the Competitive Strategy track. We accepted 69% of our total submissions. These numbers are comparable with those for the well-attended 2007 conference in San Diego, and the submission count far exceeds those of preceding conferences.

I would like to thank everyone that submitted a paper to the Competitive Strategy IG Track. The CS IG Program would not be possible without authors interested in our track. I would also like to thank our reviewers for this year (see below). Everyone followed through with their commitment to review and all were on time! I was really impressed by this group. Putting together such a program would not be possible without contributions from each of you (authors and reviewers)!

I look forward to sharing the program highlights with you in the near future and seeing you in Cologne!

Laura B. Cardinal
Program Chair
Tulane University

Competitive Strategy IG Reviewers:

Todd Alessandri (Syracuse U)
Björn Ambos (Vienna U of Economics)
Asli Arikan (Georgia State U)
Kendall Artz (Baylor U)
Janet Bercovitz (U of Illinois)
Heather Berry (U of Pennsylvania)
Julio de Castro (Institute of Empresa-Madrid)
Rodolphe Durand (HEC-Paris)
Michael Fern (U of Victoria)
Karin Fladmoe-Lindquist (U of Utah)
Anthony Goerzen (U of Victoria)
Donald Hatfield (Virginia Tech U)
Irene Henriques (York U)
Michael Jacobides (London Business School)
Curba Lambert (Texas A&M U/U of South Carolina)
Sergio Giovanett Lazzarini (IBMEC)
Francisco Rocha Gonçalves (Portuguese U)
Michael Leiblein (Ohio State U)
Douglas Miller (U of Illinois)
Thomas Moliterno (U of South Carolina)
Karen Schnatterly (U of Missouri)
Jamal Shamsie (Michigan State U)
Nicolaj Siggelkow (U of Pennsylvania)
Alexander Sleptsov (Tulane U)
Ann Terlaak (U of Wisconsin)
Karynne Turner (Georgia State U)
Scott Turner (U of South Carolina)
Hans Van Kranenburg (Radboud University Nijmegen)
Antoinette Weibel (U of Zurich)
Arvids Ziedonis (U of Michigan)

Update Cologne Competitive Strategy Pre-Conference Program

Gianmario Verona, Associate Program Chair
Bocconi University

The Cologne SMS Preconference will be held on Sunday, October 12, 2008 in Cologne. The Competitive Strategy Interest Group is planning three exciting sessions for the Preconference. Influential panellists will participate in interactive discussions and will contribute to enrich our understanding on key topics of interest to Competitive Strategy researchers and practitioners.

Three tentative themes have been for Preconference sessions. The planned sessions are:

"**Capabilities and Dynamic Capabilities for competitive advantage: Where do we go from here?**" In this session influential scholars that contributed shaping the field of capabilities and dynamic capabilities will run an interactive session in order to discuss potential trajectories of the field and future methodological challenges

"**Using Research Centres to Foster ABC Collaboration".** This interactive session will focus on Business School Research Centres as a way to bring A, B and Cs together to formulate research programs, participate in the research itself, and disseminate results through both academic and practitioner channels.

The third session will bring together speakers and audience in a discussion of the competitive dimensions of strategic management.

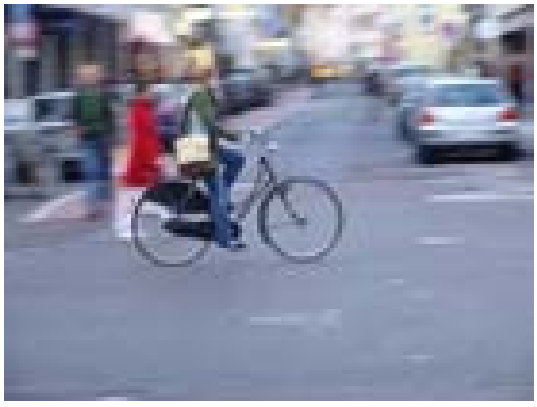
Join us in Cologne for these and many other interesting Preconference sessions!

If you wish to contribute to the Competitive Strategy portion of the Cologne Preconference, contact me at gianmario.verona@unibocconi.it.

With best regards,

Gianmario Verona
Associate Program Chair
Bocconi University

Cologne Cathedral, Hohenzollern Bridge



Cyclist in city center

SMS Workshop
Call for Participants

SMS Professional Development Workshop
"Competitive Strategy Junior Faculty and Paper Development Workshop"
Saturday, October 11, 2008
1:00 pm-6:00 pm

The Competitive Strategy Interest Group is offering a research focused junior faculty and paper development workshop at the 2008 Strategic Management Society meetings in Cologne, Germany. Although all members of the Competitive Strategy IG are invited to participate, preference will be given to junior faculty who defended their dissertations after September 2003.

