

# THE CHALLENGES OF TEACHING STRATEGIC MANAGEMENT: WORKING TOWARD SUCCESSFUL INCLUSION OF THE RESOURCE-BASED VIEW

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Marguerite Schneider  
*New Jersey Institute of Technology*

Pamela Lieb  
*The College of New Jersey*

*The industrial organization economics (IOE) and resource-based view (RBV) schools contribute uniquely to the strategic management curriculum. However, presentation of the RBV is often inadequate or ineffective, in part due to faculty habit, students' conceptualization of knowledge as objective and readily transferable, and course pedagogy. We recommend the introduction of an interpretive approach into the strategic management course, as it is well suited to examine processes that are social and complex and is therefore of benefit in developing deeper student understanding of the RBV. Several suggestions are made to develop better linkage between pedagogy and subject matter.*

**Keywords:** *strategic management education; resource-based view; industrial organization economics; knowledge; interpretive methodology*

Teaching strategic management has always been a significant challenge. The institutionalization of strategic management as a required capstone course rests on ambitious objectives. They have traditionally included integration of functional knowledge, development of a general management

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perspective, development of team skills, enhancement of communication skills, and linkage of theory and practice (Thomas, 1998). This noteworthy list of challenges has been augmented in recent years, to include the development of students' strategic thinking, which moves the course beyond focus on strategy as analysis and integration toward strategy as a creative, complex design process (Liedtka & Rosenblum, 1998). Transformational, in-process phenomena—such as globalization, hypercompetition, discontinuous technological change, and shifting political and corporate governance systems—must be reflected in the course due to its claim of relevance. Students should therefore develop an ability to cope with paradox and ambiguity, given the complexity and contradiction now implicit in strategy making (Lewis & Dehler, 2000).

The challenge to the strategic management course that is addressed in this article regards the integration of the resource-based view (RBV) into the course. In some classrooms, the juxtaposition of RBV material with traditional material based on industrial organization economics (IOE) creates unnecessary and counterproductive confusion for students, rather than creating an opportunity for critical thinking, whereas in other classes students continue to be underexposed to the RBV. As the RBV has had a large impact on the practice of strategy, its relative omission from—or poorly executed inclusion in—the strategic management course damages the course's relevance to the current generation of students.

This article first offers a historical perspective regarding the emergence and impact of the RBV and then presents explanation as to why the strategic management course often continues with a largely IOE focus. Several suggestions are made so that the course is taught as inclusive of IOE and the RBV, while being mindful that it is an oversimplification to present the schools as fully complementary. It is suggested that integrating an interpretive approach into the course is of great benefit in developing student awareness of processes that are social and complex, and is therefore of benefit in teaching the RBV. This article offers an approach to the teaching of strategic management that is grounded in multiple theories and methods of inquiry, for exposing students to such an inclusive perspective will better prepare them for addressing the range of strategic situations that firms face today.

### **The Gradual Evolution Toward the RBV in the Field of Strategic Management**

In the late 1950s, business school curricula came under sharp criticism from the Ford and Carnegie Foundation reports. A response to the criticism

was the development and institutionalization of case methodology for teaching what was then generally referred to as “business policy.” The gurus of case methodology were Learned, Christensen, Andrews, and Guth. Their paradigm was instrumental in determining the foundations of business policy (Porter, 1981), as evidenced by the continued use of SWOT (strengths - weaknesses - opportunities - threats) analysis almost a half-century after its inception. The field of finance was taking shape at about the same point in time. A major building block of this field is Markowitz’s (1952) first article on portfolio selection, which prescribed how to maximize return and reduce volatility in return for a given level of risk through diversification. In light of the Ford and Carnegie recommendations for strategy to tap into other fields, it is not surprising that strategy imported portfolio theory. The first article that included diversification as strategy (Ansoff, 1957) hinted at the close link that would come to develop between corporate diversification and strategic planning (Ansoff, 1965).

In the midst of the era of corporate diversification, Porter’s (1980) *Competitive Strategy* hit the bookstores, and the world of strategy was never the same. Porter’s five forces model of competition focused on industry dynamics, reflecting its roots in industrial organization economics. Although Porter specified that the five forces model applied to only one component of business-level strategy—industry analysis—this disclaimer got lost in its impact. Industry analysis, in tandem with appropriate generic product/market strategies (Porter, 1985), came to be thought of as business-level strategy rather than as one aspect of it.

Although Porter’s introduction of IOE contributed greatly to the understanding of industry dynamics, it is also vital to acknowledge shortcomings in his work. These include a view of the firm that suppresses a necessary emphasis on process and implementation, and an overemphasis on the external environment and underemphasis on the firm (Foss, 1996). It stresses the industry—not the firm—as the level of analysis, uses static rather than dynamic or process analysis, and relies on entry barriers as the determinant of profitability (McWilliams & Smart, 1993). This may result in suboptimal resource allocation, in which a firm will work to create optimal industry structure to the benefit of free-riding industry members, rather than work to nurture unique firm resources (McWilliams & Smart, 1993). On a theoretical level, this strategy theory failed to support the field’s implicit assumption of heterogeneity of firms (Mahoney & Pandian, 1992). Research began to indicate that organizational capability, not product-market position, is the enduring source of competitive advantage (Rumelt, Schendel, & Teece, 1991). Disappointment with the outcomes of the IOE approach as the basis for business-level strategy, coupled with the failure of diversification as a corporate-

level strategy (Hoskisson & Hitt, 1994; Markides, 1992), contributed to the search for a new paradigm, which came to be known as the RBV.

