



**The 7<sup>th</sup> Israel Strategy Conference**  
**The Technion, Israel Institute of Technology,**  
**Haifa, Israel**  
December 17-19, 2017

# **Conference Abstracts**

**Sunday, December 17, 2017 - Doctoral Consortium**

**08:30-10:00 Knowledge Search and Innovation**

***The Curse of Knowledge: How Knowledge of Nth Best Solutions Affects Organizational Search***

*João Duarte, Università della Svizzera italiana*

While neoclassical economic theories are theories about the optimal (or first-best) solution, management and organization theories are, at best, theories about the second-best but, in many cases, just the nth best solution. In this paper, we examine how knowledge of second-best solutions impacts organizational search. Across two experiments, we find that knowing about the payoff of the second-best solution is not always a sufficient condition for subjects to make better decisions and, consequently, reach a better performance. Instead, we find that in order for individuals to benefit from this knowledge, they must also know how a particular nth best solution ranks among the remaining solutions (i.e., whether that solution is, in fact, the second-best solution). As such, our results indicate that, when dealing with second-best solutions, organizations might not be better off acting upon their knowledge.

***Essays on the Impact of Competitive Strategy on Industry Composition and Firm Performance***

*Aldona Kapacinskaite, London Business School*

Abstract is not available

***When the Going Gets Tough, Will the Stars Get Going? Investigating the Interdependencies Between Strategic Human Capital Utilization and Retention***

*Arianna Marchetti, INSEAD*

To sustain competitive advantage built upon strategic human capital, firms need to retain it, mostly their star workers. Yet, research studying the link between employee performance and turnover has yield mixed results. We contend one reason for this is the actions firms take to utilize human resources more effectively: namely, some practices companies adopt to make the most of their human capital also impact their ability to retain it. Although rather obvious, such argument has received surprisingly little attention, due to the disjoint development of the utilization and retention literature. By studying a sample of 27,716 inventors patenting in innovative industries in 1999-2013, the results support our hypotheses: The performance-turnover relationship is mediated both positively and negatively by practices aimed at utilizing the company's most productive innovators, suggesting the complex and often overlooked interplay between firms' utilization and retention abilities over stars.

***Creating Innovation Enabling Controls: A Longitudinal Case Study***

*Christian Wedl, ETH Zurich*

How to effectively organize innovation processes is a central concern for theory and practice. Because innovation involves novelty, and uncertainty, designing and implementing managerial control

mechanisms may appear incompatible with the goal of enhancing innovation. Yet studies show that managerial controls may enhance innovation performance. Building upon a two-year qualitative study of the introduction of formal innovation controls, we develop a theoretical framework of how control mechanisms become innovation enablers. We show that, beyond considering the enabling or coercive character of controls, it is necessary to consider their functionality. By adding the dimension of functionality, we can explain why controls – even though they may constrain the work of an innovation worker, are perceived as innovation enablers. Moreover, this study points to the need to consider the controlees' perception of control to better understand performance implications of innovation control.

### 10:15-12:00 Organizations, People and Performance

#### ***Systematizing Serendipity: Constructing Need- and Solution Spaces for Facilitating Serendipitous Opportunities***

*Burcu Kucukkeles, ETH Zurich*

How sustainable competitive advantage can be developed is a core question in the strategy research. While a few studies attempted to tackle the question of role of luck in leading to competitive advantage, little is known about how firms may enhance the likelihood of discovering serendipitous opportunities. By using an in-depth analysis of drug repurposing – the systematic practice of searching for new disease indications for existing drugs, we explore how serendipity can become a source of competitive advantage. Our findings reveal that by adopting a broad search to identify hidden associations between resources and their potential needs, firms can identify serendipitous opportunities early on. Furthermore, we show that recent developments in the technology is instrumental in uncovering hidden opportunities, and understanding material constraints and affordances of resources can support the search process.

#### ***Coopetition and Sustainability: What Lies Beneath***

*Lilach Trabelsi, Bocconi University*

We study the relationship between women in top corporate positions and firms' environmental performance. We move beyond existing insights on the positive relationship between female leadership and environmental performance. We analyze the interaction between the presence of women on the board of directors and in managerial positions, and document a negative effect of such interaction on environmental performance. We find that the negative effect of female interaction is strongest when firms operate in areas more open towards gender equality. Our results point to the importance of accounting for internal and external contingencies when studying the corporate effects of female leadership.

#### ***It Takes Two to Tango: How Peer Performance Information Affects Search Performance*** *Thorsten Wahle, Università della Svizzera italiana*

Most strategic decisions are made under uncertainty which means the outcomes of the available alternatives are not known but have to be discovered through search. To motivate search, decision

makers often turn to peer performance information, i.e. information on peers' outcomes but not their choices. In this paper, we are investigating the impact of peer performance information on search behavior and efficacy. Using a series of online experiments, we find that peer performance information increases performance in a search task though not by universally triggering an increase in search intensity but instead by making decision makers search smarter i.e. by informing them on when and when not to search. We also find that information on the worst peer is less beneficial than other types of peer performance. Our findings have important consequences for providing peer performance information in practice as well as for several research streams such as performance feedback theory.

***The Rise of Decentralized Autonomous Organizations: An Exploratory Study of Task Coordination within Cryptocurrencies***

*Ying-Ying Hsieh, Ivey Business School*

The rise of cryptocurrencies such as Bitcoin is driving a paradigm shift in organizational design because the underlying blockchain technology enables a novel form of organizing called the “decentralized autonomous organization” (DAO). Using both qualitative and quantitative data, this inductive study addresses the following question: How are DAOs coordinated to enable growth? Findings from interview data reveal that DAOs coordinate tasks through “machine consensus” and “social consensus” mechanisms that operate at varying degrees of decentralization. Furthermore, subsequent fuzzy-set qualitative comparative (fsQCA) analyses, explaining when DAOs grow or decline, show that social consensus mechanisms can partially substitute machine consensus mechanisms in less decentralized DAOs. Taken together, DAO growth relies on the interplay between machine consensus, social consensus, and decentralization mechanisms. We formulate three propositions to outline a theory of DAO coordination.

***Impacts of Entrepreneurial Experience on Lifetime Earnings and Careers Prospects***

*Adrian Merida, Copenhagen Business School*

Abstract is not available

**13:00-14:30 Industry Evolution and Internationalization**

***When Does Economic Experimentation Matter? Toward A History of the Pivot?*** Sandeep

*Devanatha Pillai, University of Maryland*

This paper asserts that economic experimentation is an effective learning mechanism that firms use to gain advantage. Empirical evidence from the nascent automobile industry suggests that firms engaged in economic experimentation by releasing more models annually were able to lower prices and improve engine efficiency. Historical analysis supports the hypothesis that economic experimentation taught unique lessons that were impossible to learn through alternate mechanisms. These findings offer new, historical insights into the workings of the increasingly popular Lean Startup framework, showing that innovative firms in nascent sectors have long employed market pivots – substantive adjustments in firm strategy – in response to economic experimentation. Our findings

suggest that Lean Startup methodology is applicable when uncertainty is high and when customers cannot articulate their preferences.