This workshop will include panel discussions and breakout sessions. Senior faculty panels will discuss critical aspects of the research and publication process, ways to craft a successful research program and future directions in competitive strategy research. A breakout session will provide opportunities for participants to discuss and receive feedback on their work in an informal setting.

The co-chairs of the faculty panel are Michael Leiblein (Ohio State) and Xavier Martin (Tilburg). The distinguished faculty panelists include Javier Gimeno (INSEAD), Don Hambrick (Penn State), and Will Mitchell (Duke). The senior faculty panel will be rounded out to reflect the interests of consortium attendees.

Please note that space will be limited in order to ensure a high level of interaction among all participants. In order to participate, individuals should email one five-page abstract proposal to Nienke Boelhouwer (nienke@uvt.nl) by July 31, 2008 as attachment in a message with the subject line "Competitive Strategy Workshop Application". In the body of this e-mail please include a statement committing to attend the workshop if accepted, permission to distribute submitted works to session participants, and a commitment to prepare a one-page review of other papers in your assigned breakout group.

Applicants will be informed by August 20, 2008 whether their proposal was accepted. The workshop organizers will group accepted proposals with others that are similar in topic and/or methodology and distribute them to conference participants. Prior to the workshop, participants in each group will prepare written comments and feedback on the other papers in their group. They will exchange feedback during the paper development portion of the workshop, with each group's discussion being facilitated by one or more experienced scholar(s) familiar with the topic or method in question.

View over Cologne from the Deutz bridge

Lessons from the Credit Crunch

Sidney G. Winter*
The Wharton School

Difficulties in the U.S. mortgage market played a key role in spawning a widening financial crisis, which is now producing real economic distress on a global scale. Discussion of the causes has focused on lending practices in the "subprime" market, where large numbers of poorly qualified borrowers apparently obtained mortgage financing with great ease. These subprime loans were "securitized," i.e., packaged with other loans in "mortgage-backed securities" (MBS). The securities attracted investors because they appeared to diversify away much of the risk ordinarily faced by a traditional mortgage lender - an assessment that is as fine an example of a seductive half-truth as economic life has to offer. Rating agencies and supposedly sophisticated investors seem to have missed an "obvious" qualification to the genuine diversification advantages of MBS: The general level of housing prices is a source of "systematic risk" for these securities.

The weakness produced by incautious lending inevitably surfaced. When it did, the consequences were amplified because the bad loans were hidden away in MBS and in even more complex instruments. The resulting financial uncertainty, coupled with a sharp decline in housing prices, produced a depressive contagion that imperiled large banks and is still spreading.

What lessons should be drawn from this episode, for business strategy and public policy, for the short run and the long? While the foregoing sketch captures much of the structure and short-term dynamics of the crisis, it misses key contributing factors found at deeper levels and at longer term. It is therefore inadequate as a source of lessons for the future. As is always the case when a complex system fails in a disastrous fashion, the list of contributing factors and mechanisms is a long one. For every explanation that identifies a "mistake" that seems to have mattered, there are (or should be) inescapable follow-on questions to be confronted: Why was the system not organized in such as way as to make that sort of mistake impossible? Was there, on the contrary, some factor actually tending to make that sort of mistake more likely?

In this case, reasonable answers to such questions might focus on the institutional changes that have transformed the structure of mortgage lending in recent years. If, for example, one inquires into the origins of the peculiar business practice of making mortgage loans without documenting the capacity of the borrower to repay (so-called "no doc" loans), the answer probably has to do with the fact that the arranger of the loan is far removed institutionally from the investor whose capital is placed at risk. That "arranger," typically a mortgage broker, will likely consider the transaction successfully completed when that loan is handed off to another party, ultimately to become an anonymous member of the group of mortgage loans bundled in a mortgage-backed security. This is not your friendly local bank, placing its shareholders money at risk, that has decided to forego the traditional assurances about the possibility of repayment.

* I am indebted to Michael Jacobides for his significant contributions to this note. For a discussion of the relevant background in the institutional evolution of the mortgage market in the U.S., see his prize-winning article, "Industry Change through Vertical Disintegration: How and Why Markets Emerged in Mortgage Banking," *Academy of Management Journal* **48**: 465-498 (2005).

A similar institutional change occurred at the other end of the process, and is now playing a key role in complicating efforts to deal with the developing foreclosure crisis. Just as it was not the ultimate investor who arranged the loan, it is also not the ultimate investor who is collecting the payments on the loan. Rather, the payments are often being processed by a separate mortgage servicing entity with specialized capabilities in large scale, computer-based transaction processing, akin to credit card operations.