It has been noted that the RBV is similar to previous schools of strategy in resting on the tenets of realism; namely, that things exist independently of theory or experience and that unobservable constructs are valid in providing explanation of what is observable (Mir & Watson, 2000). Furthermore, it maintains the long-standing influence of the field of economics on strategic management, exemplified by transaction cost economics and agency theory as well as IOE. Accordingly, from a superficial viewpoint, the RBV could be interpreted as another economics-based strategy theory (Wernerfelt, 1984). However, the RBV does indeed transcend previous schools in its theorizing, and contrasts significantly with IOE (see Table 1).

Development of the RBV reflects the contribution of several early scholars, notably Penrose (1959) and Polanyi (1962). One of Penrose's insights is that knowledge—often defined as the property of an individual—may also be the property of a collective, such as a work team or firm, in which case it is shared across members. Collective knowledge is context bound and cannot be divorced easily from the social structure in which it is embedded. Thus, there will be difficulty in attempting to replicate it in other contexts (i.e., other work teams or organizations). Polanyi (1962) contributed that some knowledge, such as that of riding a bicycle, is tacit, as it is knowledge gained from the personal experience of learning by doing. Tacit knowledge is innately hard to communicate, which renders its transfer or replication difficult. More fundamentally, because of its tacit nature, one may have little conscious awareness of such knowledge, rendering attempts to transfer or replicate it to be particularly problematic.

Reflecting the thoughts of Penrose (1959) and Polanyi (1962), the RBV puts forth that firms are unique due to their idiosyncratic experiences, knowledge, and resources. Accordingly, the starting point for strategy development should be the core competencies of the firm, those resources that are rare, of value, nonimitable, and which the firm is organized to exploit (Barney, 1995; Peteraf, 1993). Only those external opportunities that tap into the firm's core competencies should be pursued. A major contribution of the RBV is that it explains differences in firm profitability that cannot be traced to industry conditions. In contrast to IOE, the RBV suggests that competitive advantage originates at the firm, rather than industry, level. This research contributes to a developing view that attempts to "conceptualize the organization as a phenomenon growing out of individual and collective action" (Rouleau & Seguin, 1995, p. 111).

The RBV reflects that to think and act strategically, organizations must first understand the context in which their decisions are being made (Sanders,

**TABLE 1**  
**Critical Differences Between Industrial Organization Economics**  
**and the Resource-Based View**

<i>Unit of Analysis</i>	<i>Industrial Organization Economics (IOE)</i>	<i>The Resource-Based View (RBV)</i>
	<i>The Industry</i>	<i>The Firm</i>
Basis for competitive advantage	Market power and industry entry barriers	Core competencies/organizational capabilities
Perspective on firms within an industry	Stresses homogeneous aspects	Stresses heterogeneous aspects
Implications for firm diversification	May encourage unrelated diversification, based on the identification of exceptional opportunities in high-performing industries	Discourages unrelated diversification, encourages a focus on core and related businesses

1998). In terms of business-level strategy, it provides insight into how firms can sustain the ability to earn above-average returns over competitors. For example, D'Aveni's (1999) conceptualization of hypercompetition portrays a different view of the environment from that in Porter's model. D'Aveni wrote that organizations should attempt to understand the relationship between their strategy and the external environment. He posited that instead of building barriers to resist rivalry, firms could be rewarded for it (see Table 2).

In terms of corporate-level strategy, the RBV is associated with the redirection of activity toward core and related businesses, for unrelated diversification failed to recognize managers' cognitive limitations that lead to boundaries around their areas of expertise (Penrose, 1959). The RBV is clearly built around the internal competencies of firms, addressing the fit between what a firm has the ability to do and what it has the opportunity to do (Russo & Fouts, 1997). For instance, for a firm's resource to become valuable, the resource must allow the firm to "exploit opportunities or neutralize threats in the firm's environment" (Barney, 1991, p. 106).

As evidence of its impact, the RBV has influenced other business fields, including marketing (e.g., Dickinson, 1996), where it has been used to develop predictions about the extent to which the resources of brand, sales force, and general marketing expertise will be redeployed in mergers and acquisitions between the acquiring and target firms. RBV logic has been

**TABLE 2**  
**Critical Differences Between Porter and D'Aveni**

<i>Strategic Focus</i>	<i>Porter</i>	<i>D'Aveni</i>
	<i>The Business Level</i>	<i>The External Environment</i>
Theory components	Threat of new entrants Threat of substitute products Bargaining power of suppliers Bargaining power of buyers Rivalry among existing firms	Equilibrium Fluctuating equilibrium Punctuated equilibrium Disequilibrium
Focus on competition	Outplaying competitors in a fixed game. Learning the rules that are appropriate for an environment that competitors have created.	Understanding the relationship between an environment's turbulence and the company's choice of strategy.
Assumption regarding equilibrium	Emphasizes strategy making in equilibrium	Emphasizes the opportunity in disequilibrium
Nature of competitive advantage	Long lasting	Temporary
Profits	Depend on stability and lack of rivalry and substitutes	Depend on increased rivalry as hypercompetitive environment reshapes market

linked to merger and acquisition activity: "Because of the difficulties associated with imitation, substitution, and innovation, firms often view the option of acquiring resources as their only viable means to achieve a competitive market advantage" (Capron & Hulland, 1999, p. 2).

