



How far should we push toward causal identification in a field focused on novelty, uniqueness and complementarity?

Utah Strategy Summit 2024



Panelists



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“Causal” methods for “Performance implications of doing X”

- What causal methods give us for these analyses
- The version of these questions the causal method is answering might be the least interesting version
- Were those the relevant questions to begin with?



“Causal” methods for “Performance implications of doing X”

- What causal methods give us for these analyses

In any case, the depiction in Figure 1 requires assumptions for it to be adequate—in particular, SUTVA (stable unit treatment value assumption) (Rubin 1980), which comprises two subassumptions. First, it assumes that there is no interference between units (Cox 1958); that is, neither $Y_i(1)$ nor $Y_i(0)$ is affected by what action any other unit received. Second, it assumes that there are no hidden versions of treatments; no matter how unit i received treatment 1, the outcome that would be observed would be $Y_i(1)$ and similarly for treatment 0.

Violated if there is competition

Violated if there is complementarity or fit

Rubin, D. B. “Causal Inference Using Potential Outcomes: Design, Modeling, Decisions.” *Journal of the American Statistical Association*, vol. 100, no. 469, 2005, pp. 322–31.

“Causal” methods for “Performance implications of doing X”

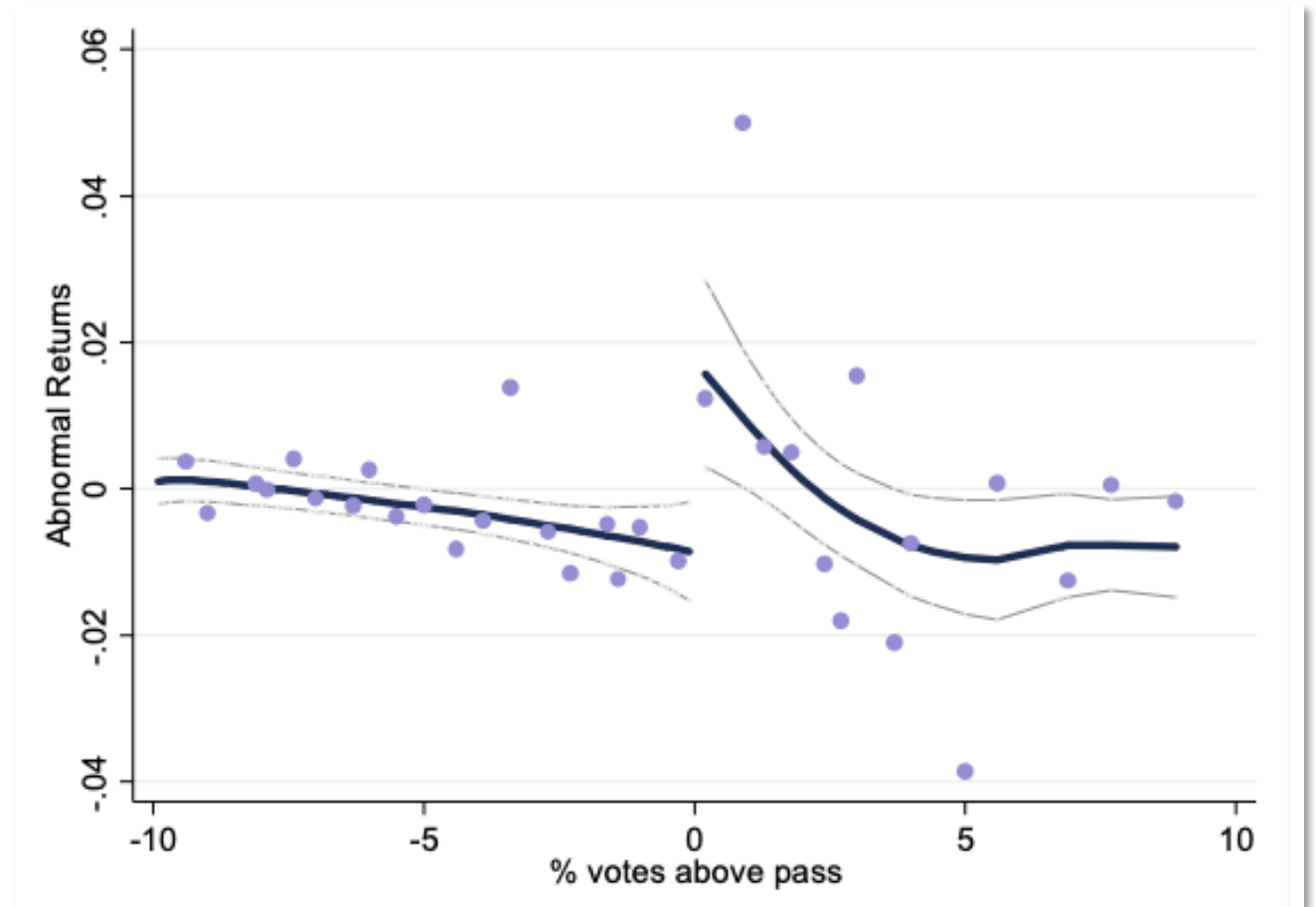
- The version of the question:

“Firm value and corporate governance”

Cuñat V, Giné M, Guadalupe M. 2012. The vote is cast: the effect of corporate governance on shareholder value. *Journal of Finance* 67(5): 1943–1977.

And

Cuñat V, Giné M, Guadalupe M. 2015. Say pays! Shareholder voice and firm performance. *Review of Finance* 20(5): 1799–1834.





“Causal” methods for “Performance implications of doing X”

- Were those the relevant questions to begin with?
 - We care about the average
 - The answers generalize
 - We haven't perturbed the system





“Causal” methods for “Performance implications of doing X”

- Were those the relevant questions to begin with?
 - We care about the average
 - “70% of acquisitions destroy value”
 - The answers generalize
 - We haven’t perturbed the system





“Causal” methods for “Performance implications of doing X”

- Were those the relevant questions to begin with?
 - We care about the average
 - The answers generalize
 - “Causal LATE of \$1 of AI R&D at software firms in the US in 2024 is $> \$1$ ”
 - We haven’t perturbed the system





“Causal” methods for “Performance implications of doing X”

- Were those the relevant questions to begin with?
 - We care about the average
 - The answers generalize
 - We haven't perturbed the system





**What should we consider
when we make this strategic
decision?**



Answers to “Should I make this acquisition?”

- Consider other potential acquirers
 - Winners’ Curse
 - Capturing value in competitive factor markets
- Consider other modes
 - Make, Buy, Ally...
- Changes to business after acquisition
 - Applicability of your organizational form to their business
 - Limits of managerial attention
 - Exit of strategic human capital



We can give rigorous answers to those questions

- We know how to do rigorous qualitative work
- There is rigorous non-causal quantitative work
 - “abductive”
 - Practices that go together
- Causal analyses that don’t have performance as the DV





We can give rigorous answers to those questions

- There is rigorous non-causal quantitative work
 - Practices that go together

RESEARCH ARTICLE

WILEY 

Pro bono as a human capital learning and screening mechanism: Evidence from law firms

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We can give rigorous answers to those questions

- Causal analyses that don't have performance as the DV



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Patent Publication and the Market for Ideas

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**Causal analysis plays a big
(but not the only) role this
field focused on novelty,
uniqueness and
complementarity**

If we ask questions right



**What should we consider
when we make this strategic
decision?**