Like the broker who arranged the loan, the mortgage servicer has no capital at stake and is being paid a fee or commission for its work. When the borrower misses payments, therefore, the institutions make it very difficult to strike a deal that efficiently balances the interests of the borrower with those of the many MBS investors who own a small piece of that particular mortgage. In this picture, there simply is no "mortgage lender" who could cut a deal that is appropriately and *necessarily* responsive to the current circumstances of the individual borrower and the key asset, the house. A traditional lender, such as a local bank with strong incentives to protect the principal value of the loan, might find it both feasible and advantageous to offer an adjustment of terms to the delinquent borrower.

These illustrations from the two ends of the process reflect only two among many places in the institutional structure where perverse incentives promoted the prolific generation of risky loans, speculative increases in home prices, erroneous assessments of investment risk, and incapacity for dealing with difficulties as they emerged.

The point of these observations is not to suggest that the institutional changes themselves were a terrible mistake, perhaps one that sound economic policy could have prevented. The idea of an unbundled structure for providing mortgage finance has clear merits – or at least the promise of real merits, if institutions can be created that are robust even in times of contraction and credit restriction. The fundamental institution of the current system is the mortgage-backed security itself, and it offers a fundamental improvement in the availability of mortgage credit, which has enormously positive social consequences. There are also efficiency arguments for other institutional changes that together accomplished the "vertical dis-integration" of mortgage banking. For example, it makes sense that mortgage servicing should *at least under normal circumstances* be done by an organization with the appropriate specialized skills.

Neither would it be plausible to suggest that the new institutions somehow suddenly emerged and then triggered a major market malfunction beginning five years ago or so. These institutions developed and became dominant over an extended period, dating back to the invention of the new investment vehicle, marketable securities backed by government-insured mortgages, in the 1970s. The current crisis has roots not only in that extended process of institutional change, but also in the specific economic circumstances of recent years, including the low interest rate environment and a number of more specific er-

rors and omissions. In the omissions category, strong arguments for greater regulatory attention to the subprime market went unheeded.

The most important lesson from this very costly episode is of broad relevance for business strategy and public policy. Innovations in business practice and in market institutions are dangerous in ways characteristic of innovations in general: They are often introduced well before all the risks associated with them are identified and considered – and, necessarily, before hypothetical adverse scenarios have been validated by harsh lessons of experience. Financial innovations that have not been tested in a down market are too young to deserve celebration. It is no more reasonable to trust such innovations to function well in an adverse economic environment than it would be to certify a new design for a passenger aircraft on the ground that, one sunny day, it took off, flew around for a while in an uncrowded sky, and successfully landed again.

In the case of passenger aircraft, we do not collectively behave that way. We have succeeded in being highly attentive to numerous potential risks, addressing the "hypothetical adverse scenarios" before they have been validated by tragic experience. Rarely indeed, in recent decades, has an aircraft design flaw contributed to a disaster that cost lives. The arrangements that support this achievement are not, to put it mildly, characterized by great inhibitions about "regulatory interference in the marketplace." Those inhibitions are apparently overbalanced by a great reluctance to trust "the market" when the stakes are so high. Airline operations are shaped by regulatory arrangements that are a match in complexity for the operations themselves, affecting not only aircraft design certification but a wide range of operational practices. In airline safety, we accept that regulations shape what firms do, and focus particularly on the use of regulation to reduce the downside risks.

Of course, the "high stakes" rationale for the difference in approach will not survive dispassionate analysis. The human consequences of a major recession, in lives as well as wealth, are much greater than the consequences of an airline disaster – possibly much greater than all the airline disasters in history.

Why this crisis happened is a question that academics and practitioners should study very carefully, as much for its broad theoretical significance as its current policy importance. It provides an excellent test-bed for alternative hypotheses on what Richard Nelson and I have called "the competence puzzle" – the question of why the record of organizational functioning provides such dramatic examples of both competence and incompetence. The case seems largely consistent with basic evolutionary perspectives on the puzzle: It is learning and practice, not deliberation and careful calculation, that largely account for observed competence. It is feedback, not foresight, that drives economic behavior. This means that fragile systems can easily evolve, and appear successful for extended periods, when the dynamic mechanisms are such as to permit a long postponement of encounters with adverse scenarios. Severe chal-

lenges to those systems may then be produced by mechanisms that are just as "endogenous" to the dynamics as the earlier period of apparent success – as is illustrated both by the credit crunch and by the much larger problem of climate change.

While the context dependence of well-practiced routines is a big part of the answer to the puzzle, it is not the whole story. This diagnosis does not tell us why some organizations do appear to display significant foresight – as Goldman Sachs evidently did, but Bear Stearns apparently did not. We should put aside any impression that competence is high and uniform in the organizations of the financial sector and set about the task of discovering the sources of the differences. Questions easily spring to mind about structure and systems, about governance and accountability, about organizational demographics and culture, about judgment biases and the deep sources of myopia.