***Stages and Triggers of Industry Emergence***

*Assaf Amit, The Hebrew University of Jerusalem*

Abstract is not available

***CEO Wealth and SMEs Foreign Direct Investment***

*Fladina Zijl, BI Norwegian Business School*

Research on board selection literature focuses predominantly on Fortune 500 companies to assess on average the impact of the ‘white Caucasian’ male CEO on the appointment of new board members. In contrast, this study is aimed at investigating how CEOs that differ significantly from the average CEO in the sample, and more particularly focusing on CEOs that are characterized as a minority, influence decisions related to the appointment of new board members. We argue that as minority CEOs of public firms face higher negative discrimination and pressure from outside stakeholders and media, they would conform more and exhibit higher likelihood of appointing board members different from them. However, in private firms, where this pressure is released, minority CEOs will exert their influence to appoint board members more similar to themselves in main salient characteristics.

***Does the Past Inform the Future? Business Group Affiliation and Internationalization of New Venture Affiliates***

*Sai Chittaranjan Kalubandi, Indian Institute of Management Ahmedabad*

I propose to investigate how the internationalization of incumbent affiliates and the resulting spillovers in internal markets of Business Groups impacts the internationalization of New Venture Affiliates (NVAs). I propose to build upon two streams of literature – internal markets of Business Groups (ex., Chang and Choi, 1988) and international entrepreneurship (ex., Oviatt & McDougall, 2005; Jones, Coviello, & Tang, 2011) – to develop and empirically test hypotheses about the role of the internal markets in the internationalization of NVAs.

**Monday, December 18, 2017**

**08:45-10:15 Paper Session: Organizational Boundaries**

***How and When do Conglomerates Influence the Creativity of their Subsidiaries?***

*Andrew Shipilov, INSEAD*

*Evan Rawley, Columbia University*

*Frederic Godart, INSEAD*

We develop a framework to understand how and when membership in a conglomerate affects its subsidiaries' creativity. Focusing on conglomerates with several subsidiaries in the same industry, we explain that the effect has two components: an imprinting effect at the time of affiliation, and a contemporaneous effect from ongoing interactions with other subsidiaries. In a context of a highend fashion industry, we find that a subsidiary's creativity increases the most when it joins a conglomerate with either very low or high creativity. We interpret this as an imprinting effect of the environment inside the conglomerate on how effectively this subsidiary is integrated. Over time, the creativity of the subsidiary increases monotonically with the creativity of other subsidiaries, which provides evidence of creativity spillovers within conglomerates.

***Outsourcing and Firm Performance: The moderating Effect of Business Group Characteristics***

*Rakesh Pati, University of Minnesota*

*Niron Hashai, Interdisciplinary Center, Herzliya*

*Shaker Zahra, University of Minnesota*

The study examines the relationship between outsourcing and performance for Indian manufacturing firms, during the 1995–2015 period. We provide empirical evidence suggesting that at low levels of outsourcing, the costs of adjusting to outsourcing activity depress firm performance. We also show that at moderate levels of outsourcing, the benefits of outsourcing outweigh its costs, improving firm performance. Finally, our results suggest that at high levels of outsourcing, coordination costs increase exponentially, lowering firm performance once again. We also find that the business group level characteristics (i.e., outsourcing experience and size) help limit the outsourcing costs of affiliated firms at both low and high levels of outsourcing, and thus constrain the reductions in performance at both low and high levels of outsourcing.

Keywords: Outsourcing, adjustment costs, business group characteristics, emerging markets, performance

***Creating Collective Advantage through Catalytic Coordination in Innovation Ecosystems: A Study of Innovation Ecosystems in Chinese Automotive Industry***

*Zheng Zhao, University of Kansas*

As the complexity and scale of technological innovations increases in recent years, its organizing approaches also undergo unprecedented transformations. The traditional view of innovation as an unilateral effort by individual firms for creating competitive advantage is augmented by a broader

view of innovation as a multilateral endeavor by an ecosystem of partners for creating collective advantage or synergistic rent. In this qualitative study of three large-scale innovation ecosystems in the Chinese automotive industry, I try to explore and answer the following research questions: (1) what types of synergy could be created among vertical and horizontal relationships in the ecosystem, and (2) how ecosystems are coordinated to achieve the creation of synergy. Various forms of synergy have been identified. The main source of collective advantage of ecosystems is found to be the joint force of architectural knowledge, integrative capability, and informal power of catalytic coordinators.

***Hybrid Organizations as Bridges at the Public Science – Private Industry Interface***

*Andrew Earle, University of New Hampshire*

*Dante Leyva-de la Hiz, Montpellier Business School*

*Yusi Turell, University of New Hampshire*

We are interested in novel solutions to addressing the “valley of death” phenomenon in technology commercialization - where innovations become stranded between public funding focused on basic science and private funding focused on market-ready opportunities. In this study, we draw on recent research in organizational design and "hybrid" organizations to propose a novel model for bridging the “logics” that commonly come into conflict as an innovation moves from lab to market. The result of our model is a technology commercialization process based on universityhybrid-firm triads that both helps explain puzzling findings from past research and generates empirically testable propositions that will contribute to the growth of this important area of research.

**08:45-10:15 Paper Session: Exploration and Cognition**

***Embracing Paradox: The Mediating Role of TMT Paradoxical Cognition on the Relationship Between TMT Reflexivity and Ambidexterity***

*Pepijn van Neerijnen, University of Amsterdam*

*Michiel Tempelaar, University of Amsterdam*

*Vareska van de Vrande, Erasmus University*

Within the ambidexterity literature the TMT plays a critical role in managing the tensions between exploration and exploitation. Doing so requires them to transcend the ambidexterity paradox. Despite this recognition, the current body of literature offers few insights regarding the factors that enable and motivate management to engage with – and ultimately transcend – the ambidexterity paradox. This paper highlights the importance of the information-processing capacity of the TMT in relation to the realization of ambidexterity. More concretely, this paper contributes to the ambidexterity literature by proposing a model in which TMT paradoxical cognition mediates the relationship between TMT reflexivity and organizational ambidexterity. In so doing, this study extends the current conceptualizations of TMT reflexivity and TMT paradoxical cognition in relation to ambidexterity and empirically assesses the relationship between them, increasing our understanding of how learning behaviors and shared mental models affect the TMT's willingness and capacity to transcend the ambidexterity paradox.

Keywords: Organizational Ambidexterity, TMT Reflexivity, TMT Paradoxical Cognition, SMEs

### ***Should I Stay or Should I Go? The Cognition of Exploration and Exploitation***

*Sheen Levine, University of Texas Dallas*

*Charlotte Reypens, University of Warwick*

*Christoph Riedl, Northeastern University*

Decision-makers face a frequent tension: Repeat a past action in expectation of a familiar outcome (exploitation), or choose a novel action whose outcome is uncertain (exploration). Such decisions are central to organizations, strategy, innovation, and entrepreneurship, where they have been studied extensively, mostly through simulations of agent-based models or analysis of archival or survey data. Here we add evidence from protocol analysis and behavioral economic experiments, conceptually and directly replicated in four populations, in the laboratory and the field, in developed and emerging economies. We designed an experimental task that embodies exploration–exploitation environment, introduced resource constraints, and offered incentives for performance. The design allows us to directly investigate the cognitive assumptions at the heart of the theory. The findings affirm some theoretical expectations, contradict others, and offer new antecedents. Exploration–exploitation choices, we find, are largely driven by recent experiences: Expectedly, exceeding past performance motivates exploitation while trailing performance encourages exploration. But the effect is moderated by overall performance (or slack), which amplifies exploitation when high and drives exploration when low. Ambiguity, experienced as performance variance, reduces exploration, and, through interaction with performance, amplifies the tendency to exploit as performance increases. As the effects coalesce, a cycle is formed: Exploration brings variance, which promotes exploitation, and if performance recedes, it furthers exploitation, inching decision-makers away from experimentation and innovation. Inertia, then, is not only organizational, but also rooted in cognition. The results provide an insight into how decisions are made, substantiating the microfoundations of strategy and may assist in balancing exploration with exploitation.

