Mike Peng talks with ScienceWatch.com and answers a few questions about September 2010’s New Hot Papers paper in the field of Economics & Business.

Why do you think your paper is highly cited?

This article answers the call from the strategic management ("strategy" in short) community for an additional major theoretical perspective that can stand on its own, relative to the two established and influential theoretical perspectives, the industry-based and resource-based views. Labeled the "institution-based" view, this new perspective displays both significant continuity coming from the larger social science literature on new institutionalism, and significant novelty that is underappreciated in the previous strategy literature.

I think another reason that this paper is so highly cited is because it takes a global perspective. I have used examples ranging from firm growth in China to executive bonuses in Wall Street, from Tata Nano in India to pharmaceutical companies in Japan, from corporate social responsibility to Microsoft’s trouble with antitrust laws in the United States. The paper has covered both emerging economies and developed economies, making it easy to resonate well with a large group of scholars around the world.

For a young discipline such as strategy that has a history of about 30 years, we can roughly divide it in three phases, each propelled by the emergence of a major theory. So the 1980s was the decade of the industry-based view (Porter). The 1990s was the decade of the resource-based view (Barney). Then the 2000s was the decade of the institution-based view (Peng). Two legs cannot sustain a platform. It is three legs, as a tripod, that can sustain a platform upon which further explorations can be made.

Does it describe a new discovery, methodology, or synthesis of knowledge?
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Our AMP article (Peng, Sun, Pinkham, and Chen, 2009) outlines two propositions, and directly addresses the four fundamental questions in strategy with insights above and beyond those generated from the industry-based and resource-based views.

Would you summarize the significance of your paper in layman's terms? SW:

In two words, institutions matter. More specifically, institutions, which have typically been in the background of much strategy research, deserve to be brought to the forefront of the strategy research agenda.

Proposition 1: Managers and firms rationally pursue their interests and make strategic decisions within constraints of an institutional framework.

Take the example of the 2009 Wall Street bonus fiasco. There was no evidence of wrongdoing. Wall Street executives were being perfectly rational, following a formal institutional framework with little regulation on executive compensation, even though their firms were bailed out by billions of taxpayer dollars. But they failed to realize the informal (but powerful) sentiments coming from an angry public fanned by the media.

Proposition 2: When formal institutions fail, informal institutions play a larger role in reducing uncertainty and facilitate economic exchange.

Take the example of Chinese economic growth. Previous Western textbooks suggested that economic growth only takes place in countries with strong rule of law. China's lack of effective rule of law is widely noted. Yet, China has accomplished the strongest economic growth in the last 30 years. How to explain this puzzle? The institution-based view suggests that instead of relying heavily on formal contracts, Chinese managers extensively rely on informal ties, relationships, and norms to govern economic relationships and facilitate economic growth. And the rest is history.

How did you become involved in this research, and how would you describe the particular challenges, setbacks, and successes that you've encountered along the way? SW:

While this article was written in 2008, I started doing this stream of research in 1992, during my Ph.D. studies at the University of Washington in Seattle. Before this article, I had published over 70 articles that can be broadly viewed as contributing to what I now call the institution-based view. Interestingly, a previous paper (Peng, 2003, in the Academy of Management Review) also received the same honor as a New Hot Paper in May 2004.

The challenges are numerous. But I'll just focus on one: the necessity to clarify my ideas to demonstrate, in the eyes of suspicious reviewers, "what's new." Setbacks are characterized by the numerous rejections. If the average rejection is 90% at top tier journals and if I am now three times better than average (meaning I have a 70% rejection rate), behind the over 70 published articles there must be several HUNDRED rejections (!).
I must add: Successes are also numerous. When the National Science Foundation (NSF) gave me the largest CAREER grant for a business school faculty member, I knew I could be less depressed about some of the rejections (!). It gives me tremendous satisfaction when my academic colleagues around the world cite my work and tell me how my research has helped them advance their scholarly endeavors.

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What gives me the greatest source of satisfaction is that the institution-based view is consistently featured in my three globally market-leading textbooks, GLOBAL STRATEGY, GLOBAL BUSINESS, and GLOBAL. Used in over 30 countries and available in Chinese, Spanish, and Portuguese (in addition to English), these books are training thousands of new managers who will not only be familiar with the industry-based and resource-based views (which, of course, are important), but will also be well versed in the vocabulary and tools of the institution-based view.

**Where do you see your research leading in the future?**

The institution-based view not only excels in its continuity and novelty, but also excels in its broad scope—both from a theoretical/topical standpoint and from a geographic standpoint.

Topically, I will continue to dig deeper into a variety of topics associated with the growth of the firm, such as corporate governance, mergers and acquisitions, internationalization, and entrepreneurship. I will also increasingly look at how specific institutions impact firm strategy—as evidenced by my recent work on the impact of bankruptcy laws on entrepreneurship development and on the impact of IPR reforms on foreign direct investment.

Geographically, I have published work covering Asia, Central and Eastern Europe, Latin America, and North America. While Asia will remain dear and near to my heart, I foresee more geographic diversification of my research, with more work on Latin America and—yes—Africa too. In other words, I'll try live up to my preferred nickname, "Mr. Global."

**Do you foresee any social or political implications for your research?**

The institution-based view, for the first time, enables strategy scholars to confront important public policy issues. Therefore, my research may have some interesting political and policy implications.

For example, one of my institution-based papers on how entrepreneur-friendly bankruptcy laws can facilitate entrepreneurship development won a Small Business Administration (SBA) Best Paper Award. This is because this Federal agency in charge of small business development found that my paper unlocked an entrepreneurship puzzle from an innovative, previously underexplored, institution-based standpoint—bankruptcy laws being a formal institution.

Some of our colleagues complain that our research in the business school is not "relevant." I disagree. Last year, I was invited to give a keynote speech at a conference at Harvard Kennedy School of...
Government, on the topic of understanding Chinese investment overseas from an institution-based standpoint. Again, the audience at the Kennedy School found my research to be relevant from a policy standpoint.

Lastly, on the social dimension, I want to add that my research has been making some contributions socially and scientifically. Research is an inherently social enterprise. While I have been responding to your questions by focusing on my research, truth is: my research is also the research of my numerous coauthors.

Over the years, I have had the good fortune of working with close to 90 (!) coauthors around the world. In this AMP paper in particular, I worked with three Ph.D. students at UT Dallas. It is my intention to foster a community of like-minded scholars around the world who endeavor to do our best in our quest for excellence.

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KEYWORDS: RESOURCE-BASED VIEW; CORPORATE SOCIAL-RESPONSIBILITY; INTERNATIONAL-JOINT-VENTURES; MANAGEMENT RESEARCH; EMERGING ECONOMIES; MULTINATIONAL-ENTERPRISE; TRANSITION ECONOMY; NETWORK CAPITALISM; USEFUL PERSPECTIVE; FIRM PERFORMANCE.

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