

## BEHIND THEORETICAL INNOVATION

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## Theoretical innovation =

- Theory
- Influential theory
- Widely cited (and used) theory



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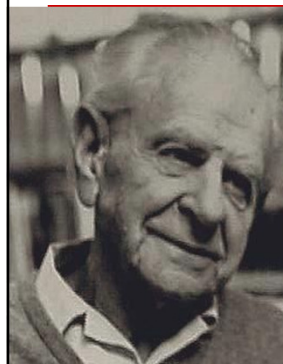
## A long-running and still unresolved debate

- Induction based on observation
- Deduction based on logical reasoning



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## A (rare) agreement: A theory must be falsifiable (Popper, 1959)




"In so far as a scientific statement speaks about reality, it must be falsifiable; and in so far as it is not falsifiable, it does not speak about reality."

Karl Popper

**(Good/strong/significant/influential)  
Theories are**

- Novel
- Simple & elegant
- Falsifiable
- Generalizable

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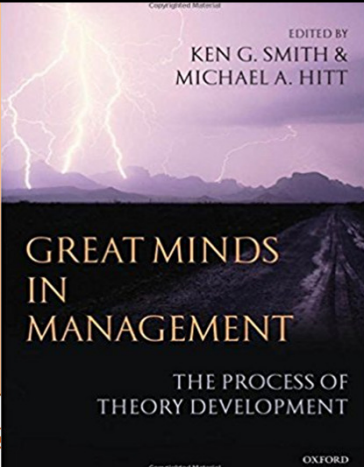
**QUESTION:  
Developing  
theory about the  
development  
of theory?**

Mintzberg (2005 CH)  
(Once his secretary  
mis-typed Popper as  
“Propper”)

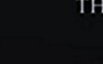


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Bandura  
Barney  
Hambrick  
Huff  
Locke & Latham  
Mitchell  
Pfeffer  
Rousseau  
Scott  
Staw  
Weick  
Williamson  
*et al.*




**GREAT MINDS  
IN  
MANAGEMENT**  
THE PROCESS OF  
THEORY DEVELOPMENT

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**Decoding the secrets of great minds  
(Smith & Hitt, 2005)**

- Tension → Search → Elaboration → Proclamation
- Passion, persistence, discipline, big ideas
- Creator, codifier, carrier, researcher, advocate

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**Mr. Global Strategy is a big fan of theory**



**Our Definition: Strategy as Theory**  
 (Peng, *Global Strategy* 4E © 2017)

- Traditional definitions: (a) plan or (b) action
- Integrating both planning and action schools
- Leveraging the concept of “theory”
  - A theory serves two purposes: Explanation and prediction
- Requiring replications and experimentations
  - To establish the temporal (time-related) and geographic limits of an existing theory
- Understanding the difficulty of strategic change

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**From Drucker (1994) to Felin & Zenger (2017)**

- Drucker (1994 HBR): The theory of business
- Felin & Zenger (2017 Strategy Science): The theory-based view: Economic actors as theorists
  - Our minds do not work like cameras: there is no way to exhaustively capture or represent an environment
  - “Whether you can observe a thing or not depends on the theory which you use” (Einstein)

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**Mike’s theory about the development of theory**

- Inspiration
- Resources
- Differentiation
- Integration



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## Theoretical contributions

- Four AMR theory-only papers
  - Peng & Heath (1996); Peng (2003); Peng, Lee, & Wang (2005); Lee, Peng, & Barney (2007)
- Overall 140+ papers
- 33,000+ Google citations / H-index = 70+
- One of the most cited business and economics scholars listed in *The World's Most Influential Scientific Minds* (by Thomson Reuters, 2014, 2015, 2016, 2017—only 94 scholars listed for 2017)

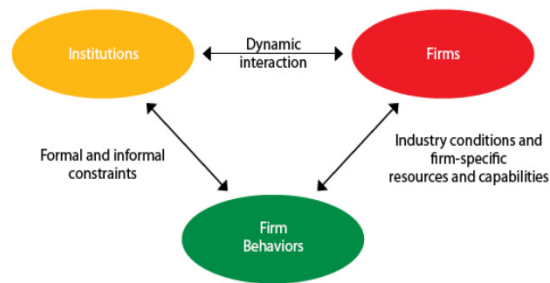


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## BEHIND THEORETICAL INNOVATION: A VIEW FROM EMERGING ECONOMIES



## An institution-based view of strategy and global business



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## The origin of the institution-based view

Peng & Heath (1996)

