

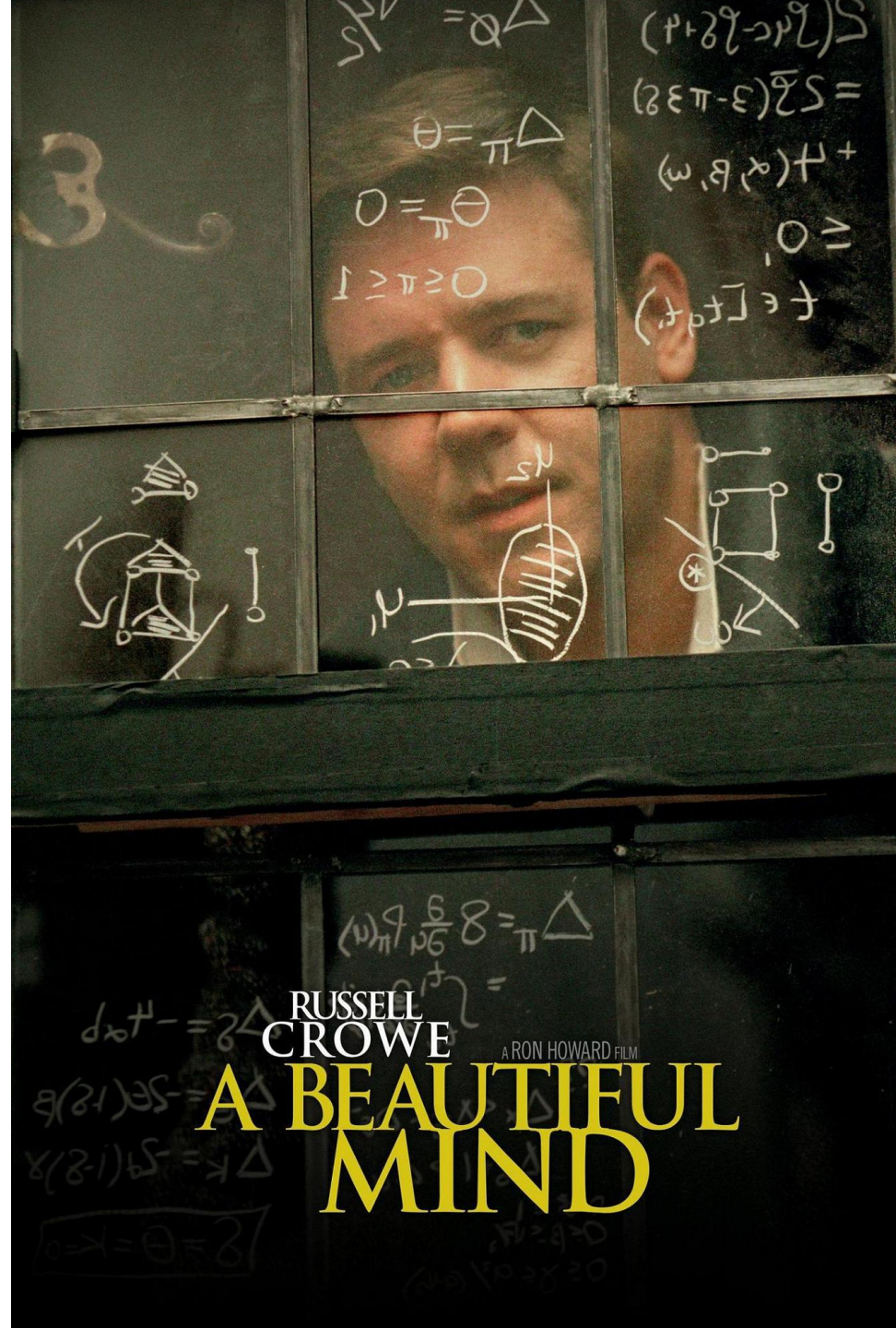
Management Capstone (Tutorial 2&3: Theories in Management Research)

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Source of Competitive Advantage