Keywords: Exploration, exploitation, performance, feedback, individual

### ***What Drives Exploration? Convergence with the Exploration Tendencies of Alliance Partners and Competitors***

*Geert Duysters, Tilburg University*

*Dovev Lavie, Bocconi University*

*Anna Sabidussi, Tilburg University*

*Uriel Stettner, Tel Aviv University*

Strategy research has alluded to organizational incentives and environmental conditions that drive firms' tendencies to explore versus exploit. We complement this research by demonstrating how convergence with the dominant corporate behaviors of the firm's alliance partners and competitors drives these tendencies. Using panel data on 182 U.S.-based publicly-traded electronics firms, we reveal an inverted U-shaped association between the firm's exploration and the exploration tendencies of its partners and competitors. We also show how the convergence with their exploration tendencies becomes stronger under uncertainty but weaker when the exploration pattern exhibited by the firm's partners and competitors is incoherent. Finally, counter to expectations, convergence is weakened by the technological proximity between the firm and its competitors. Our findings inform

research on the antecedents of exploration and underscore the role of interdependence in firms' exploration tendencies.

### ***Multiple Goals and Performance Feedback in R&D***

*Thomas Keil, University of Zurich*

*Konstantinos Kostopoulos, University of Piraeus*

*Evangelos Syrigos, University of Zurich*

*Felix Meissner, University of Zurich*

An implicit assumption of research on organizational responses to performance below aspirations is that organizations at any point in time focus on a single (mainly financial) goal and a performance shortfall relative to aspirations regarding that goal univocally points toward a single underlying problem that, in turn, leads to a single behavioral response. However, this perspective ignores that goals may be causally related and when organizations receive feedback regarding multiple causally related goals, this feedback may highlight different problems that can subsequently lead to different behavioral responses. We examine this idea using a sample of new drug development projects from US pharmaceutical companies. We find support for the argument that, that instead of regulating behavior based upon the performance feedback regarding a single goal or switching attention sequentially between different performance goals as prior research mostly suggests, for causally related goals organizations will follow a simultaneous attention model, identify different problems related to these goals, and adjust behavior by combining performance feedback regarding different goals.

Keywords: Experiential learning, aspirations, performance feedback, behavioral theory, search

### **10:30-11:45 Research Bazaar: Sensemaking and Organizational Resilience**

#### ***Strategic Decision Making with Artefacts: An Embodied Sensemaking Perspective***

*Patrick Reinmoeller, Cranfield University*

*Mikko Arevuo, Regents University*

Sensemaking is often used as a lens for empirically observable strategizing activities, mostly 'thinking and talking', while research on the role of materiality and embodiment of social activity remains scarce. Our aim is to extend theories on sensemaking from cognition and discourse to collective sensemaking as embodied social construction. This study uses video recordings to capture observable behaviour of groups making strategic decisions. We analyze how the material, bodily, and dynamic aspects influence strategic decisions. Our contribution is threefold. First, we extend the theory by better understanding collective sensemaking. Second, we show how participants' bodies play an important role. Third, the literature on strategy as practice focused on the role of tools; we reveal the role of participants as tools. Our findings explain how embodied engagement in collective sensemaking raises the quality of interaction and is associated with better decision outcomes.

### ***Sensemaking and Sensegiving in an Emerging Healthcare Network***

*Laura Galuppo, Università Cattolica del Sacro Cuore di Milano*

*Mara Gorli, Università Cattolica del Sacro Cuore di Milano*

*Benjamin Alexander, California Polytechnic State University;*

*Abraham (Rami) Shani, California Polytechnic State University;*

*Giuseppe Scaratti, Università Cattolica del Sacro Cuore di Milano*

This research examines how one social enterprise sought to provide affordable and high-quality healthcare in Italy by creating a new healthcare network. In particular, we assess how leaders used emotion and narrative structure in sensemaking and sensegiving to construct an interorganizational network. Drawing on interviews, observations, and archival data collected over two years, we argue that leaders' emotional tone and the narratives they use differ depending on whether they are attempting to stimulate sensemaking or are engaged in sensegiving. In doing so, this study contributes to extant research on sensemaking and social entrepreneurship by elaborating on leaders' efforts to foster a shared reality among network members.

### ***Hedging Strategies: Managing Risk and Uncertainty in the Oil and Gas Industry***

*Alfred Marcus, University of Minnesota Carlson School*

The topic of this paper is strategy making under risk and uncertainty. The purpose is to examine the strategies that major oil and gas companies have used, given the risk and uncertainty that they confront. This paper is devoted to four companies: Exxon Mobil, BP, Shell, and Chevron. How have these gigantic oil companies, among the world's largest and most powerful, hedged their bets against the future risks and uncertainties they face? Each of the firms in this study is hedging its bets slightly differently. The paper describes the different hedging strategies that these firms are pursuing, why they are pursuing these strategies, and the results they are trying to achieve by pursuing these strategies. It concludes with a typological approach to the problem of hedging. What are the generic strategies that firms can use to hedge their bets against risky and highly uncertain futures?

### ***The Moderating Effect of the Environment on the Relationship Between Firm Age and Organizational Failure: A Meta-analysis***

*Christopher Steinert, EBS University of Business and Law*

*Christian Landau, EBS University of Business and Law*

The empirical relevance of start-ups, new corporate ventures, and spin-offs and corresponding academic research is of increasing interest. Currently, the numbers of these new ventures as well as their competitive power are tremendously rising. We are concerned why some of them survive while others fail and which factors possibly moderate their mortality hazard. Based on organizational ecology theory, we argue that the mortality hazard is predominantly moderated by the firm age, the country environment, and industrial dynamism and complexity. We have conducted a meta-analysis of overall 72 studies with a total sample size of more than 772,000 firms to investigate if the mortality hazard in younger or older organizations is higher and if environmental factors moderate this firm age-failure relationship. Our results show that the relationship between firm age and organizational failure is negative, which means that younger firms have a higher mortality hazard than incumbent

firms. Furthermore, our results reveal that the mortality hazard in munificent countries is lower. Whereas we find contradictory results regarding the moderating effect of industrial dynamism, we show that industrial complexity can lessen the mortality hazard. We explicitly comment on methodological and statistical limitations and explain foundations of future research.

### ***Antecedents of Firm Resilience for Ethnic Minority-Owned SMEs***

*Melike Findikoglu, Ozyegin University*

*Ari Dothan, IDC Herzliya*

To become resilient, firms should overcome inherited limitations and adapt to changes imposed by their environment. They can develop this capability by enhancing their stability as well as adaptability. While effective management practices support building stability, entrepreneurial orientation in terms of innovation, risk taking and proactiveness increases adaptability. Hence, although perceived as mutually exclusive, these two mechanisms will likely complement each other in building resilience combined with generativity that fosters learning and preparedness. Building resilience is a crucial capability for ethnic minority-owned SMEs that face multiple disadvantages. These firms can leverage the effects of mechanisms by their embeddedness in co-ethnic vs. mainstream markets. Analyzing the phenomenon in two distinct samples in the Middle East, we aim to better understand the impact of organizational routines on resilience and decipher the stability/adaptability paradox in this context.