When a tragic failure occurs in the domain of airline safety, a broad and penetrating technical investigation of the causes typically ensues. Academic scholarship could do the same for the credit crunch.

At this point, it already seems clear that we should not have relied so heavily on the limited protection afforded by private incentives and private foresight. Society has every right to expect a higher standard of safe design. As the airline safety example illustrates, an appropriate regulatory framework can do much to guide the evolution of our complex social systems toward a more robust form of competence.

Sidney G. Winter is the Deloitte and Touche Professor of Management at The Wharton School of the University of Pennsylvania. Before joining Wharton in 1993, he served for four years as Chief Economist of the U.S. General Accounting Office (now called the Government Accountability Office) in Washington, D.C.

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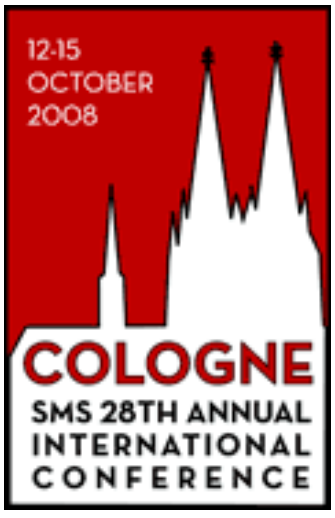


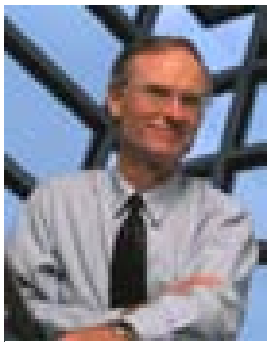
National-Level Managerial Discretion and Competitive Strategy

Craig Crossland, Penn State University/
University of Texas at Austin
Donald C. Hambrick, Pennsylvania State U.

Scholars of competitive strategy may wish to consider how the institutional context of a company's headquarters country influences the company's behavior in competitive dynamics. In particular, a country's institutional context might greatly affect a firm's ability to engage in fast and radical actions, as opposed to slow and incremental actions, in a competitive arena. Our recent study in *SMJ* (Crossland & Hambrick, 2007), for instance, offers evidence that cross-national differences in informal institutions (e.g. cultural values) and formal institutions (e.g. legal tradition) are associated with differences in managerial discretion, or the extent to which CEOs are able to undertake radical and idiosyncratic actions, and hence put their marks on their firms' outcomes (Hambrick & Finkelstein, 1987). We found that a far greater proportion of variance in U.S. firm performance was associated with individual CEOs than was the case for either German or Japanese firms. We believe that this idea – that CEOs of firms headquartered in different countries have systematically different levels of discretion – may be fruitfully applied to work in the competitive strategy domain.

Differences in discretion across countries may be associated with differences in firm actions and inter-firm behaviors. For example, in high-discretion national environments, firm-level strategic and tactical responses to competitive moves may be faster (cf. Chen & MacMillan, 1992; Hambrick, Cho, & Chen, 1996), and radical or disruptive innovation may be more prevalent (Adner, 2002). Furthermore, the greater speed and scope of executive impact in high-discretion countries may be more likely to result in more dynamic and "hypercompetitive" (D'Aveni, 1994) behavior.

In low-discretion national environments, by comparison, leader-challenger pairs may be more stable (Ferrier, Smith, & Grimm, 1999), and firms may be more likely to pursue the same strategies as their competitors (see Porter, Takeuchi, and Sakakibara's (2000) arguments concerning Japanese firms' strategic homogeneity). Moreover, because executives in low-discretion countries tend to have less leeway for substantive strategic actions, they may be more inclined to focus on symbolic actions (e.g. market signaling). Finally, patterns of strategic imitation may vary across national environments, with firms headquartered in low-discretion countries tending to imitate the strategies of those in high-discretion contexts, rather than the reverse (cf. MacMillan, McCaffery, & van Wijk, 1985).



Donald Hambrick

Craig Crossland

One further possible extension of these ideas relates to nation-level competitiveness. For example, greater discretion might result in more heterogeneous firm strategies, faster firm actions, more rapid innovation, and greater adaptability to changing environmental conditions. Aggregated to the national level, these factors might benefit a country's level of global competitiveness. At the same time, though, greater managerial discretion may potentially result in greater misuse of company resources (through careless or self-serving unilateral actions by managers), less robustly-considered firm strategies, and executive overconfidence – all of which could harm a country's global competitiveness. Although we are not sure about whether the net impact of managerial discretion on national competitiveness is positive or negative, we are confident that the idea of national-level managerial discretion provides a useful lens through which to observe competitive dynamics of firms.