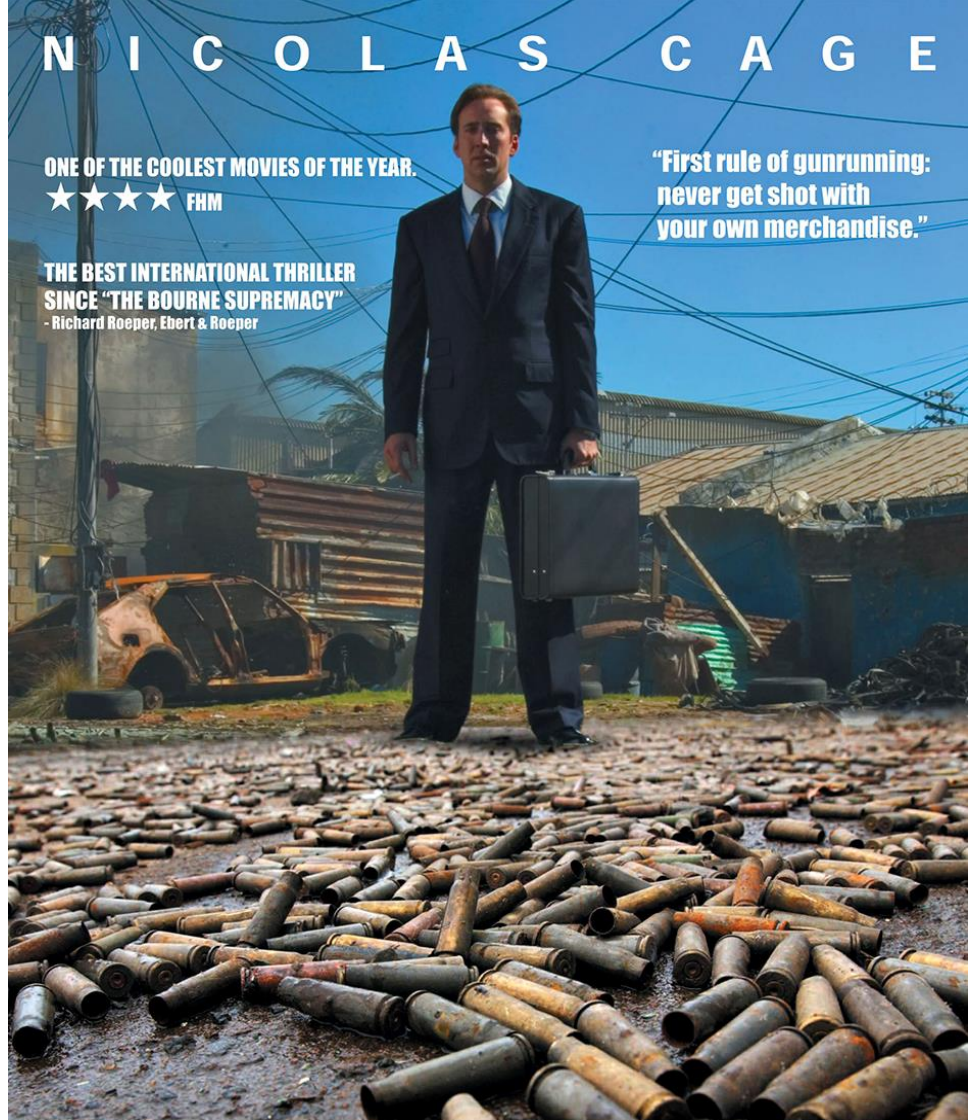


Where does SILC's **competitive advantage** come from?



案例：军火商的跨国生意

- Yuri Orlov是一名乌克兰裔的美国商人，主要在国际販售**军火武器**。
- 苏联的解体给了他一个进入市场的好机会。
- 为了要把军火卖给各国政府、革命组织、民兵、叛军、军阀等，他必须要不断配合客户的需求，甚至是价值观，客户买军火的用途他不能干涉。
- 非洲是Yuri的主要市场，利比亚政府是最大的客户，但是利比亚政府买军火的目的是为了大搞内战与进行种族屠杀，看在眼里的Yuri只能假装没看到，甚至配合客户需求。



LORD OF WAR

JARED LETO BRIDGET MOYNAHAN IAN HOLM AND ETHAN HAWKE

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Source of Competitive Advantage



Internal

vs.



External

- Competitive advantage resides **inside** the company.
- Competitive success depends on **company choices**.
- Example: **Resourced-based view** (RBV).

- Competitive advantage resides in the **locations** in which the company is based.
- **Cluster participation** is an important contributor to competitiveness.
- Example: **Institutional theory** (neo-institutionalism).

Institutional Theory

- **Institutional theory** (制度理论) analyzes how organization survives by means of **conforming to external environment**.
- Institutions can be understood as **the rules of the game** in a society (North, 1990, Williamson, 1998). According to North (1991), they are the humanly devised constraints that structure political, economic and social interaction.
- They impose restrictions by defining **legal, moral and cultural boundaries**, setting off legitimate from illegitimate activities (Scott, 1995: 50).
- From a theoretical point of view, one of the major focuses of the literature on institutions has been on considering them as efficient solutions to problems of organization in a competitive framework.

Institutional Theory

- Three pillars of institutions: **regulative**, **normative**, and **cultural-cognitive** pillars (Scott, 1995).

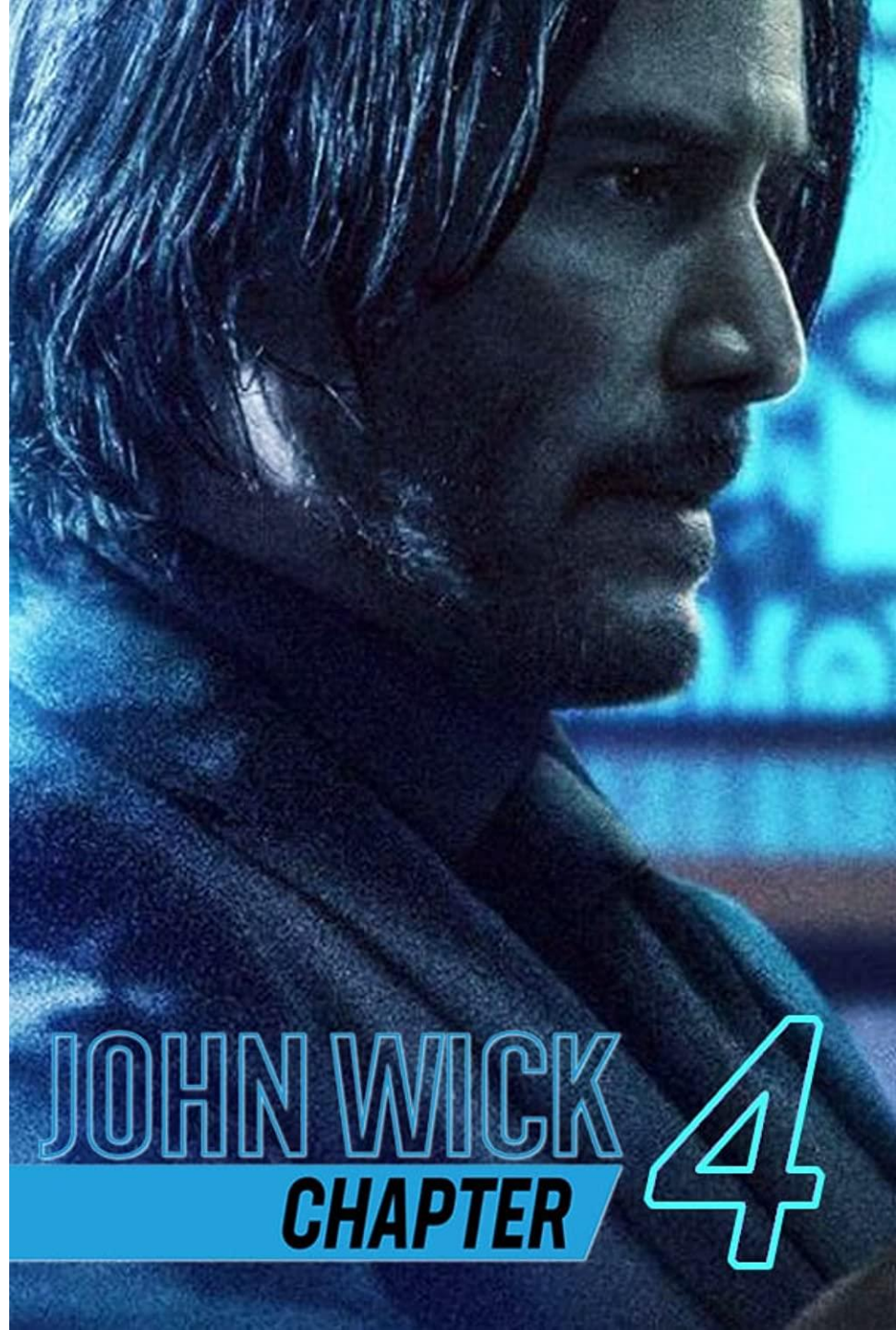
	Regulative	Normative	Cultural-cognitive
Basis of compliance	expedience	social obligation	taken-for-granted, shared understanding
Basis of order	regulative rules	binding expectations	constitutive schema
Mechanisms	coercive	normative	mimetic
Logic	instrumentality	appropriateness	orthodoxy
Indicators	rules, laws, sanctions	certification, accreditation	common beliefs, shared logics of action, isomorphism
Affect	fear guilt, innocence	shame, honor	certainty, confusion
Basis of legitimacy	legally sanctioned	morally governed	comprehensible, recognizable culturally supported

