Research Focus:
“Organizational and Institutional Outliers”

The term outlier is used in different contexts to describe and subsequently either eliminate or analyze deviations from the norm or more generally apparently different from similar data points. While the mainstream of economic and management research is focusing on the rule rather than on exceptions, we encourage and conduct research that identifies, analyzes, and explains outliers.

Not only for strategy, outliers are interesting subjects. They constitute new, often efficient solutions outside the norm, are a source of high creativity, tread new ways of addressing problems or develop an idiosyncratic approach to a common problem. Research on strategic periphery suggests that exceptionally creative solutions are frequently born by peripheral players in industries (or coming from different industries). Being in the periphery of an industry means also to start from a disadvantaged position, a field of research that can be extended to more general phenomena, too.

While outliers appear to capture over-proportionally rents or power in different social settings, literature on tipping points as well as change management seem to suggest that small differences lead to over-proportional different outcomes. Early work on labor economics explored the emergence of star systems. One basic assumptions of the star system is that there is a dual labor market: those for stars that earn over-proportionally high amounts and the rest that earns under-proportionally. The star system also leads to the effect that a minimum difference in talent leads to non-proportional earning differences.

If strategy is about understanding why some firms perform (much) better than others, then strategy research should dedicate more attention to studying outliers than variances close to the mean. The consequence especially for research on entrepreneurial strategy seems to be that researchers need to reflect on different quantitative methods and focus on different phenomena in order to study outliers. From a methodological point of view, one long-held and seldom questioned assumption in (strategic) management research is that normal (i.e., Gaussian) distributions characterize variables of interest for both theory and practice. In this respect, scores on variables such as firm
resources (e.g., intellectual capital, or superior processes) and firm performance and outcomes (e.g., competitive advantage, or growth) are assumed to aggregate around the mean, which is stable and meaningful, suggesting that observations can be accurately characterized by some combination of the mean and standard deviation. However, there is growing evidence that strategic management data follow a Power Law Distribution, i.e. they are highly skewed, with “long tails” that identify extreme events, i.e. data which are outside the range of the normal curve. Put in other words, a few exceptions move the world.

Similarly, if we assume that small differences can lead to over proportional effects, then the differences between firms in using resources and competences might be minimal. Or put differently: successful and less successful organizations might have a lot of factors in common and only be minimally different in some factors. The difference might actually lie in different combinations of the same factors available to all firms. Emerging research on configurational approaches support also the idea that small changes in configuration make huge differences. Configurational approaches assume that there are different factor combinations that can lead to the same result.

The objective of our research focus is, hence, to bring together scholars that are interested in research opportunities of uncommon success and how to deal with them from a methodological point of view.

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