

# Institutional Environment and Evolutionary Dynamics

Thursday, June 28

## Session Information Day 4

### **Peter Murmann**

*Faculty Leader*  
3620 Locust Walk  
Steinberg Dietrich Hall  
Suite 3029  
Philadelphia, PA 19104  
Murmann at wharton.upenn.edu  
(215) 746-3131

### **Dick Nelson**

*Guest Lecturer*  
420 West 118<sup>th</sup> Street  
International Affairs Building  
Room 1309B  
New York, NY 10027  
rrn2 at columbia.edu  
(212) 854-8720

## **I. Institutional Environment & Evolutionary Dynamics**

9:00am-10:30am: **Institutional Foundations of Firm Capabilities**  
(Seminar) Murmann & Nelson

10:45am-12:15pm: **National Institutions and Industry Dynamics**  
(Seminar) Murmann & Nelson

1:45pm-3:15pm: **The Role of Firms/ Managers in Shaping Institutions**  
(Seminar) Murmann & Nelson

3:30pm-5:00pm: **Exercise: Application of Ideas to Some Students' Empirical Context.**  
(Group Work) Murmann & Nelson

Two Groups:

1. Energy Sectors (oil, photovoltaics, electric utilities)
2. Life Science (pharmaceuticals, biotech)

Presentation of 2 Student groups

## **II. Goals for the Day**

*Develop a deeper understanding that:*

1. Firm capabilities are built upon institutional foundations that lie outside the firm and made by a historical process involving many actors who all have limited foresight.

Readings: 1, 2

2. Evolutionary dynamics are influenced by national institutions  
(This is not apparent when one only studies an industry in one country)

Readings: 3

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Evolutionary Perspectives on Strategic Management  
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3. Firm strategy involves influencing the institutional environment  
Readings: 4, 5
4. Good empirical work requires knowing the details of the context  
Exercise applying ideas to some student projects

### III. Readings

1. Nelson, R. R. (2008). What enables rapid economic progress: What are the needed institutions? *Research Policy* 37(1) 1-11.
2. Chandler, A. D. (1990). Foundations of managerial capitalism in American industry. *Scale and Scope: The Dynamics of Industrial Capitalism* (49-90). Cambridge: Harvard University Press.
3. Murmann, J. P. (2003). County level performance differences and their institutional foundations. *Knowledge and Competitive Advantage: The Coevolution of Firms, Technology, and National Institutions* (32-95). New York, NY: Cambridge University Press.
4. Nelson, R. R. (1995). Why should managers be thinking about technology policy? *Strategic Management Journal* 16, 581-588.
5. Murmann, J. P. (2003). The coevolution of national industries and institutions. *Knowledge and Competitive Advantage: The Coevolution of Firms, Technology, and National Institutions* (164-193). New York, NY: Cambridge University Press.

### Supplementary Reading List:

6. Williamson, O. E. (2000). The new institutional economics: Taking stock, looking ahead. *Journal of Economic Literature* 38(3), 595-613.
7. Ostrom, E. (2010). Beyond markets and states: Polycentric governance of complex economic systems. *Les Prix Nobel. The Nobel Prizes 2009*. E. K. Grandin. Stockholm, Nobel Foundation. Available at: <http://jpm.li/4>
8. Murmann, J. P. (In Press). The coevolution of industries and important features of their environments. *Organization Science*.
9. Jiang, H. & Murmann, J. P. Regional institutions, ownership transformation, and migration of industrial leadership in China. *Industrial and Corporate Change*.
10. Nelson, R. R. & Sampat, B. N. (2001). Making sense of institutions as a factor shaping economic performance. *Journal of Economic Behavior and Organization* 44(1), 31-54.
11. Holm, P. (1995). The dynamics of institutionalization: Transformation in processes in Norwegian fisheries. *Administrative Science Quarterly* 40(3), 398-423.

#### **IV. Exercise Details** (they may change)

The plan is to divide the students into two (maybe three) groups to apply the ideas discussed in the previous sessions to some of the student projects that work on topics where deeper reflections on institutions may be very useful.

Groups will be asked to reflect on:

1. What institutions might matter the most in the particular industrial context?
2. How did these institutions come about?
3. Are these institutions likely to differ across countries and/or time period?
4. How would firm strategies differ across countries?