Institutional Theory

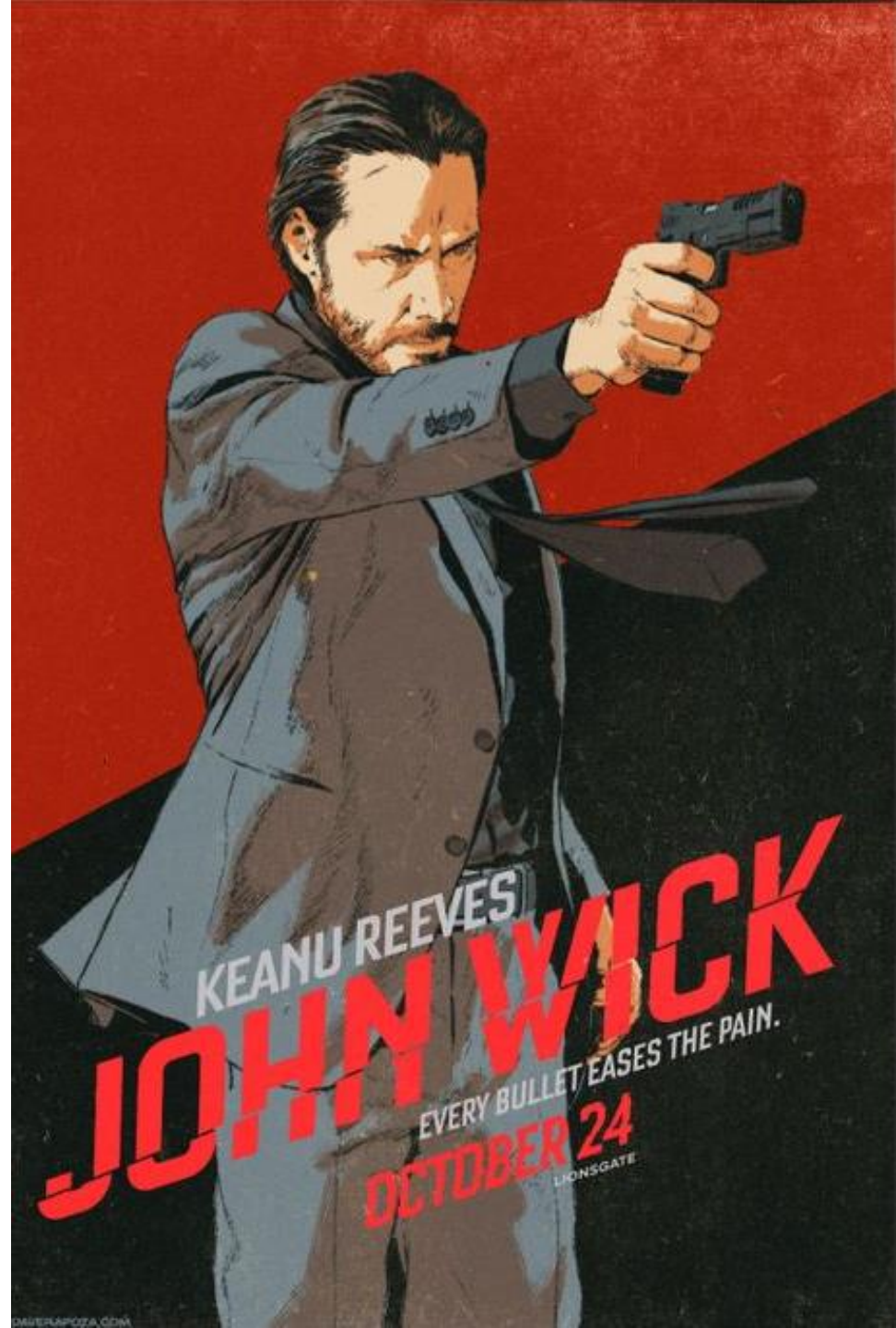
	规定性 (regulative)	规范性 (normative)	文化- 认知性 (cultural-cognitive)
遵守基础 (basis of compliance)	权宜性应对 (expedience)	社会责任 (social obligation)	视若当然、共同理解 (taken-for-granted, shared understanding)
秩序基础 (basis of order)	规定性规则 (regulative rules)	约束性期待 (binding expectations)	建构性图式 (constitutive schema)
扩散机制 (mechanisms)	强制 (coercive)	规范 (normative)	模仿 (mimetic)
逻辑类型 (logic)	工具性 (instrumentality)	适当性 (appropriateness)	正统性 (orthodoxy)
系列指针 (indicators)	规则、法律、奖惩 (rules, laws, sanctions)	合格证明、资格承认 (certification, accreditation)	共同信念、共同行动 逻辑、趋同 (common beliefs, shared logics of action, isomorphism)
情感反应 (affect)	内疚、清白 (fear guilt, innocence)	羞耻、荣誉 (shame, honor)	确定、惶惑 (certainty, confusion)
合法性基础 (basis of legitimacy)	法律制裁 (legally sanctioned)	道德支配 (morally governed)	可理解、可认可的文化 支持 (comprehensible, recognizable culturally supported)