### **10:30-11:45 Research Bazaar: Governance and Start-Ups**

#### ***"Smart Money" in Technological Start-Ups: Why does the Angels' Act Seem to Fail?***

*Eliran Solodoha, Ben-Gurion University of the Negev*

There is disagreement in the literature regarding the impact of policies incentivizing investors – and especially business angels – to invest in technology start-ups. On the one hand there is evidence that tax incentive policies do not attract investors, but on the other hand such policies are likely to increase the number of investors and motivate existing investors to consider further investment. We suggest that a policy that incentivizes investments in young technology start-ups effectively emphasizes the low legitimacy of these early-stage firms, thereby decreasing the number of business angels investing in them. Using census data on 2,542 Israeli start-ups in seven high-tech industries with 4,774 business angels, we find that the policy, originally designed to increase investments in early-stage firms, effectively decreases investments in these firms.

#### ***Strategic Use of Voluntary Governance Rating Disclosures***

*Birgul Arslan, Koc University*

*Ugur Celikyurt, Koc University*

While voluntary disclosures decrease information asymmetry between managers and investors, they may also be used opportunistically by the managers in capital market transactions. We contribute to this debate by examining the effect of firms' voluntary disclosures of corporate governance ratings on the frequency and performance of capital market transactions. We find that firms which voluntarily disclose their governance ratings are less likely to undertake both seasoned equity

offerings and acquisitions which are commonly associated with manager opportunism. Furthermore, these firms experience higher announcement returns from SEOs and acquisitions suggesting that voluntary disclosures of governance ratings provide credible signals to investors.

Keywords: Corporate Governance; Governance Ratings; Voluntary Disclosure; Seasoned Equity Offerings; Acquisitions

### ***When Start-Up Brain Meets Corporate Brawn – Understanding Open Innovation between Corporates and Start-Ups***

*Annika Lorenz, Utrecht University*

*Henry W. Chesbrough, University of California, Berkeley*

Firms' innovation and R&D activity is the necessary condition for remaining profitable and obtaining long-term competitive advantage. Extant research has repeatedly shown the positive effect of external knowledge and technology sourcing through collaborative efforts on performance and innovative output. In some industries, the pressure to innovate has tremendously increased due to increasing complexity, new market entrants, accelerated product-life cycles and shortened time-to-market. Many of large incumbents seek to integrate new external technologies by collaborating with start-ups. Despite an increasing trend of firms making huge investments into technology scouting, the benefits and returns of this strategy are difficult to foresee. Therefore, this paper investigates the motives/goals of both partners as well as the benefits and downsides of the collaboration between corporates and start-ups for technology scouting.

### ***Corruption, Political Discretion and Entrepreneurship***

*Ilan Alon, University of Agder*

*Alfredo Jimenez, KEDGE*

While common sense suggests that corruption will likely have a negative impact on the economy (as it raises the cost of doing business), research on the topic showed inconsistent results (positive, negative and neutral) and, as such, recent research has focused on the conditions under which corruption will have stronger or weaker effects. Using institutional theory as the basis for our hypotheses, we empirically examine the role of corruption and political discretion in entrepreneurship and find that countries with higher levels of corruption are associated with lower levels of entrepreneurship and that political discretion weakens the negative impact of corruption on entrepreneurship.

### ***When Does Economic Experimentation Matter? Toward A History of the Pivot?***

*Sandeep Devanatha Pillai, University of Maryland*

*Brent Goldfarb, University of Maryland*

*David Kirsch, University of Maryland*

This paper asserts that economic experimentation is an effective learning mechanism that firms use to gain advantage. Empirical evidence from the nascent automobile industry suggests that firms engaged in economic experimentation by releasing more models annually were able to lower prices and improve engine efficiency. Historical analysis supports the hypothesis that economic

experimentation taught unique lessons that were impossible to learn through alternate mechanisms. These findings offer new, historical insights into the workings of the increasingly popular Lean Startup framework, showing that innovative firms in nascent sectors have long employed market pivots – substantive adjustments in firm strategy – in response to economic experimentation. Our findings suggest that Lean Startup methodology is applicable when uncertainty is high and when customers cannot articulate their preferences.

***The Rise of Decentralized Autonomous Organizations: An Exploratory Study of Task Coordination within Cryptocurrencies***

*Ying-Ying Hsieh, Ivey Business School*

*Jean-Philippe Vergne, Ivey Business School*

The rise of cryptocurrencies such as Bitcoin is driving a paradigm shift in organizational design. Their underlying blockchain technology enables a novel form of organizing, which we call the “decentralized autonomous organization” (DAO). This study explores how tasks are coordinated within DAOs that provide decentralized and open payment systems that do not rely on centralized intermediaries (e.g., banks). Based on a three-stage research design that uses both qualitative and quantitative data, this inductive study examines twenty DAOs in the cryptocurrency industry to address the following question: How are DAOs coordinated to enable growth? Findings from interview data reveal that DAOs coordinate tasks through “machine consensus” and “social consensus” mechanisms that operate at varying degrees of decentralization. Furthermore, subsequent fuzzy-set qualitative comparative (fsQCA) analyses, explaining when DAOs grow or decline, show that social consensus mechanisms can partially substitute machine consensus mechanisms in less decentralized DAOs. Taken together, our results unpack how DAO growth relies on the interplay between machine consensus, social consensus, and decentralization mechanisms. To conclude, we formulate three propositions to outline a theory of DAO coordination and discuss how this novel form of organizing calls for a revision of our conventional understanding of task coordination and organizational growth.

Keywords: task coordination, organizational growth, blockchain, cryptocurrency, fsQCA

**13:45-15:15 Paper Session: Entrepreneurial Finance**

***Venture like a Woman? The Influence of Gender and Venture Type on Investment Decisions***

*Isabelle Solal, INSEAD*

Using a unique dataset from the television series Dragons Den (Shark Tank), I explore the impact of gender on investment decision-making. I find that, even in the entrepreneurship context, where gender stereotypes predict lower future performance for women compared to men, female decision-makers have gender-homophilous preferences such that they will want to favor female entrepreneurs over male entrepreneurs. This finding is in line with the agents of change perspective of organizational demography. However, I also find that female gender homophily operates only in favor of women with gender-congruent businesses. I posit that female decisionmakers will engage in cost reduction strategies to limit the risk to themselves of gender homophily, for example by acting

on their preferences only when the gender gap in expected future performance is minimized. I discuss the implications of my findings on long-term outcomes for women.

### ***Atypical Team or a Typical Team: Team Composition and Startup Performance***

*Sarit Markovich, Northwestern University*

*Shai Harel, Hebrew University*

We study the shift toward teamwork in the application of complex knowledge, examining whether teamwork results in a higher quality of knowledge implementation. Specifically, we look at the extent to which the application of knowledge in teams is affected by the team's composition—i.e., the importance of diverse vs. homogeneous team composition in terms of knowledge, experience, etc. We examine this in the context of entrepreneurial teams. The success of startups depend on the founders' ability to take advantage of their knowledge to develop the needed technology, produce the product, and apply the proper marketing strategy. As such, technological entrepreneurship is a good context within which to think about the application of complex knowledge. We contend that a major determinant of startups' prospects of raising funds and later on of succeeding is the level to which the team is structured to be 'self-sustaining,' such that there are complementarities across the founders' skill set.