Craig Crossland is a Ph.D. student at Penn State's Smeal College of Business who will join UT Austin's McCombs School of Business in July 2008. Don Hambrick is the Smeal Chaired Professor of Management at the Smeal College of Business at Penn State. *(References on page 17)*

Small and Medium-Size Enterprises: The Chasm in the Strategy Literature

Warren Miller
Beckmill Research LLC

In *No Man's Land: What to Do When Your Company Is Too Big to Be Small, but Too Small to Be Big* (New York: Penguin Group, 2007, p.3), author and entrepreneur Doug Tatum defines that hard-to-manage arena as 20-100 employees. Annual revenues for such firms will vary according to their domains' underlying economics, but these are generally companies with at least $2-$10 million of sales. Tatum uses the term 'gazelles' to describe this population of firms. Others have labeled them 'emerging growth companies.'

These form the smaller end of the small and medium-size enterprises (SMEs) cohort. Allowing for greater efficiencies accompanying size, most observers put the ceiling at $500 million of revenues with 4,000 employees.

Around the world, a significant community of attorneys, accountants, and other professional advisors makes its living working with owners of SMEs. Unfortunately, they must do so with little help from academic research. The problem is exacerbated by the fact that most SMEs at the lower end of the economic food chain are closely-held. Data are hard to come by and, even when available, must often be 'scrubbed' for consistency and accuracy. Tenure-seeking researchers understandably prefer the efficiency of writing their papers using quality data from publicly-held firms. Such data are easy to gather and require little scrubbing.

Nonetheless, SMEs are of considerable interest to us for several reasons: (1) they are the source of most disruptive innovation; (2) they create many jobs; and (3) they have been vehicles for creating staggering levels of wealth and for equally staggering losses of wealth.

Is the Strategic Management of SMEs Different?

It appears that it might be. Why? Here are some differences I've seen over the last 25 years:

- SMEs' capabilities are less durable than their big-company rivals.
- SMEs' access to resources, esp. capital, is constrained.
- SMEs are often managed to minimize taxes, not maximize profits.
- The practice of not maximizing profits makes performance comparisons dicey if performance is measured in bottom-line terms.
- In SMEs, the decision-making rights of owners often trump the knowledge of non-owners.
- SMEs are less effective in environmental scanning than big firms.
- Closely-held SMEs seldom have adequate governance mechanisms.
- Non-public SMEs are generally not required to be audited, so their internal controls are often flawed.
- In family-controlled SMEs, the family may come ahead of the enterprise.
- Because SMEs' managers are often their owners, they cannot be removed for poor performance.

Those lead to broader research questions for the major schools of thought from within strategic management:

From the *Positioning School*: Do SMEs have performance characteristics different from other firms due to the structural features of the industries they compete in and the positions within those domains that are sustainable for SMEs?

From the *RBV School*: Do SMEs perform differently because they are more likely to have resources that differ from either entrepreneurial firms or mega companies? Are SMEs more likely than their big and little counterparts to be able to sustain such intangible resources as, for instance, strong cultures, employee loyalty, and customer relationships?

From the *Dynamic Capabilities School*: Because of their constrained size, do SMEs have different capacities to adapt and thus extend competitive advantage over time than large firms? Are they less likely to carry cumbersome governance and other structural features that would otherwise make them less adaptable? Or are they less able to hedge big decisions and pursue a range of 'real options' simultaneously?

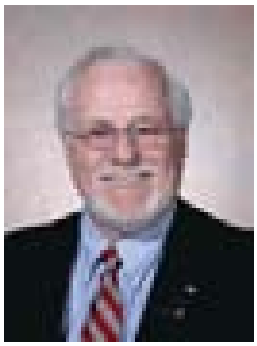
From the *O.T./Governance School*: Because of SMEs' ownership, governance, and decision-making processes, do they have, for instance, different levels of risk aversion, different structures, and different agency challenges, which may help explain performance differences?

These questions suggest that each of the above schools could both benefit from and contribute to a better understanding of the performance differences among SMEs vs. large vs. entrepreneurial firms and among SMEs themselves. If we're not spending enough time studying SMEs, then we have only partial theories about what drives competitive advantage since this cadre may constitute a very different breed of cat in the population of companies worldwide.

Scholars do a fine job of studying the extremes of the economic spectrum. We study the very big companies, and, through entrepreneurship, the very little ones. This is not to say that SMEs are totally ignored in the literature. They're not – Danny Miller and other scholars have studied family-owned companies. But there are tens of thousands of SMEs that are not family-owned.