Based on a term paper for a PhD seminar in strategy in spring 1992



### THE GROWTH OF THE FIRM IN PLANNED ECONOMIES IN TRANSITION: INSTITUTIONS, ORGANIZATIONS, AND STRATEGIC CHOICE

MIKE W. PENG  
University of Hawaii at Manoa  
FRANK W. HEATH  
University of Washington

Highlighting an important facet of diversity among organizations operating in different institutional environments, this article presents a model of the growth strategy of firms in planned economies in transition such as former Soviet, the former Eastern European, and China. Drawing on the explicit and implicit assumptions, the authors' theoretical interest in between institutions and organizations in these countries, they use institutional perspectives to explain the growth strategies of firms. They also discuss the role of institutions, market-based strategies, and industry conditions in explaining the institutional environment that leads to the growth strategy of firms in transition and broader conditions, institutions, and implications of the model for researchers.

The two authors' previous work in this area is cited in subsequent articles in the same journal.

—Journal of Business Strategy, 1996, 19(1), 55-65

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**How do we integrate two or more theories that would generate new theoretical insights?**



**SAGE ADVICE**

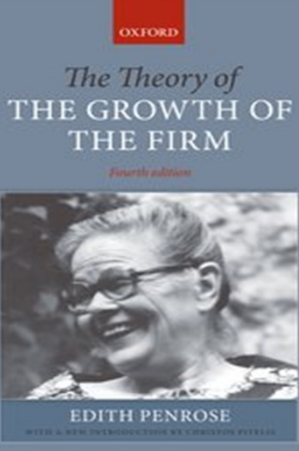

- Have an active mind
- Be disciplined
- Be interdisciplinary

— Oliver Williamson

**INSPIRATION**

- Have an active mind
- Read Penrose (1959) in the first week of PhD seminar (Jan 1992)


**How do firms grow in China?**

- Thousands of firms growing → GDP growth of X%
- But, in mgmt no one studied this *great question* before
- Be disciplined (focus on mgmt)




**Can we build a China-specific theory?**


- Answer (in 1992): No—at least no chance for AMR
- From China strategy to global strategy (Peng, 2005, APJM)
- But, a jump too far?



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**From China to Central and Eastern Europe**


- In the early 1990s, extremely limited mgmt literature on China (6 papers in the entire 1980s)
- No mgmt literature on CEE
- Limited economics research on China and CEE
- Economics of transition → Transition economies



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**Be interdisciplinary**

- RESOURCES: Area studies research (China studies and Soviet/Russia/CEE studies) exists!
- Williamson: The Carnegie advantage (1960s)
- Peng: The Washington advantage (1990s): North, Barzel, Lardy, Kaiser, Becker ... Hill, Mitchell, Lee



**THE HENRY M. JACKSON SCHOOL OF INTERNATIONAL STUDIES UNIVERSITY of WASHINGTON**

**Reflections on the JIBS Decade Award**  
Academy of International Business, Bangalore  
June 30, 2015

Journal of International Business Studies (2005) 36, 103-112  
© 2005 Academy of International Business. All rights reserved 0022-2525/05 \$30.00  
www.jibs.ox

Probing theoretically into Central and Eastern Europe: transactions, resources, and institutions

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**Abstract**  
Since the 1990s, Central and Eastern Europe (CEE) has provided unique societal quasi-experiments, which represent opportunities to test the applicability of existing theories in international business and management studies and to develop new ones. Specifically, three lines of theorising have been advanced: (1) organisational economics theories; (2) resource-based theories; and (3) institutional theories. For each of these theories, we discuss how they contribute to the understanding of key issues, such as entry strategies of foreign investors, restructuring strategies of local incumbents, and entry and

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***Being interdisciplinary  
is both fun and dangerous***

“Mgmt theory grows on the *knife’s edge*, balancing specialist expertise with integrative insights” (Mudambi et al., 2012, AMLE, p. 85)



**The search for a *theoretical engine***

- Having located a great question: How do firms in transition/emerging economies grow? . . .
- Having found an interdisciplinary body of (admittedly limited) research about the context . . .