### ***Badge of Honor or Scarlet Letter? Unpacking Investors' Perception of Failure in Venture Teams***

*Diego Zunino, Copenhagen Business School*

*Mirjam van Praag, Copenhagen Business School*

*Gary Dushnitsky, London Business School*

Although most ventures fail, research has devoted limited attention to entrepreneurial failure. We unpack the perception of business failure into its core drivers; skill and luck. Failure can be due to lack of luck, lack of skill or both. It is therefore an ambiguous signal. We predict that investors would treat past failure as a liability, due to the probability of lack of skill. However, in the presence of a signal of skill, the magnitude of the failure discount will be mitigated, as it suggests it was solely due to lack of luck. We test our predictions using an online experiment among subjects at risk of investing who evaluate a realistic investment opportunity in a between-subjects design. Our results document the cost of failure and the rationality of investors. Investors shun founders who experienced failure, but they do not penalize them in the presence of a signal of skill. We conclude that there is no irrational stigma of failure.'

13:45-15:15 Paper Session: Corporate Governance

***Unsettling Settling-Up? Corporate Fraud and Heterogeneity in the Reputational Penalties to Directors\****

*Ivana Naumovska, INSEAD*

*Georg Wernicke, Copenhagen Business School*

*Edward Zajac, Kellogg School of Management*

Due to accumulating evidence suggesting that female and ethnic minority directors endure inequality and discrimination in the boardroom, recent years have seen the extensive adoption of board diversity goals. We suggest that this salutary effort has had an unintended outcome; namely, that the recognition of minority director status as a valuable asset has affected the labor market for directors to the point that women and ethnic minorities serving on boards of firms that engaged in corporate crime will experience greater reputational immunity, relative to white men. That is, women and ethnic minorities who had served on boards of firms that engaged in corporate crime will experience less severe penalties on the labor market for directors. Using a comprehensive dataset consisting of 2030 directors associated with 197 cases of accounting fraud (i.e., cooking the books), we find evidence consistent with our predictions. We discuss the implications of our perspective and findings in terms of the duality of minority status as it relates to discriminatory outcomes in modern labor markets.

Keywords: Corporate governance, ex post settling-up, corporate misconduct, board diversity

***The Usual Suspect: After Misconduct, Using CEO Replacement as a Substitute for Legislative Certification***

*Aharon Cohen Mohliver, London Business School*

*Jo-Ellen Pozner, Santa Clara University*

*Celia Moore, Bocconi*

We investigate how firms' responses to misconduct change when the institutional environment becomes more stringent. Organizational theory offers conflicting perspectives on whether new legislation will increase or decrease pressure on firms to take remedial action following misconduct. The dominant perspective posits that new legislation increases audiences' expectations of firms' appropriate and legitimate behavior, amplifying pressure on them to take remedial action after misconduct. A more recent perspective, however, suggests that meeting more stringent regulatory requirements certifies firms as legitimate to relevant audiences. This certification effect buffers firms from negative stakeholder reactions to perceived violations of the law, ultimately reducing pressure on them to take remedial action after misconduct. Using a temporary, largely arbitrary exemption of a group of firms from a key provision of the Sarbanes-Oxley Act, we show that firms that were not required to meet all the regulatory standards of good governance that Sarbanes-Oxley mandated are more likely to replace their CEOs following the announcement of an earnings restatement than similar firms that were required to meet those standards. These results suggest that when suspicions of misconduct arise, exempt firms use costly and visible remedial action to substitute for the certification effect that Sarbanes-Oxley's new regulatory standards provided. Keywords: Misconduct; Certification; Legislative change; CEO change.

### ***Corporate Governance and the Rise of Integrating Corporate Social Responsibility Criteria in Executive Compensation\****

*Caroline Flammer, Boston University*

*Bryan Hong, University of Western Ontario*

*Dylan Minor, Northwestern University*

This study examines the integration of corporate social responsibility (CSR) criteria in executive compensation, a relatively recent practice in corporate governance. We construct a novel database of CSR contracting and document that CSR contracting has become more prevalent over time. We further find that the adoption of CSR contracting leads to i) an increase in long-term orientation; ii) an increase in firm value; iii) an increase in social and environmental performance; iv) a reduction in emissions; and v) an increase in green innovations. These findings are consistent with our theoretical arguments predicting that CSR contracting helps direct management's attention to stakeholders that are less salient but financially material to the firm in the long run, thereby enhancing corporate governance.

Keywords: corporate governance; corporate social responsibility; executive compensation; managerial incentives; long-term orientation.

### ***The Architecture of Attention: Group Structure and Subsidiary Autonomy***

*Sharon Belenzon, Duke University*

*Niron Hashai, Interdisciplinary Center Herzliya*

*Andrea Pataconi, University of East Anglia*

This paper examines the relationship between strategic decision-making at the subsidiary level and organization structure. In many organizations, the interaction between central headquarters and subsidiaries is mediated by the presence of intermediate organizational units. Building on the attention-based view of the firm, we argue that the greater the "organizational distance" of a focal subsidiary from headquarters (as measured by the number of intermediate subsidiaries separating the subsidiary from headquarters), the greater the level of autonomy the subsidiary will enjoy. Using a large and comprehensive dataset on the structure of corporate groups in Western Europe, we provide two pieces of evidence consistent with this hypothesis. First, perceived autonomy of subsidiary managers, as measured by the World Management Survey, and organizational distance are strongly positively related. Second, the performance of subsidiaries near the bottom of a pyramid is more similar to that of matched standalones in response to changing industry conditions, than the performance of subsidiaries near the top. By contrast, we find little support for the view that tall pyramids are created to magnify the voting control of large shareholders. Keywords: Subsidiary autonomy, organization structure, hierarchy, attention-based view, corporate groups.

15:30-17:00 Paper Session: Entrepreneurial Behavior

***From Labor to Management: Examining Entrepreneurs' Fundamental Transitions on an Online Platform\****

*Moshe Barach, Georgetown University*

*Christopher Rider, Georgetown University*

We present a comprehensive, general framework for investigating how opportunity-based entrepreneurship is shaped both by individuals and by market opportunities. Proposing standard measures of opportunity potential (i.e., profitability implied by market exchanges) and using network measures of structural vision to account for individual differences in information access (i.e., relationships with market actors), we develop signature predictions related to individuals, opportunities, and the intersection of the two. Analyses of a large online labor platform for freelancers demonstrates how the framework can be applied to understand the fundamental transition that many individuals make from self-employed laborer to organizational founder. We find independent effects of opportunities and individual vision. But by examining the nexus of individual vision and opportunities we demonstrate the distinct mechanisms of discovery, discernment, and exploitation through which individual differences in access to information interact with market opportunities to shape the fundamental transition from self-employment to organizational founder.

***Name, Name, but Different: How Novice and Serial Entrepreneurs Legitimize Their Ventures***

*Yuval Engel, University of Amsterdam*

*Ruben van Werven, Cass Business School*

*Annelice Keizer, University of Amsterdam*

New ventures face significant legitimacy challenges. While scholars begun to acknowledge that legitimacy judgments are not uniform across audiences, the fact that entrepreneurs are not uniform either, escaped scrutiny. Addressing this, we examine the role of prior entrepreneurial experience in shaping a legitimation decision that every entrepreneur has to make: Naming the venture. Using a qualitative approach, we compare and contrast serial and novice entrepreneurs as they name exactly the same new venture. We find that novice and serial entrepreneurs make different legitimacy claims using distinct naming strategies. We then theorize about the relationship between entrepreneurial experience and legitimation.