These companies offer interesting research issues. Because of multiple schools of thought within our community, strategy scholars are in a unique position to do such research. Unfortunately, we see little evidence that SMEs are being studied as often as global companies, start-ups, and, to a lesser extent, family-owned enterprises.

What can and should the SMS and its members do about the understudied status of SMEs? If these ideas resonate with you, please contact me (wmiller@beckmill.com), so we may set up a meeting at the forthcoming SMS conference in Cologne. My hope is that this draws a greater-than-usual number of responses from the B and C communities. In fact, for academic members too, the study of SMEs may well have the potential to attract new SMS members from a broader and more diverse spectrum than currently appears to be the case. Those with an interest in SMEs, please step forward!



Warren Miller is the cofounder of Beckmill Research, LLC in Lexington, VA, where he specializes in valuation and strategy consulting to SMEs. *Thanks go to Hugh Courtney (University of Maryland), who generously served as a wonderful sounding board and fountain of great ideas and suggestions. Any remaining deficiencies remain the author's.*
(http://www.beckmill.com/profiles.htm)

Upcoming Conferences

The 2nd Israel Strategy Conference
Tel Aviv, Israel
December 28-30, 2008
Submission Deadline:
June 15, 2008 at www.isc.org.il

In an continuous effort to build a thriving international community of strategic management scholars and promote the field of strategic management in Israel, we are proud to announce the 2nd Israel Strategy Conference (ISC2008). The tentative program features keynote speakers such as Joel Baum (U. of Toronto), Joseph Lampel (Cass), Daniel Levinthal (Wharton), and Michael Tushman (Harvard). ISC2008, sponsored by the Eli Hurvitz Institute of Strategic Management at the Faculty of Management at Tel Aviv University, offers a unique opportunity to explore recent development and emerging issues in strategic management, as well as receive feedback on your work-in-progress, and network with colleagues from the field.

ISC2008 will also be holding its first Doctoral Consortium at the 2008 meetings. The consortium will be held on Sunday, December 28 from 10 a.m. to 5 p.m.

The ISC Doctoral Consortium is most valuable to Ph.D. candidates interested in conducting leading-edge research and teaching in strategy and related areas. The consortium will be led by a panel of faculty members with proven research and teaching records who will address key issues in academic life such as publishing in top journals, managing your time for research, meeting teaching and institutional demands, managing research collaborations, and funding your research.

The application deadline is Friday, October 3, 2008. Only electronic applications will be considered. To apply, please visit the consortium website: http://isc.org.il/index.php?rid=consortium. If you have any question about the consortium, please e-mail Robert Salomon at robert.salomon@stern.nyu.edu.

8th International Conference on Competence-Based Management (8th ICCBM)
Perspectives on Management Theory, Research, Practice, and Education, and
Pre-conference Doctoral Workshop
Copenhagen, Denmark October 1-3, 2008
www.cbn.net

Competence-based management is an approach to management that emerged in the 1990s and has become a leading perspective in strategic management and general management theory, research, practice, and education. The competence perspective encourages and adopts an explicitly dynamic, systemic, cognitive, and holistic view of management processes in today's complex and rapidly changing world. The competence view leads to a strong emphasis within management on designing and implementing processes for building and leveraging individual skills and competencies, team capabilities, and organizational competences.

A key (but not exclusive) objective of the Copenhagen Conference is to further our theoretical and practical understanding of the benefits

Upcoming Conferences

(Continued from page 8)

that organizations of any size and kind can obtain from collaborating with a variety of partners within and outside their industry to build and leverage knowledge, skills, capabilities, and competence for sustained competitiveness in dynamic, unpredictable product markets and resource markets. Nevertheless, the Conference welcome papers that cover any aspects of theory development, empirical research (qualitative as well as quantitative), management education, and management consulting within the competence perspective.

Call for Abstracts – EBRF 2008
September 22-24, 2008
Helsinki, Finland and Stockholm, Sweden
www.ebrf.fi

EBRF is an innovative, border crossing research conference created in 2001 to understand business in the knowledge society and to build a community representing a wide spectrum of perspectives. The 8th EBRF Conference calls for people from different backgrounds to present either fresh ideas or completed research.

The main theme of this year's conference is "Change and Changeability in the Knowledge-Intensive World", inspired by the need to understand the continuously changing landscape in which organization navigate and the ability of researchers and practitioners to facilitate and even generate change in organizations.

This year the conference venue, too, offers both "change" and "changeability" as EBRF 2008 will be organized as a conference cruise aboard Viking Line cruise ships sailing between Helsinki and Stockholm. The conference is organized in cooperation between Tampere University of Technology and University of Jyväskylä.