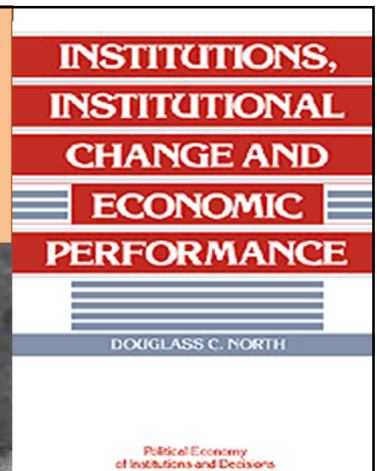
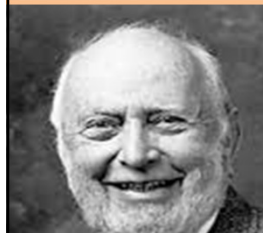
**Institutional theory is it!**

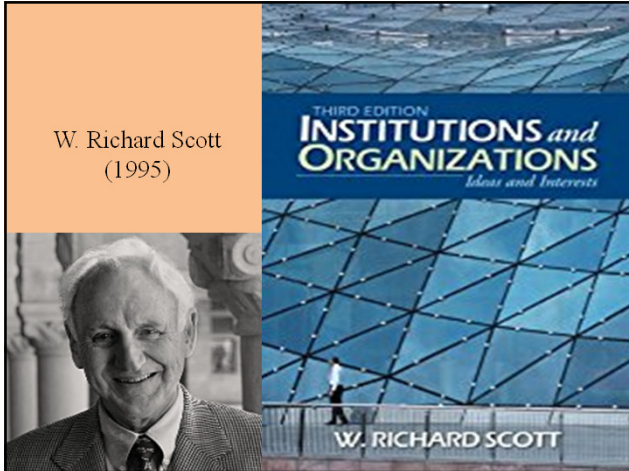
- Economic institutionalism: North, Williamson
- Sociological institutionalism: DiMaggio & Powell, Meyer & Rowan, Scott
- Cross-fertilization: mgmt, econ, soc, CHN studies, RUS/SOV/CEE studies



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Douglass North  
(1990)





W. Richard Scott  
(1995)

**DIFFERENTIATION:**  
**In academic/theoretical (as well as business) entrepreneurship, the key is recombination**

- Steve Jobs never invented a thing
- Find your unique *recombination*—your BLUE OCEAN

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**How do we precisely sublimate the empirical findings to theoretical contributions in the Discussion section?**

what are other words for sublimate?

purify, sublime, rarefy, distill, subtilize, refine, make pure, clean, cleanse, divert

**Discuss your theoretical contributions beyond your context—don't undersell your contributions**

- A China-specific theory of *guanxi*?
- *Guanxi* is a Chinese word, but it is essentially social networks
- *Guan he* (Vietnamese), *blat* (Russian), *ginugent* (Amahric/Ethiopian) ... Old boys network (English)

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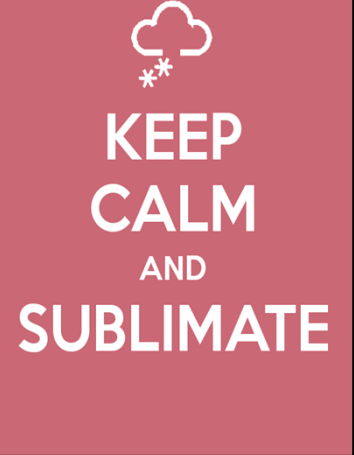
## Craft your Discussion section: Do's

- Don't start by apologizing why your H4 is not supported—sing a song for your H1–H3 that are supported
- Dare to use the word CONTRIBUTIONS (remember: implications  $\neq$  contributions)
- Reviewers can debate the magnitude of your contributions
  - But, a paper without “contributions” cannot be published



## Don'ts

- Don't review/cite new literature
- Don't claim you have answered the call that you have not mentioned earlier (in INTRO)
- Don't claim “the first” (claim to be “one of the first”)



## Be humble, be strategic!

Porter (1980) calls his work a “framework”  
Barney (1991) labels his work a “view”



## The first time I announced the “institution-based view”

Peng (2002 APJM)  
But *why* this label?



**Jumping back and forth, you may land in the *middle*⊗**

**Necessity is the mother of invention**

- Reviewer 1: This is institutional *economics* (since you cited North)!
- Reviewer 2: This is institutional *theory* (the soc version, since you cited DiMaggio, Powell, and Scott)!
- Intellectual honesty is important
- The necessity to get the paper published
- The “institution-based view” label calms *both* reviewers down

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**Theoretical sublimation:  
The institution-based view**  
(Peng et al., 2009, AMP)

- Neither econ research nor soc research
- Management research can claim this to be its own
- Obviously inspired by the label the “resource-based view”
- Can re-label all the IO (Porter-type) research as the “industry-based view”