Keywords: Entrepreneurial experience, New venture legitimation, Rhetoric, Venture name

***Do Entrepreneurs' Disruptive Visions Pay Off? Evidence from Israeli Startups***

*Timo Van Balen, Erasmus University*

*Murat Tarakci, Erasmus University*

*Ashish Sood, University of California Riverside*

We investigate how framing entrepreneurial visions in a disruptive way affects investment acquisition. Disruptive framing involves promoting the potential to interrupt or displace an existing technology, service, or business model. While ubiquitous in business practice, disruptive framing has been neglected in impressions management research. Instead, prior research has focused on

communications regarding previous and current accomplishments—which we coin achievement framing. Drawing from real options theory and impression management research, we hypothesize that disruptive framing increases the likelihood of getting funded due to expectations for extraordinary return, but attracts less amounts of funding. We test our hypotheses on a novel dataset of Israeli start-ups and a randomized online experiment. With this multi-method approach, we find empirical support for our hypotheses. These findings offer new insights on how entrepreneurs frame their innovations in the disruption process.

Keywords: disruption; disruptive framing; entrepreneur; impression management; venture funding; vision communication.

***Tell Me What You Want and We'll Support it with a Model: Experimental Evidence for Entrepreneurial Business Planning***

*Benson Honig, McMaster University*

Despite forty years of empirical study, evidence regarding the relationship between strategic planning and start-up performance continues to be a controversial issue. This study longitudinally examines outcomes of business planning, assessing effectiveness by replicating and extending two previously published articles. We add an independent harmonized sample from data in the USA and extend the time frame from 30 months to 75 months following the initial interview. Our findings highlight the importance of data replication and extension. We not only add to the debate regarding the merits or liabilities of planning, but also contribute to the evaluation of normative research. In addition, re-examining past research enables us to use more comprehensive data in an extended time frame.

Keywords: Business planning; nascent entrepreneurship; study replication; data extension; venture level performance.

**15:30-17:00 Paper Session: Innovation Process and Outcomes**

***Stage-Gate Processes and Selection in Innovation***

*Ronald Klingebiel, Frankfurt School of Finance and Management*

We use a hybrid inductive method to examine resource-allocation decision making at stage gates of the innovation process at former handset maker Sony Ericsson. We particularly focus on project discontinuation, a key objective in organizing innovation as selective funnels. We provide three insights with implications for escalation theory. First, initial uncertainty constrains the articulation and tracking of projects' commercial attractiveness. This means that escalation can be an unknowable process as well as a decision bias, limiting the usefulness of selection gates early in development. Second, we document a reluctance to search and update business cases as projects near completion. This suggests the presence of a new mechanism that might inadvertently have been captured in escalation studies of self-justification and goal-substitution effects. Third, we reveal a strong form of escalation, whereby projects, whose deteriorating commercial prospects are reflected in downward business-case revisions, are more likely to be continued than projects with stable or improving business cases. This suggests a counter-intuitive effect of attention on commitment escalation. Our findings contribute to a better understanding of both the nature of escalation decisions and the stage-gate organization of innovation under uncertainty.

### ***Formal Organization, Informal Organization, and Innovative Outcomes***

*Brian Silverman, University of Toronto*

*Nicholas Argyres, Washington University in St. Louis; Luis Rios, University of Pennsylvania*

The last decade has witnessed renewed interest in the relationship between the structure of the R&D function and resulting innovative outcomes. This question is particularly important in light of mounting evidence that the rate and direction of innovation is influenced by the structure of social networks, through the patterns of informal communication among a firm's inventors. However, little work has explored how changes in structure affect these correlations. We study the effect of changes in formal R&D organization structure on both informal organization and innovative outcomes, and explore the degree to which informal networks moderate the relationship between change in formal structure and in innovation. After documenting a shift in innovation that follows changes to organization structure, we explore mechanisms underlying this shift by examining the relationship between changes in formal organization structure and changes in the informal inventor network within these firms.

### ***What is Innovation Anyway? The Cocreation of Innovation Narratives and Controls***

*Christian Wedl, ETH Zurich*

*Shiko Ben-Menahem, ETH Zurich*

*Georg von Krogh, ETH Zurich*

*Vivianna He, ETH Zurich*

How to effectively organize innovation processes is a central concern for theory and practice. Because innovation involves novelty, and uncertainty, designing and implementing managerial control mechanisms may appear incompatible with the goal of enhancing innovation. Yet studies show that managerial controls may enhance innovation performance. Building upon a two-year qualitative study of the introduction of formal innovation controls, we develop a theoretical framework of how control mechanisms become innovation enablers. We show that, beyond considering the enabling or coercive character of controls, it is necessary to consider their functionality. By adding the dimension of functionality, we can explain why controls – even though they may constrain the work of an innovation worker, are perceived as innovation enablers. Moreover, this study points to the need to consider the controlees' perception of control to better understand performance implications of innovation control.

### ***Is Bad Governance Always Bad? Dynamics of Risk Aversion and Firm Innovation***

*Dongil Keum, Columbia University*

Is bad governance bad for innovation? Insulating managers from the pressures of short-term performance is necessary to reduce risk aversion and under-investment in innovation, but it also increases the risk of lazy managers who seek a quiet life, resulting in a tension in the effects of improving governance on innovation. Building upon research on the dynamics of firm innovation, we argue that risk aversion does not uniformly affect managers at all times but increases in severity with relative firm performance, primarily afflicting managers of leader firms with little to gain from increased risk-taking. As a result, even while decreasing overall managerial efforts at innovation (enjoying a quiet life), bad governance can actually increase innovation in leader firms. Our study

shows that risk aversion and a quiet life play distinct and independent roles at different ranges of relative firm performance and provides a more dynamic account of the governance-innovation relationship.

Tuesday, December 19, 2017

09:00-10:15 Paper Session: Strategic Human Capital

***When the going gets tough, will the stars get going? Investigating the interdependencies between strategic human capital utilization and retention***

*Arianna Marchetti, INSEAD*

*Ithai Stern, INSEAD*

To sustain competitive advantage built upon strategic human capital, firms need to retain it, mostly their star workers. Yet, research studying the link between employee performance and turnover has yield mixed results. We contend one reason for this is the actions firms take to utilize human resources more effectively: namely, some practices companies adopt to make the most of their human capital also impact their ability to retain it. Although rather obvious, such argument has received surprisingly little attention, due to the disjoint development of the utilization and retention literature. By studying a sample of 27,716 inventors patenting in innovative industries in 1999-2013, the results support our hypotheses: The performance-turnover relationship is mediated both positively and negatively by practices aimed at utilizing the company's most productive innovators, suggesting the complex and often overlooked interplay between firms' utilization and retention abilities

***Goldilocks and the Three Programmers: Unpacking the Relationship between Online Contributions and Productivity at Work***

*Hila Lifshitz-Assaf, New York University*

*Frank Nagle, University of Southern California*

Based on a unique data set, tracking programmers' productivity at their job on a minute-by-minute basis across multiple global companies, we suggest that online contributions to online programmers communities (specifically open source software and/or question and answer sites) has an inverted curvilinear relationship with their productivity at work. We illustrate that contributing to these communities is related with higher productivity yet contributing beyond a certain threshold is related with lower productivity. Through qualitative data, we seek to explain this "Goldilocks zone" of contribution.

***Up to no Good? Gender, Social Impact and Promotions***

*Christiane Bode, Bocconi University*

*Jasjit Singh, INSEAD*

*Michelle Rogan, INSEAD*

Many firms today are taking deliberate actions to address issues of societal concern and increasingly the resulting initiatives involve the participation of corporate employees. In this study we examine whether taking part in such work is beneficial for the careers of employees. We hypothesize and find support for the idea that despite top management support, corporate social initiatives often face organizational resistance resulting in reduced promotion rates of participating employees. This effect

is particularly pronounced for men, for whom participation may be seen as acting incongruently with role expectations and thus carries a signal of lacking commitment to the commercial activities of the firm. Our analysis is based on archival records from one management consulting firm resulting in panel data for 1,841 employees over the span of seven years.