For an abstract submission please send a 1 to 3 page abstract for a double blind review process through the conference website www.ebrf.fi by May 5, 2008.

AOM Professional Development Workshop
"Measuring Knowledge Flows: Patent and Non Patent Data"
August 9, 1:00-3:30pm
at Anaheim Convention Center 212B.

If you plan to attend the 2008 AOM Annual Meeting in Anaheim, please join us for this year's Professional Development Workshop (PDW) on Patents, 'Measuring Knowledge Flows: Patent and Non-Patent Data'. This PDW brings together scholars pushing the frontiers of empirical research on knowledge flows using patent data. We provide an introduction for researchers new to patents as well as a scholarly discussion on current critical issues in patent research. Our panelists include Ajay Agrawal, Jeffrey Furman, Jasjit Singh, and Scott Stern. For details, please visit the conference program at the Academy of Management Website at www.aomonline.org.

Upcoming Conferences

AOM Professional Development Workshop "When and How Can Firms Make Money from Resources? Revisiting the Origins of Competitive Advantage"

Central to the origins of competitive advantage is the question of how firms can acquire resources and capabilities at a cost inferior to their value-creating ability. Could we say more about when and how firms can make money from resources and capabilities? Are luck and superior expectations the only mechanisms for profitability acquiring resources? Can firms strategize in factor markets? How do real firms behave in strategic factor markets? How do firms and entrepreneurs cope with or exploit expectation asymmetries? What settings and methods might be useful for testing and extending the theory? Can insights from research into entrepreneurial opportunity recognition, executive completion and mobility, M&As, or other areas shed new light on these questions?

This two part PDW thus seeks to revitalize interest in the origins of competitive advantage, while providing an opportunity for interested scholars to develop innovative new research projects in this area. The first interactive sessions will allow participants to meet and engage other scholars with interests in the area, while the second paper-development session will provide successful authors with high quality feedback on new research projects. Confirmed panelists for the general session include Jay Barney, Rachel Croson, Allison Mackey, Joe Mahoney, and Rich Makadok. To register please send an email to FactorMarketPDW@yahoo.com

We are now soliciting submissions for the afternoon paper development sessions. The sessions will provide a wonderful opportunity to receive high quality developmental feedback, for authors doing work in some way related to if, how, and when firms can make money from resources.

The submission deadline is July 1, 2008 and successful authors will be notified by mid-July. Submission should be sent by email to FactorMarketPDW@yahoo.com. Full paper submissions should be about 25 double spaced paged all inclusive, while proposal submissions should have at least 3 single spaced pages of text.

Career Announcements

Shi Weilei will join Baruch College--CUNY (Zicklin) as Assistant Professor of Strategic Management.

Govert Vroom will join IESE Business School as Assistant Professor of Strategic Management.

Publications

Shi Weilei and **John Prescott** published a book chapter on the issue of temporal perspective of M&A and alliance.

In this chapter, we articulate the value of adopting a temporal perspective in the M&A and alliance dialogue. Next we present in narrative form the theory, methods and results for three research projects related to our research agenda. Finally, we speculate on fruitful M&A and alliance time-based initiatives.

Prescott, J., & Shi, W. A Temporal Perspective of Corporate M&A and Alliance Portfolios, in S. Finkelstein & C. Cooper (Eds.). *Advances in Mergers and Acquisitions*, Volume 7. Elsevier Publishers.

Publications
(Continued)

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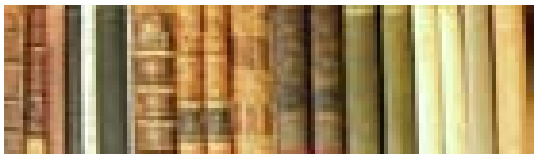
Kim Warren, London Business School, published *Strategic Management Dynamics*. The book focuses on the continuous and holistic strategic 'management' of organizations over time (how to drive earnings growth, in business cases), while connecting that imperative to the strategic 'positioning' insights of established frameworks (how to achieve superior profitability). It starts by laying out how the tangible resources of a business work together quantitatively to deliver performance from period to period, developing and exploiting market opportunities as they do so.

The book goes on to show how competitive rivalry plays out over time, and how these dynamics interact with changing demand conditions, intangible factors, and the policies management sets to drive those performance improvements. Its frameworks have been proven in practical applications over many years, in businesses of all kinds and sizes, as well as in public service and not-for-profit cases, and are presented in a form intended to be accessible to students and executives, and teachable for instructors.

Warren, Kim. *Strategic Management Dynamics*. Wiley Publishing. 2008.