案例: John Wick的抉择

- John Wick是一名职业杀手，他所身处的江湖由High Table所掌控。
- High Table规定: 杀人可以，但是**要遵守游戏规则**。
- 早年John为了退隐江湖，把自己的徽章给了一名老大，High Table规定，谁拥有对方的徽章，**对方就必须无条件做一件事情**，包含执行暗杀任务。
- 多年以后，这位老大找上John请他兑现承诺，但是John已经不想再参与江湖的恩恩怨怨。
- 面临两难的John，找上老友Winston谈话，Winston劝他要遵守游戏规则。



**“Rules. Without them, we’d
live with the animals.”**



Resource-Based View

- The resource-based view (RBV) (资源基础观点) developed as **a complement to the IO view**.
- Being positioned **against the IO view**, the RBV explicitly looks for the **internal sources** of organizations and aims to explain **why firms in the same industry might differ in performance**.
- The RBV does not replace the IO view; rather, it complements it (Barney, 2002; Mahoney & Pandian, 1992; Peteraf & Barney, 2003).
- The RBV has become one of the most influential and cited theories in the history of management theorizing.
- The RBV can be used to explain the internal sources of a firm's **sustained competitive advantage** (SCA) (持续竞争优势).

“The cohesive character that an administrative organization imparts to the activities of the people operating within it provides the justification for separating for analytical purposes such a group from all other groups. The activities of the group which we call an industrial firm are further distinguished by their relation to the use of productive resources for the purpose of producing and selling goods and services. Thus, a firm is more than an administrative unit; a firm is also a collection of productive resources where the choice of different resources uses is made by managerial decision. When we regard the function of the private business firm from this point of view, the size of the firm is best gauged by some measure of the productive resources it employs.” (Penrose, 1959: p. 21)

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Resource-Based View

- Wernerfelt (1984) said, in his article *A resource-based view of the firm*, that “resources and products are two sides of the same coin.”
- Traditional economic tools operate on the product-market side.
- The RBV view argues that diversified firms are a broader set of resources. We can see the business as an aggregation of resources.
- It turns out that the RBV provides a basis for addressing some key issues in the formulation of strategy for diversified firms, such as:
 - On which of the firm’s current resources should diversification be based?
 - Which resources should be developed through diversification?
 - In what sequence and into what markets should diversification take place?
 - What types of firms will it be desirable for this particular firm to acquire?

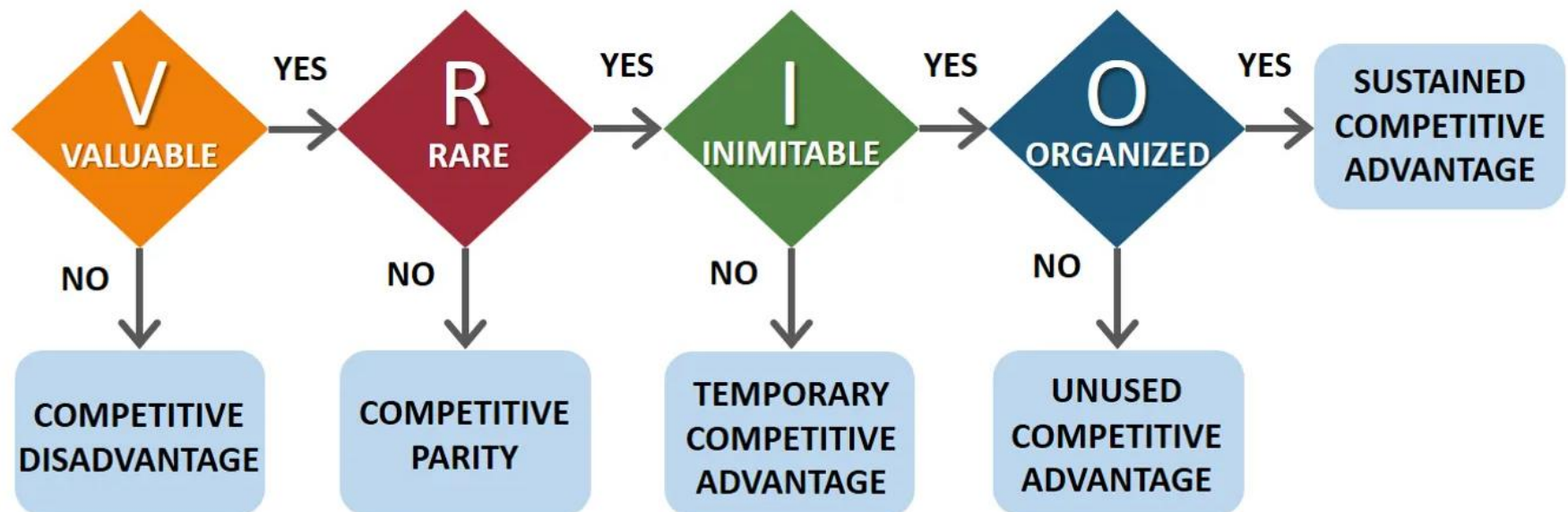
Resource-Based View

Intangible resources	Category	Components	Appropriation mechanisms
People dependent	Human capital	<ul style="list-style-type: none"> • Generic knowledge • Specific knowledge 	Contracts
People independent	Organizational capital	<ul style="list-style-type: none"> • Norms and guidelines • Databases • Organizational routines • Corporate culture 	Causal ambiguity
		<ul style="list-style-type: none"> • Co-operation agreements 	Agreement stability
	Technological capital	<ul style="list-style-type: none"> • Patents • Trade secrets • Industrial models and drawings • Copyrights 	Imperfect mobility
	Relational capital	<ul style="list-style-type: none"> • Reputation • Brands • Commercial name • Shop site • Loyalty, long-term relationships • Distribution channels 	First-mover advantages