**09:00-10:15 Paper Session: Strategy Process and Emotions**

***A Science of Disciplined Imagination: An Intrapersonal Process Model of Strategy Making* Gabriel**

*Szulanski, INSEAD*

*Noah Askin, INSEAD*

*Sorah Seong, INSEAD*

Strategy process research has often focused heavily on the selection phase of the variation-selection-retention organizational evolution model, concentrating on which initiatives were chosen and implemented but neglecting how alternative initiatives were generated in the first place. The variation phase has not been given its proper due in the strategy literature, leaving an incomplete picture of the strategy making process. This paper zooms in on the variation stage, building on the conceptualization of strategy making as an evolutionary process in order to expand both its usefulness and generalizability. Based on our qualitative analysis of American songwriter and singer Suzanne Vega, we construct an intrapersonal process model of disciplined imagination. This model elucidates the process by which two competing logics of strategic behavior—discipline and imagination—are balanced within each stage of triggering (T), framing (F), alternative generation (A), and selection (S).

***When Old Truths Become New Falsehoods: Learning, Unlearning, and Adapting to Environmental Discontinuities\****

*Thomas Keil, University of Zurich*

*Dirk Martignoni, Università della Svizzera Italiana*

Organizations often face the challenge of adequately responding to environmental discontinuities. Discontinuities, arising from, e.g., technological innovations or regulatory shifts, may render prior learning from experience obsolete or even misleading - they may turn old truths into new falsehoods. Prior research highlights two ways organizations can discard these old and outdated truths: explicitly unlearning old beliefs or becoming more responsive to recent feedback. Using an n-armed bandit model, we examine the implications of these two strategies of discarding outdated beliefs. We find that the effects of responsiveness depend on the level of environmental uncertainty and the type of discontinuity. For example, under low uncertainty, the more competence destroying discontinuities are, the less responsive organizations should be to more recent performance feedback.

### ***The Influence of Anger on Cooperative Strategic Interactions: An Interdisciplinary Experimental Study***

*Alessandro Castagnetti, University of Warwick*

*Sebastiano Massaro, University of Warwick*

*Eugenio Proto, University of Warwick*

In behavioural strategy the investigation of discrete negative emotions has offered limited experimental advancements thus far. We address this gap through an interdisciplinary laboratorybased study, by specifically testing the direct effect of anger on performance and cooperative interactions. We induced anger in subjects performing an infinitely repeated Prisoner's Dilemma game. On average, they reduced overall performance because they were less likely to cooperate than those in the control condition. We also find that individuals' propensity to anger affected strategic cooperative outcomes and, by including further assessments on subjects' heart rate variability (HRV) linear indexes, that anger induced physiological mediated shifts associated to individuals' reduction of emotional intensity and regulation. We put forward substantial evidence showing that discrete negative emotions and emotional traits have a sizeable impact on strategic cooperative interaction and performance.

### **10:30-11:45 Research Bazaar: Cooperative and Competitive Strategies, and Organizational Learning**

#### ***Multimarket Competition and Alliance Formation***

*Yaron Amir, Technion - Israel Institute of Technology*

*Dovev Lavie, Bocconi University*

*Niron Hashai, Interdisciplinary Center, Herzliya*

How does competition drive cooperation? This study examines the association between multimarket competition (MMC) and the formation of horizontal alliances. Prior research has associated MMC with collusive behavior, attenuated competitive pressure, and implicit cooperation. Recent research reveals that two MMC rivals are more likely to form a joint alliance, assuming alignment between implicit and explicit cooperation. In turn, this study shifts from the dyad to the firm level, and suggest an inverted U-shaped association between MMC and the formation of horizontal alliances, suggesting firm size as a moderator. Panel data on 242 U.S. public software firms operating during 1990-2001 support these conjectures. This study bridges research streams on alliances, MMC, and competitive dynamics by identifying MMC as an antecedent of alliance formation. It uncovers the interplay of explicit and implicit cooperation, and the interdependence between competitive and cooperative arrangements.

### ***Competitive Learning in Alliances: Revisiting the Role of Repeated Collaborations***

*Victor Cui, University of Manitoba*

*Haibin Yang, City University of Hong Kong*

*Ilan Vertinsky, University of British Columbia*

Extant literature suggests that repeated inter-firm collaborations constrain a firm's competitive learning from its partner because of the "learning effect", i.e., the partner learns to improve contractual design and thus reduces instances of opportunism. In this study, we revisit this proposition, arguing that this mechanism is only effective in the early stage of collaboration, and the learning effect eventually levels off due to the bounded rationality in learning. We revise the proposition, proposing a U-shaped relationship between the number of alliances and the firm's competitive learning. We also highlight the effect of partners' co-competition capabilities, arguing that they positively moderate the above curvilinear relationship, such that at a given number of collaborations, the learning effect is more pronounced if partners have high co-competition capability. We test our hypotheses in the pharmaceutical industry using a panel dataset (1984-2005).

### ***Embeddedness and Growth: The Case of SMEs in Rural Regions in Israel***

*Eli Gimmon, Tel-Hai College*

*Zeev Greenberg, Tel-Hai College*

*Yanay Farja, Tel-Hai College*

In this study, we extend the theory of strategic business embeddedness to rural regions. We compare the resulting pattern of activity of SMEs in rural and urban areas in Israel, focusing on the effect on growth of their embeddedness in various geographical layers. Embeddedness with customers in close proximity, involvement of a life partner in the business and embeddedness by collaboration with other businesses, were all found to affect the businesses' growth. But, surprisingly, in rural areas the most effective embeddedness was found to be when collaboration goes outward from the rural area, i.e. with businesses in other regions. We term this advantageous type of embeddedness "outward embeddedness". We suggest that businesses in rural areas where consumer density limits demand need to apply a strategy of spatial embeddedness including networks outside their region.

### ***Does the Past Inform the Future? Business Group Affiliation and Internationalization of New Venture Affiliates***

*Sai Chittaranjan Kalubandi, Indian Institute of Management Ahmedabad*

I propose to investigate how the internationalization of incumbent affiliates and the resulting spillovers in internal markets of Business Groups impacts the internationalization of New Venture Affiliates (NVAs). I propose to build upon two streams of literature – internal markets of Business Groups (ex., Chang and Choi, 1988) and international entrepreneurship (ex., Oviatt & McDougall, 2005; Jones, Coviello, & Tang, 2011) – to develop and empirically test hypotheses about the role of the internal markets in the internationalization of NVAs.

### ***The Power of Community: Organizational Founding and Strategic Philanthropy***

*Tao Wang, Grenoble Ecole de Management*

*Maggie-Qiuzhu Mei, Grenoble Ecole de Management*

In this paper, we develop a social-spatial view of communities and advance the argument that organizational founding communities and founders' connections to community organizations affect SMEs' engagement in strategic philanthropy. Empirically, we test our hypotheses using a unique nationwide survey dataset from China. Findings suggest that SMEs founded in rural areas spend less in corporate giving than SMEs founded in urban areas. Yet, the relative less spending of SMEs founded in rural areas relative to SMEs founded in urban areas will improve, if founders of SMEs had government work experience in the past. On the contrary, the relative less spending of SMEs founded in rural areas relative to SMEs founded in urban areas will exacerbate, if founders of SMEs are currently members of quasi-governmental collective organization representing the general interest of businesses. Robustness checks and additional analyses lend substantial support to our arguments.