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**The “strategy tripod:” Identifying the third leg** (Peng et al., 2008 JIBS; 2009 AMP)

```

    graph LR
      A([Industry-based competition]) --> C([Strategy])
      B([Firm-specific resources and capabilities]) --> C
      D([Institutional conditions and transitions]) --> C
      C --> E([Performance])
    
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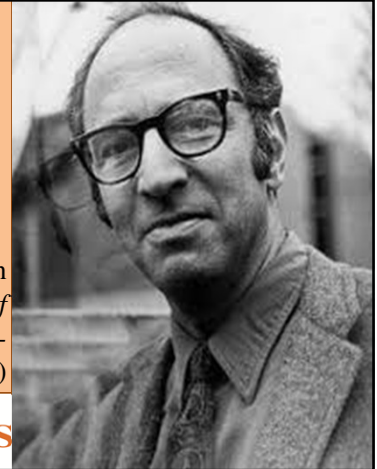
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**What is strong or weak theorizing?  
How can we improve if theorizing is  
weak as commented by reviewers?**

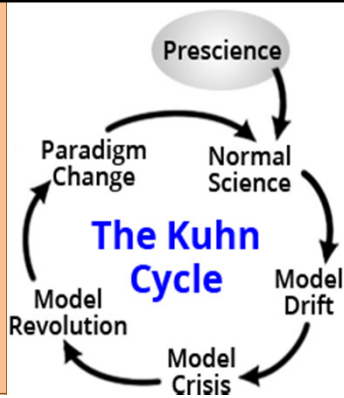


- Normal science (“gap spotting theory”)
- Paradigm change (“revolutionary theory”)

— Thomas Kuhn  
*The Structure of Scientific Revolution* (1962, 1970)



RESPONSE 1: Guilty as charged. Let’s admit it: Most of what we do is (boring) normal science ☹️  
RESPONSE 2: Endeavor to incrementally (but still significantly) improve existing (normal science) theory 😊



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**How many paradigm changes have you seen? Participated?**

- Meyer & Peng (2016 JIBS Retrospective of our Decade Award Winner: M&P [2005])



**The institution-based view has become a unifying paradigm of IB and mgmt research**

(Meyer & Peng, 2016, JIBS)

- is probably the most popular way to introduce context
- is becoming a *family* of theories
  - an IBV of international business strategy
  - an IBV of corporate diversification
  - an IBV of corporate governance
  - an IBV of IPR protection and tech mgmt
  - an IBV of family firms
  - an IBV of entrepreneurship

**After rejection from the 1st journal, how can we theoretically connect our paper with the next journal?**



**Connect with the next journal(s)**

- Research design & planning: Don't just write for one journal! Always have *three* target journals
- Know the intellectual conversations taken place in the pages of your next journal(s)
  - Citations! (with page numbers 😊)



**ANOTHER CASE STUDY:  
AN INSTITUTION-BASED VIEW OF  
GLOBAL IPR HISTORY**

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University of Texas at Dallas

Two papers coauthored with David Ahlstrom (CUHK), Shawn Carraher (UT Dallas), and Weilei (Stone) Shi (CUNY):  
*JIBS* (2017a) and *MOR* (2017b)

**History: first rejected by AMR special issue on HISTORY ☹️**

**JIBS was the second journal we tried**

**On p. 1, cited all the JIBS papers with “IPR” in the last decade 😊**



## QUIZ: Name that country

- Imagine some difficult IPR negotiations between a super power and an emerging economy
- SUPERPOWER: Why don't you improve IPR protection?
- EMERGING ECONOMY: Well, we are still developing, but we need to promote education and facilitate learning



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## Have an active mind (Williamson)

- In the 19th century, that offending developing economy was the United States—the leading IPR violator at that time
- In today's U.S.-China debate over IPR, few have bothered to draw lessons from the earlier history of IPR disputes between Britain and the United States



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## TENSION → SEARCH

(Smith & Hitt, 2005)



- According to the (mostly Western) media, the future of IPR development in China is depressing
- The scale and scope of IPR violation in China are “unprecedented”
- What are the lessons from history?
  - How and why did the United States voluntarily turn from being a leading IPR violator to a leading champion?



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**PUZZLE: Why does China not pay sufficient attention to IPR protection?**

- Three leading explanations
  - Culture
  - Politics
  - Institutions