Source: Fernández, E., Montes, J. M., & Vazquez, C. J. 2000. Typology and strategic analysis of intangible resources: A resource-based approach. *Technovation*, 20(2): 81-92.

Tool of RBV: VRIO Framework

- VRIO = **valuable**, **rare**, **inimitable**, and **organized**.
- In order to have a sustainable competitive advantage, one of your resources must be valuable, rare, inimitable, and organized.
- The VRIO framework helps to uncover resources and capabilities that can give you a sustainable competitive advantage.



Tool of RBV: VRIO Framework

Variable	Explanation	Question
Valuable resources	<ul style="list-style-type: none">• Reduce costs• Increase differentiation	<ul style="list-style-type: none">• Can the resources and capabilities of a firm increase value by exploiting opportunities and resisting threats?
Rare resources	<ul style="list-style-type: none">• Not available to competitors• If everyone has it, then it does not provide a competitive advantage	<ul style="list-style-type: none">• How many competitors have acquired these valuable resources and capabilities?
Inimitable resources	<ul style="list-style-type: none">• Must be difficult or costly to imitate• Not easily implemented by others	<ul style="list-style-type: none">• Compared with the firms that have acquired resources and capabilities, do the firms that do not have certain resources and capabilities face the cost disadvantage of acquiring them?
Organized resources	<ul style="list-style-type: none">• The ability of the firm to exploit the resource or capability.	<ul style="list-style-type: none">• Whether the firm is organized to develop and utilize its resources and capabilities.

Tool of RBV: VRIO Framework

	Valuable?	Rare?	Inimitable?	Organized?	Advantage?
Resource 1	No				Competitive disadvantage
Resource 2	Yes	No			Competitive parity
Resource 3	Yes	Yes	No		Temporary competitive advantage
Resource 4	Yes	Yes	Yes	No	Unused competitive advantage
Resource 5	Yes	Yes	Yes	Yes	Sustained competitive advantage
...					

External vs. Internal

	Institutional theory	Resource-based view
Root	Sociology	Economics
Perspective	External analysis	Internal analysis
Fundamental question	Why do all organizations in a field tend to look and act the same? (i.e., isomorphism)	How can organizations maintain unique and sustainable positions in competitive environment?
Source of competitive advantage	<ul style="list-style-type: none"> • Organizational conformity (Deephouse, 1999) • Institutional or field change (Lawrence & Suddaby, 2006) • Position taking (Wild, Lockett, & Currie, 2020) 	<ul style="list-style-type: none"> • Acquiring VRIO resources (Barney, 1991) • Dynamic capability (Teece, Pisano, & Shuen, 1997) • Absorptive capacity (Cohen & Levinthal, 1990)
References to know	<ul style="list-style-type: none"> • DiMaggio and Powell (1983) • Meyer and Rowan (1977) • Powell and DiMaggio (1991) • Scott (1995) • Zucker (1977) 	<ul style="list-style-type: none"> • Barney (1991) • Barney and Clark (2007) • Barney, Wright, and Ketchen (2001) • Peteraf (1993) • Wernerfelt (1984)

案例：电缆公司股东大会

- New England Wire & Cable Company是一家传统的电缆公司，由于光纤等新兴技术的崛起，他们面临市场份额的不断萎缩。
- 此时华尔街资本市场著名(也恶名昭彰)的Lawrence Garfield报价要收购这间不断亏损的企业。
- Garfield擅长购买即将倒闭的企业，然后再清算企业内部的资产，藉此获利。
- 为了决定公司未来的命运，董事会决定开一场股东大会，股东成员还包含公司的老员工，他们彼此之间就像家人一样，对公司有很深的情感。

OTHER PEOPLE'S MONEY

MASTERS OF THE UNIVERSE OR
SERVANTS OF THE PEOPLE?



JOHN KAY

'Kay is both a first-class economist and an excellent writer' *Financial Times*





“Only on Wall Street, they call it **maximizing shareholder value**, and they call it legal ... **A business is worth more than the price of its stock.** It’s the place where we earn our living, where we meet our friends, dream our dreams ... Here, we care about more than the price of our stock. Here, we care about people.”

