

University of Illinois at Urban-Champaign
College of Business
Department of Business Administration
BA 545 *Foundations of Strategy Research*
Spring 2024

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Class Sessions: Thursday, 9:30 AM – 12:20 PM

3015/3017 BIF

This Ph.D. course considers the following research literatures:

- **Transaction Costs Theory**
- **Property Rights Theory**
- **Resource-Based Theory**
- **Real Options Theory**

Session #1:	January 18	Course Introduction
Session #2:	January 25	Transaction Costs Theory
Session #3:	February 1	Transaction Costs Application: Vertical Integration
Session #4:	February 8	Property Rights Theory
Session #5:	February 15	Resource-Based Theory
Session #6:	February 22	Resource-Based Theory: Empirical Testing
Session #7:	February 29	Real Options Theory
Session #8:	March 7	In-Class Exam

Course Grade:

Preparation, 1-page assignments, and Contributions in Class:	40%
In-Class Exam:	60%

Course text:

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

Session #1: January 18 Introduction

- [1] Mahoney, Joseph T. (2005). The behavioral theory of the firm (Chapter 1) in *Economic Foundations of Strategy*. Thousand Oaks, CA: Sage Publications.
- [2] Mahoney, Joseph T. (2005). Transaction costs theory (Chapter 2) in *Economic Foundations of Strategy*. Thousand Oaks, CA: Sage Publications.

Session #2: January 25 Transaction Costs Theory

- [1] Coase, Ronald H. (1937). The nature of the firm. *Economica*, 4(November): 386-405.
- [2] Mahoney, Joseph T. (1992). The choice of organizational form: Vertical financial ownership versus other methods of vertical integration. *Strategic Management Journal*, 13(8): 559-584.
- [3] Chi, Tailan (1994). Trading in strategic resources: Necessary conditions, transaction cost problems, and choice of exchange structure. *Strategic Management Journal*, 15(4): 271-290.
- [4] Argyres, Nicholas S. and Julia Porter Liebeskind (1999). Contractual commitments, bargaining power, and governance inseparability: Incorporating history into transaction cost theory. *Academy of Management Review*, 24(1): 49-63.
- [5] Mahoney, Joseph T. and Lihong Qian (2013). Market frictions as building blocks of an organizational economics approach to strategic management. *Strategic Management Journal*, 34(9): 1019-1041.
- [6] Cuypers, Ilya RP, Jean-François Hennart, Brian S. Silverman, and Gokhan Ertug (2021). Transaction cost theory: Past progress, current challenges, and suggestions for the future. *Academy of Management Annals* 15(1): 111-150.

Session #3: February 1 Transaction Costs Empirical Application: Vertical Integration

- [1] Anderson, Erin and David Schmittlein (1984). Integration of the sales force: An empirical examination. *Rand Journal of Economics*, 15(Autumn): 385-395.
- [2] Walker, Gordon and David Weber (1984). A transaction cost approach to make-or-buy decisions. *Administrative Science Quarterly*, 29(3): 373-391.
- [3] Balakrishnan, Srinivasan and Birger Wernerfelt (1986). Technical change, competition and vertical integration. *Strategic Management Journal*, 7(4): 347-359.
- [4] Masten, S.E., J.W. Meehan, and Edward A. Snyder (1991). The costs of organization. *Journal of Law, Economics, and Organization*, 7(1): 1-25.

- [5] Poppo, Laura and Todd Zenger (1998). Testing alternative theories of the firm: Transaction cost, knowledge-based, and measurement explanations for make-or-buy decisions in information services. *Strategic Management Journal*, 19(9): 853-877.
- [6] Zhou, Yue Maggie and Xiang Wan (2017). Product variety and vertical integration. *Strategic Management Journal*, 38(5): 1134-1150.