### ***The Influence of Success and Failure on Entrepreneurial Trajectory***

*Barak Aharonson, Tel-Aviv University*

*Shmuel Ellis, Tel-Aviv University*

*Noa Fogel, Tel-Aviv University*

*Israel Drori, Vrije Universiteit Amsterdam*

In this study we examine the role of past entrepreneurial experience (entrepreneurial trajectory) on the decision to become a serial entrepreneur by establishing a subsequent venture. We suggest and find that failure creates resilience for those entrepreneurs who sought to continue and become serial entrepreneurs. Our findings further suggest that prior success creates a mindset of physiological safety resolving some of the downturn of the experience of failure and enhancing entrepreneurial proclivity. Finally we show that time is a healer for failed experience and enables some entrepreneurs to reignite their passion.

### **13:45-15:15 Paper Session: Performance Feedback and Failure**

#### ***Do We Try Again One More Time? Organizational Failure Experience and Reentry into a Market after Initial Exit\****

*Archita Sarmah, ESSEC*

This study examines the firm decision to reenter a previously exited market. Using a sample of 100 biopharmaceutical firms over a 15-year period, this paper investigates the role of a firm's focal market pre-exit experience on its strategic decision to reenter it after initially exiting it. Empirical results indicate that firms with high levels of failure experience in the exited market are less likely to reenter it later. However, greater amount of big failure experience of the firm as well as cumulative failure experience of other firms in the exited market increases the likelihood of firm reentry after exit. Certain types of organizational experiences- direct and indirect, in the exited market thus facilitate firm reentry into the market by attracting organizational attention and providing learning

opportunities. This paper contributes to the literature on organizational learning from failure as well as market entry and exit.

***A Decision Failure in Formula 1: Devising a Practice-Based Research Agenda for Decision Support Systems Using Big Data***

*Paolo Aversa, Cass Business School*

*Laure Cabantous, Cass Business School*

*Stefan Haefliger, Cass Business School*

Decision support systems (DSS) are sophisticated tools that increasingly take advantage of big data. When organizations excessively rely on their potential the outcome may be decision-making failure, particularly when such tools are applied under high pressure and turbulent conditions. We adopt a practice perspective to inductively study an iconic case of strategic failure in Formula 1 racing. Our approach integrates not only the decision maker but also the organizational and material context where the DSS operates; surprisingly, such an approach reveals challenges that point beyond the public understanding and identifies three interrelated sources of possible failure. These correspond to topics worth investigation for decision-making practices using DSS and big data: (1) The situated nature and affordances of decision making; (2) The distributed nature of cognition in decision making; and (3) The performativity of the DSS.

***Transforming Performance Feedback into a Sustainable-Oriented and Resilient Organizational System: A Socio-Cognitive Perspective***

*Ari Dothan, IDC Herzliya*

*Avi Carmeli, Tel Aviv University*

We expand on the behavioral theory of the firm to suggest a socio-cognitive perspective that informs research on organizational resilience. We develop a conceptual model that explores the process by which negative and positive financial gaps can translate into organizational resilience by specifying different modes of search behaviors and member engagement as key mechanisms. Specifically, we suggest that firms will pursue vicarious search if performance falls below aspirations, but will encourage an internal search if the performance of the firm exceeds its set of aspirations. However, we further explicate how institutional pressures influence these linkages for financially-driven and sustainability-oriented organizations. We suggest that vicarious search is likely to encourage limiting behaviors, whereas internal search is likely to foster promotion behaviors. We then explain how both promoting and limiting behaviors can be helpful in improving organizational resilience

**13:45-15:15 Paper Session: Renewal and Venture Capital**

***Survival of the Fittest – A Configurational Analysis on Corporate Venture Capital Units' Survival Conditions***

*Daniel Fischer, Leibniz University of Hanover*

*Deniz Philipp Kruse, Leibniz University of Hanover*

*Hannes Leonardy, Leibniz University of Hanover*

*Christiana Weber, Leibniz University of Hanover*

Corporations' interest in corporate venture capital (CVC) has cyclically ebbed and flowed - often in remarkably short time. These short lifespans have been argued to be grounded in subjective criteria, disclosing the potential influence that individual behavior on CVC program level has on CVC unit survival. Capturing this individual level, we investigate from an agency theory lens which bundles of influencing factors lead to CVC units' survival or failure as well as the underlying mechanisms in place. Using a dataset of 64 CVC units we apply fsQCA that allows to include configurational thinking and to identify the interrelatedness of influencing factors. We find seven solutions leading to survival and three leading to failure. By demonstrating not only the interrelatedness of factors but also causal asymmetry and equifinality, we reveal a deeper understanding of the interplay between top management decisions and CVC managers' behavior that might explain early CVC unit termination.

***Envisioning Value: Certification, Matchmaking, and Returns to Brokerage***

*Christopher Rider, Georgetown University*

*Sampsa Samila, National University of Singapore*

In many markets, brokers observe information asymmetries between buyers and sellers. Emphasizing this “vision advantage” and focusing on the returns to brokerage for buyers and sellers, we propose a general approach to identify two mechanisms by which brokers can create and capture value in mediated exchange: (1) certification and (2) matchmaking. Analyses of U.S. venture capital fundraising demonstrate our approach. VC funds represented by brokers (i.e., placement agents) attract more investors than unrepresented funds but do not generally outperform them; only within investors' portfolios do represented funds exhibit better investment returns than unrepresented ones. Results are generally stronger for more reputable brokers. We infer that in this market brokers facilitate mutually-beneficial exchanges between specific buyers and sellers (i.e., matchmaking) and not by screening offerings for value (i.e., certification). We discuss how our approach might apply in other contexts.

***Inside the Opportunity Funnel: A Micro-Analysis of Target Selection Processes***

*Xena Welch Guerra, University of St.Gallen*

*Tomi Laamanen, University of St.Gallen*

*Fabian Schober, University of St.Gallen*

Prior explanations for acquisition activity usually assumed outcome-centered and corporate-centered perspectives. However, the underlying pre-deal processes, both their temporal unfolding over time,

as well as their spatial unfolding across individual organizational sub-entities, so far remain poorly understood. To contribute to this gap, we analyze the archive of the M&A department of a large frequently acquiring firm over the course of five years, covering 675 reviewed targets, that resulted in 48 completed corporate takeovers. This allows us to desegregate the pre-deal processes and track each considered acquisition opportunity. Analyzing this microlevel dataset allows us to study the behavioral and procedural characteristics dynamics that shape the overarching decision pattern.

***What is so Unique about Intrapreneurship? Rethinking the Organizational Context***

*Chen Fleisher, Utrecht University School of Economics*

*Sanne van Wetten, Maastricht University*

While the entrepreneurship and corporate entrepreneurship literatures are relatively well developed, the meaning of intrapreneurship remains ill-defined and unclear. This paper develops a multi-level conceptual model that relates intrapreneurship to entrepreneurship and corporate entrepreneurship. Recognizing value creation by means of new business and new ventures as the main outcome of the intrapreneurial process, our model is based on four main premises: (1) new venture and value creation as the foundation, (2) innovation as part of, but not as the core outcome, (3) autonomous, self-initiated strategic initiatives that go beyond the current organizational strategy, and (4) a process nested in the context and across organizational layers. The model offers a holistic approach to the interaction between bottom-up and top-down perspectives of entrepreneurship within existing organizations.