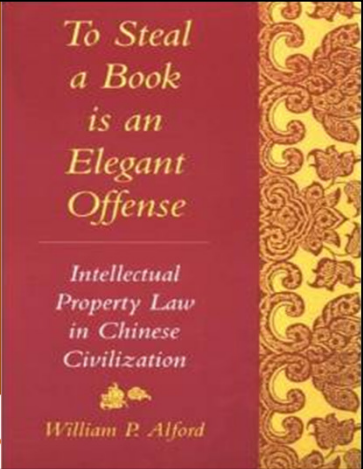




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**(NOT ENOUGH) INSPIRATION (Peng):**

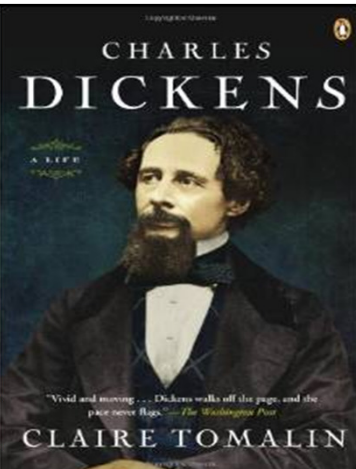

Cultural argument: Alford (1995)

But, is the Chinese culture the only culture that breeds IPR violation?

Although one of the most popular authors in America, Dickens never made a penny of royalties in the United States

According to him, the Americans were “culturally hopeless”

**(NOT ENOUGH) INSPIRATION (Peng):**

Political argument: Chinese politics is not compatible with IPR

But why no IPR violations during Beijing Olympics?




## ELABORATION (Smith & Hitt, 2005): Cost-benefit analysis

- When there is a will, there is a way
- At present, satisfying U.S. IPR demands will result in foreign (mostly U.S.) rights holders benefitting more from such protection
  - Costs do not outweigh benefits
- Then when will China become genuinely interested in improving IPR protection?



## RESOURCES (Peng):

### Be interdisciplinary (Williamson)

- History research: The United States as a leading IPR violator in the 19th century
- Not our “revisionist account” of U.S. history, but a *consensus* from specialists (econ historians)
- Why did the U.S. govt first support such violation for over a century and then change its mind in 1891?

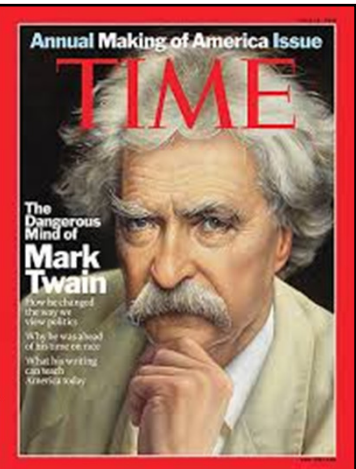


## Again, a cost-benefit analysis

- The U.S. turned from being a net consumer to a net producer of IP
  - Indigenous U.S. publishers, authors, and inventors demanded better IPR protection elsewhere
  - But in the absence of reciprocity, their IP was pirated elsewhere—most notably in Canada
- The benefits of protecting foreign IPR in the United States > the costs of doing so (+ the costs of having U.S. IPR violated abroad)



An indigenous stakeholder, Mark Twain had to establish residency in Canada in order to protect the copyright of his novel *The Prince and the Pauper* in Canada



## **DIFFERENTIATION (Peng):** **Two predictions based on history**

- **DIRECTION:** Just like the United States, China will become respectful of IPR, including foreign IPR
- **TIMING:** China will become respectful of IPR when its IPR are widely pirated by foreign violators outside of China



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## **INTEGRATION (Peng):** **A more generalizable framework (A)**

- IPR history of DE: Britain, Denmark, Germany, Japan, Netherlands, Spain, and Switzerland
- IPR history of EE: Brazil, India, Russia, and S. Korea
- P1 (path dependence): In the early stage of economic development, most countries will choose to disrespect IPR, especially foreign IPR.
- P2a (long-term processes): In the long run, the trend is toward better protection of IPR, including foreign IPR.



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## **INTEGRATION (Peng):** **A more generalizable framework (B)**

- P2b (long-term processes): In the short run, reverting back to IPR violation is likely to occur during certain periods of time and in certain industries and countries.
- P3 (institutional transitions): Institutional transitions in favor of better IPR protection will not take place until the perceived benefits to the adopting countries and firms outweigh the perceived costs.



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## **PROCLAMATION (Smith & Hitt, 2005):** **Two contributions**

- Demonstrate how history can be directly relevant in informing a crucial debate with significant ramifications for the future
- Broaden the reach of the institution-based view



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### Mike's theory about the development of theory

- Inspiration
- Resources
- Differentiation
- Integration



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