Session #4: February 8 Property Rights Theory and Applications

- [1] Mahoney, Joseph T. (2005). Property rights theory (Chapter 3) in *Economic Foundations of Strategy*. Thousand Oaks, CA: Sage Publications.
- [2] Coase, Ronald H. (1960). The problem of social cost. *Journal of Law and Economics*, 3(October): 1-44.
- [3] Alchian, Armen A. and Harold Demsetz (1972). Production, information costs, and economic organization. *American Economic Review*, 62(December): 777-795.
- [4] Grossman, Sanford J. and Oliver D. Hart (1986). The costs and benefits of ownership: A theory of vertical and lateral integration. *Journal of Political Economy*, 94(4): 691-719.
- [5] Klein, Peter, Joseph T. Mahoney, Anita McGahan, and Christos Pitelis (2012). Who is in charge? Value co-creation and a property rights perspective on stakeholder value. *Strategic Organization*, 10(3): 304-315.
- [6] Odziemkowska, Kate and Sinziana Dorobantu (2021). Contracting beyond the market. *Organization Science*, 32(3): 776–803.

Session #5: February 15 Resource-Based View: Theory

- [1] Dierickx, Ingemar and Karel Cool (1989). Asset stock accumulation and sustainability of competitive advantage. *Management Science*, 35(12): 1504-1511.
- [2] Barney, Jay B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17 (1): 99-120.
- [3] Mahoney, Joseph T. and J. Rajendran Pandian (1992). The resource-based view within the conversation of strategic management. *Strategic Management Journal*, 13(5): 363-380.
- [4] Peteraf, Margaret A. (1993). The cornerstones of competitive advantage: A resource-based view. *Strategic Management Journal*, 14(3): 179-191.
- [5] Teece, David J., Gary Pisano, and Amy Shuen (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7): 509-533.

- [6] McGahan, Anita M. (2021). Integrating insights from the resource-based view of the firm into the new stakeholder theory." *Journal of Management*, 47(7): 1734–1756.

Session #6: February 22 Resource-Based View: Empirical Testing

- [1] Montgomery, Cynthia A. and Birger Wernerfelt (1988). Diversification, Ricardian rents, and Tobin's q. *Rand Journal of Economics*, 1 (4): 623-632.
- [2] Cohen, Wesley M. and Daniel A. Levinthal (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 35 (1): 128-152.
- [3] Helfat, Constance E. (1997). Know-how and asset complementarity and dynamic capability accumulation: The case of R&D. *Strategic Management Journal*, 18(5): 339- 360.
- [4] Farjoun, Moshe (1998). The independent and joint effects of the skill and physical bases of relatedness. *Strategic Management Journal*, 19(7): 611-630.
- [5] Pacheco de Almeida, Goncalo, James E. Henderson, and Karel D. Cool (2008). Resolving the commitment versus flexibility trade-off: The role of resource accumulation lags. *Academy of Management Journal*, 51(3): 517-536.
- [6] Vidal, Elena, and Will Mitchell (2018). Virtuous or vicious circles? The role of divestitures as a complementary Penrose effect within resource-based theory. *Strategic Management Journal*, 39(1): 131-154.

Session #7: February 29 Real Options

- [1] Mahoney, Joseph T. (2005). Resource-based theory, dynamic capabilities, and real options (Chapter 5) in *Economic Foundations of Strategy*. Thousand Oaks, CA: Sage.
- [2] Kogut, Bruce (1991). Joint ventures and the option to expand and acquire. *Management Science*, 37(1): 19- 33.
- [3] Bowman, Edward H. and Dileep Hurry (1993). Strategy through the options lens: An integrated view of resource investments and the incremental-choice process. *Academy of Management Review*, 18(4): 760-782.
- [4] Trigeorgis, Lenos (1993). Real options and interactions with financial flexibility. *Financial Management*, 22(3): 202-224.
- [5] Li, Yong, Barclay James, Ravi Madhavan, and Joseph T. Mahoney (2007). Real options: Taking stock and looking ahead. *Advances in Strategic Management*, 24 (June): 31-66.
- [6] Belderbos, Rene, Tony W. Tong, and Shubin Wu. Portfolio configuration and foreign entry decisions: A juxtaposition of real options and risk diversification theories. *Strategic Management Journal*, 41(7): 1191-1209.

Session #8: March 8

In-class Closed-book Exam