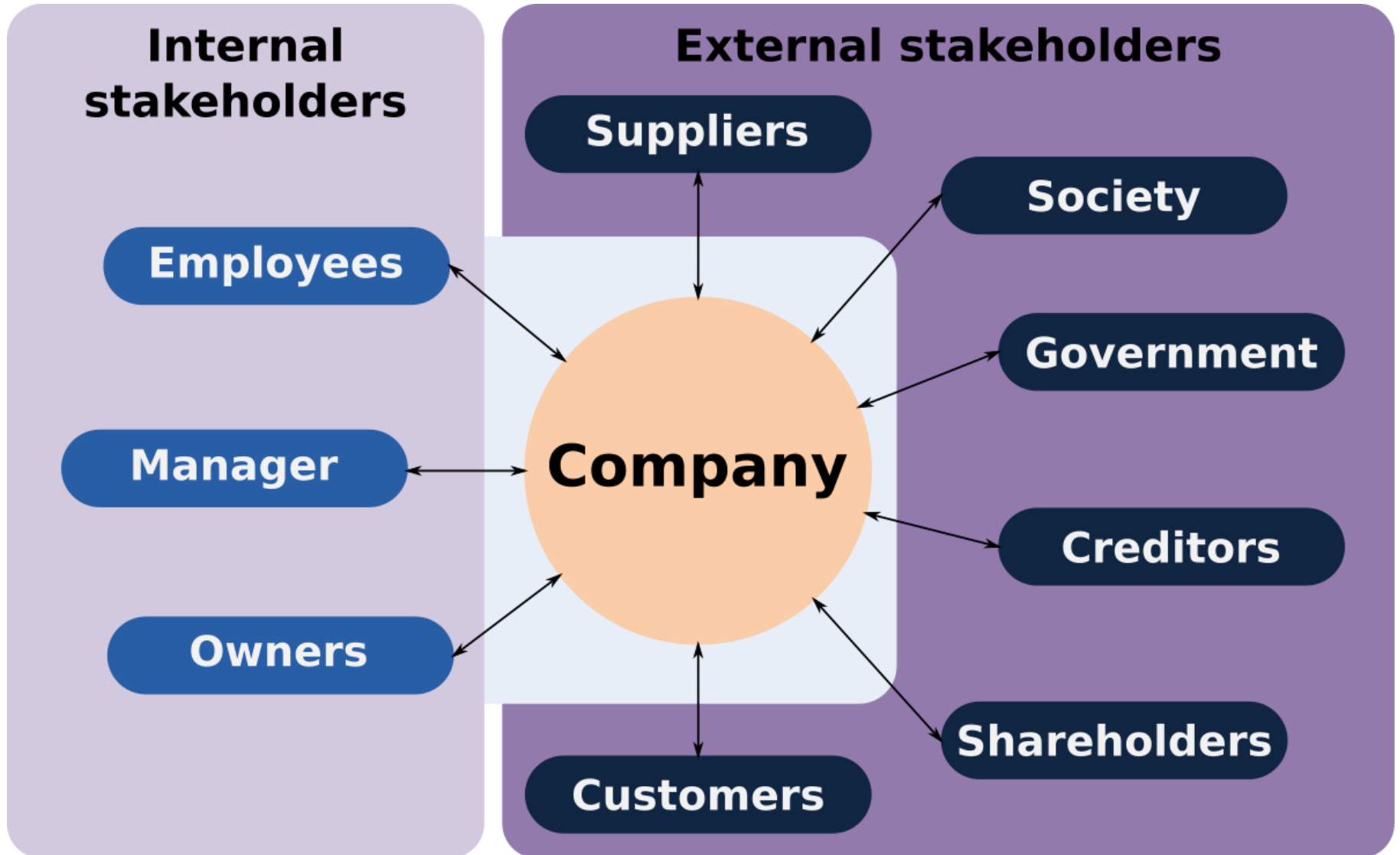


“ ... that’s the only reason any of you became stockholders in the first place. **You want to make money** ... Take the money. Invest it somewhere else. Maybe ... Maybe you’ll get lucky, and it’ll be used productively. And if it is, **you’ll create jobs and provide a service for the economy** ...”