Richard Harrison and **Glenn Carroll** have published *Culture and Demography in Organization.* The book emphasizes how corporations and other organization maintain and transmit their cultures over time. This book offers the most reliable and comprehensive answer to this complex question to date. The first book on the subject to ground its analysis in mathematical tools and computer simulation, it goes beyond standard approaches, which focus on socialization within organizations, by explicitly considering the effects of demographic processes of entry, exit, and organizational growth.

Harrison and Carroll base their analysis on a formal model with three components: hiring, socialization, and employee turnover. In exploring the model's implications through computer simulation methods, the authors cover topics such as organizational growth and decline, top management teams, organizational influence networks, terrorist organizations, cultural integrations following mergers, and organizational failure. In general, they find that demographic processes play a central role in influencing organization culture and that studying these processes leads to some surprising insights unavailable when considering socialization alone.

Harrison, J. Richard, & Carroll, Glenn R. Culture and Demography in Organizations. Princeton, NJ: Princeton University Press.

Publications
(Continued)

John Yabs wrote two textbooks, which are both intended for graduate and senior undergraduate students. The first has six chapters covering international business environment, international business strategies and paradigm shifts in strategic decisions. The last chapters cover perspectives of international business in Kenya. The book contains 39 case studies. The second book has nine chapters, covering environmental scanning, analysis, formulation and implementation of strategies in Kenya, strategy evaluation and perspectives of strategies in Kenya. There are 35 case studies drawn mainly from international firms operating in Kenya.

Yabs, John. International Business Operations in Kenya: A Strategic Management Approach. Lelax Global Publishers. May 2007.

Yabs, John. Strategic Management Practices in Kenya: Application and Cases. Lelax Global Publishers. May 2007.

Call for Nominations

Call for Nominations: Competitive Strategy Interest Group Representatives-at-Large and Officer

The Competitive Strategy Interest Group of the Strategic Management Society invites nominations for three Representative-at-Large positions. The Representatives-at-Large will serve two-year terms starting after the SMS Annual Conference in Cologne. They will be expected to serve the Interest Group's executive committee in furthering Competitive Strategy research and practice activities. The Executive Committee is expected to meet at least once per year, normally at the annual international Strategic Management Society conference site; thus, candidates should plan on attending the 2009 conference in Washington DC (Oct. 11-14, 2009) and the 2010 conference (date and place TBA). Attendance at the 2008 conference in Cologne (Oct. 12-15, 2008), and specifically the Interest Group's business meeting there, is also desirable so the electees may receive the latest information and meet with other Representatives-at-Large and Officers before starting their terms.

Nominations, including nominations of others and self-nominations, may be sent via e-mail to the Interest Group Chair, Xavier Martin (x.martin@uvt.nl). Please use the subject heading "CSIG nomination" in your message, and include a brief description of the candidate's suitability for the position.

Subject to slots on the election slate, experienced candidates may be considered for the position of Officer of the Interest Group. This position entails a three-year term whereby the electee will serve as Assistant Program Chair (primarily arranging the 2009 preconference program), then Program Chair (arranging the 2010 conference program), and then Interest Group Chairperson. Please indicate in your nomination message if you specifically deem the candidate suitable for the Officer position, and if so why.

The deadline for all nominations is June 17, 2008. Candidates will be informed no later than end of August of their selection for inclusion in the ballot. A condition for inclusion on the ballot is that the candidate must be a member in good standing of the Interest Group.

Questions regarding the Competitive Strategy Interest Group elections may be sent to Xavier Martin (x.martin@uvt.nl) with the subject line "CSIG election questions".

References

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Porter, M., Takeuchi, H., & Sakakibara, M. 2000. ***Can Japan compete?*** Cambridge, MA: Perseus Publishing.

Competitive Strategy Interest Group Officers & Reps

(Until October 2008)

- **Chair:** *Xavier Martin*
  X.Martin@uvt.nl
- **Program Chair***: Laura B. Cardinal*
  cardinal@tulane.edu
- **Associate Program Chair:**
  Gianmario Verona
  gianmario.verona@unibocconi.it

Associate Program Chair*:*

- **Reps at Large:**

Ming-Jer Chen	2007-2008
Michael Leiblein	2007-2008
Nicolaj Siggelkow	2007-2008
Rodolphe Durand	2008-2009
Irene Henriques	2008-2009
Michael Jacobides	2008-2009

- **Newsletter Editor***: Govert Vroom*
  vroom@iese.edu

Colophon

The next issue of the Competitive Strategy newsletter will be distributed in September 2008. Please send all your contributions, suggestions, feedback, or comments to Govert Vroom (vroom@iese.edu). The deadline for contributions for the next issue is September 1, 2008.

Photos courtesy of: www.wikipedia.org and www.freeimages.co.uk.

Check the new SMS website:
http://www.strategicmanagement.net/