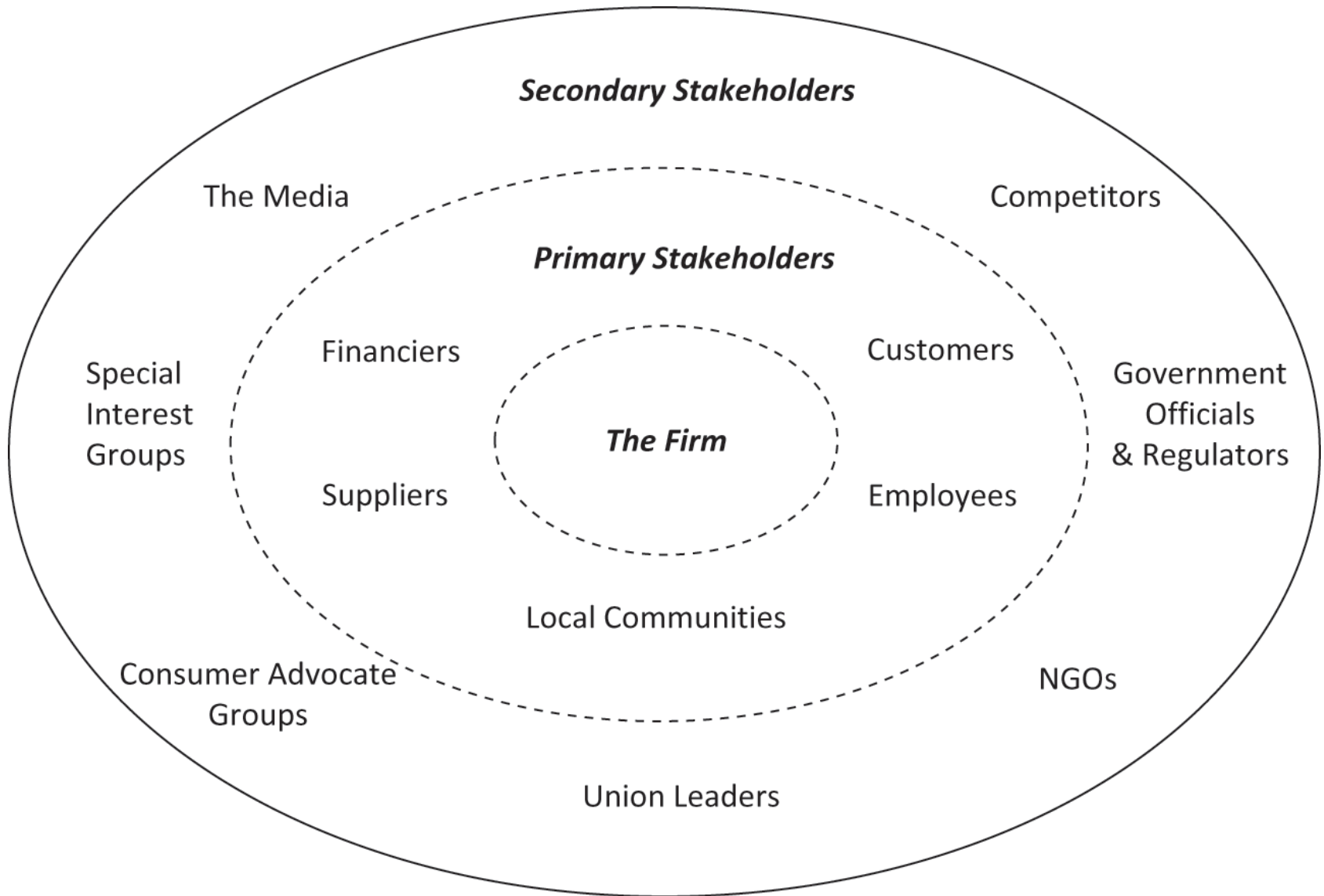
Stakeholder Theory

- **Stakeholder theory** (利害关系人理论) is a view of capitalism that stresses the **interconnected relationships** between a business and its customers, suppliers, employees, investors, communities, and others who have a **stake** (重大利害关系) in the organization.
- Numerous articles and books written on stakeholder theory generally credit **Edward Freeman** as the “father of stakeholder theory.”
- Freeman’s *Strategic Management: A Stakeholder Approach* (1984) is widely cited in the field as being the foundation of stakeholder theory. In this book, he detailed the stakeholder theory of organizational management and business ethics that addresses **morals** and **values** in managing an organization.

Stakeholder Theory



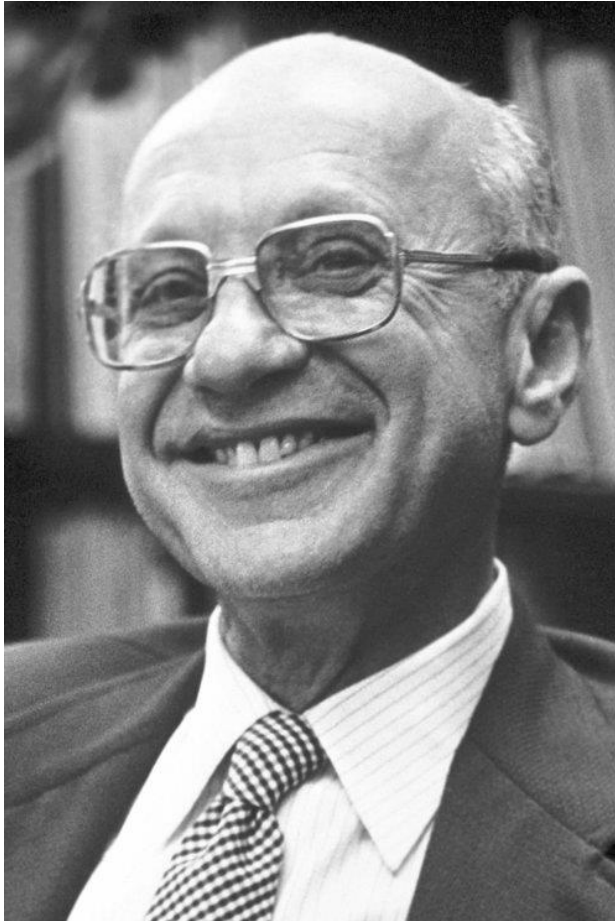
Stakeholder Theory



Shareholder vs. Stakeholder

- The classical view of the corporation, as advanced by **Milton Friedman** (1962), holds that the purpose of the corporation is to make profits for shareholders (**shareholder theory**).
- “There is one and only one social responsibility of business – to use its resources and engage in activities designed to **increase its profits** so long as it stays **within the rules of the game**, which is to say, engages in open and free competition, without deception or fraud.”
- Only when the corporation gets profits can it practice social responsibility.
- Stakeholder theory, by contrast, as developed by Freeman (1983), represents a major alternative, in that the manager’s task is to **protect the various rights of all stakeholders**.

Shareholder vs. Stakeholder



Milton Friedman
(1912-2006)

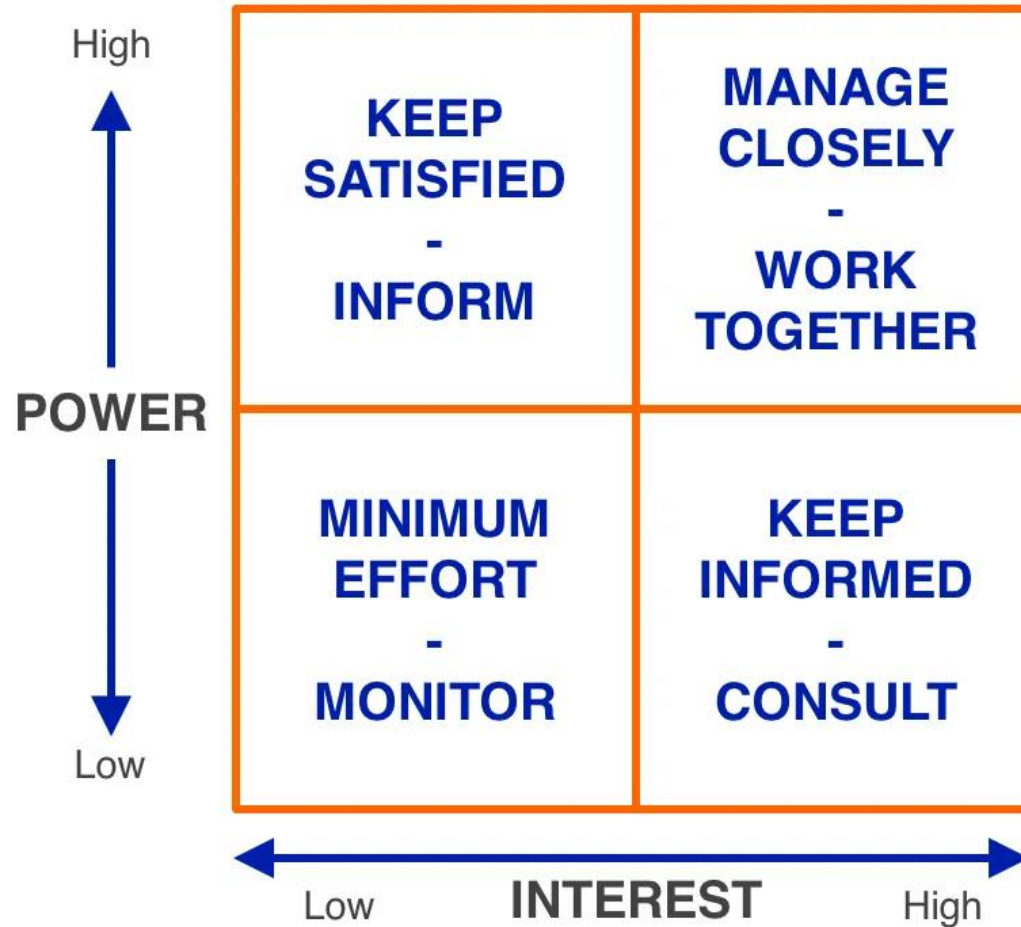


Edward Freeman
(1951-)

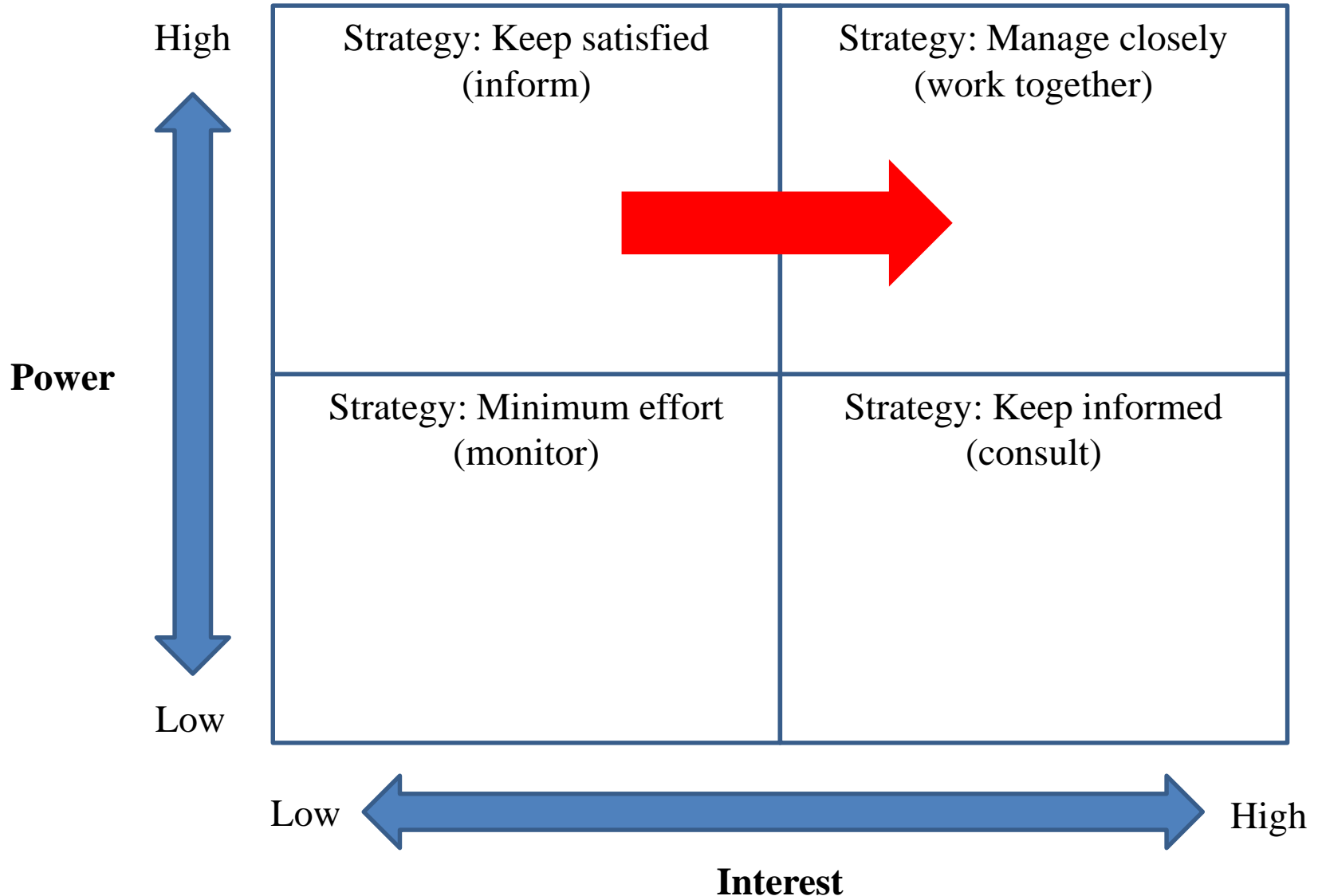
Shareholder vs. Stakeholder

Basis for Comparison	Shareholder View	Stakeholder View
Meaning	The person who owns the shares of the company is known as a shareholder .	The party, who is having a stake in the company is known as a stakeholder .
Who are they?	Owners	Interested parties
Firm	<ul style="list-style-type: none"> The firm is the property of its owners. Only a firm, which is limited by shares, has shareholders. 	<ul style="list-style-type: none"> The firm is a vehicle for cooperation. Every firm or organization has stakeholders.
Purpose of firm	To maximize shareholder value.	To create value for its stakeholders and to balance all stakeholder interests .
Includes	Equity shareholders Preference shareholders	Creditors, debenture holders, employees, customers, suppliers, government, etc.
Focuses on	Return on investment	Performance of the company

Stakeholder Map (Power-Interest Matrix)



Stakeholder Map (Power-Interest Matrix)



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