### **Forces Hindering Adequate Inclusion of the RBV**

We put forth that the RBV has had less influence on the teaching of strategic management than it has had on the theory and practice of strategic management. Some students are exposed to it in only a superficial manner, with the theory being subsumed into the internal aspects of SWOT analysis. Those students who are better exposed to the concepts may be able to recite the key differences between the two schools for short essay and multiple-choice exams but tend to have difficulty in applying the concepts associated with the

RBV. This indicates that they lack a sufficiently deep understanding of the RBV to truly distinguish how strategy development based on it differs from strategy development based on IOE. Why has the RBV not been successfully integrated into the course? Following are some answers we offer to the question, presented in increasing order of importance.

#### **CONTROVERSY REGARDING THE CONTRIBUTION OF THE RBV**

The strategy field is debating the contribution of this school. Does the RBV complement previous orthodoxy, providing a previously underdeveloped, internal focus on the firm (Wernerfelt, 1984)? Is the RBV a new theoretical basis that eclipses previous orthodoxy (Conner, 1991)? Instead, is it based on tautologies and is therefore precluded from development into theory (Priem & Butler, 2001a; 2001b)? Conclusion regarding the efficacy of the RBV (i.e., whether it is currently a theory or has the potential to develop into one) is outside the scope of this article; we refer the reader to articles that articulate the debate (Barney, 2001; Priem & Butler, 2001a, 2001b). However, the impact of the RBV in stimulating conversation within the field, along with its impact on strategy practice and other fields, renders it to be an influential force despite that it may not yet (if ever) meet the criteria for scientific theory. Faculty who have avoided incorporating it into their courses due to the debate are being overly conservative in this regard and are missing a large opportunity to enrich the courses and make them more current.

#### **FACULTY HABIT**

Many strategy texts are recent editions of books borne in the IOE era. Their authors seem to update the texts incrementally, rather than innovate radically. Although virtually all texts now include the RBV, it is sometimes not well integrated into the material, and there is no sense for the student of how to work with the new theory in an applied way. Furthermore, we find that relatively few cases offer the historical, sociological, and psychological perspectives of the firm necessary to develop a RBV approach to the case. Case writers seem to assume a SWOT-based analysis of their cases will take place, rather than a RBV analysis, which becomes a self-fulfilling prophecy given the style and content of their cases. Finally, the impact of Porter's work on strategic management cannot be overstated, for he contributed much-needed theory in a field that had largely been atheoretical. Based on the impact of this body of work on the field, the sense-making process of some faculty may be that new schools tend to be discarded or discounted rather than developed into course material.

### THE STATE AND/OR NATURE OF THE RBV

It is outside the scope of this article to conjecture as to whether this is due to its state of development or its underlying nature, but there are currently no handy heuristics—simple models that are depicted easily in diagrams—that convey the essential points of the RBV. In comparison to the models of IOE, the RBV comes across to students (at best) as mysterious and intuitively pleasing and (at worst) as pedantic and unfathomable. This is manifested in students' conceptual difficulty in distinguishing the differences between core competencies (a RBV concept) and strengths (a SWOT concept). They also struggle in distinguishing core competencies from organizational accomplishments. Unless the resource is blatant in the text, students are not prepared to read between the lines of a case, take that next step, and discover for themselves what might be considered truly rare and valuable.

### STUDENTS' CONCEPTUALIZATION OF KNOWLEDGE

We propose that the underlying reason why students face adversity in learning and applying the RBV has to do with their conceptualization of knowledge. As discussed in a previous section, core competencies and capabilities are often tied to organizational knowledge that may be collective, subjective, and experiential. The social capital of the organization—its culture, structure, and social processes—has been touted to be a distinct source of organizational knowledge (Stewart, 1998). Some knowledge may not be transferable across organizations, as it may be collective and embedded within an organization's social capital. Moreover, as has been explained earlier, if the knowledge is tacit as well as collective, it will be particularly difficult to codify and convey to others.

This view of knowledge suggests a sharp departure from the modernist program that came to dominate many fields, including strategy. Modernism assumes that an objective reality exists, and that all of reality, including human behavior, is ultimately explainable through science. Scientific explanation is thought to extend, deepen, and rationalize knowledge; it offers intelligibility as opposed to intuitive understanding (Bunge, 1967). Accordingly, strategy is about gathering data, establishing causal relationships, and planning for the implementation of what is intelligible, not intuitive. In contrast, the philosopher Kierkegaard (1846/1944) offered an alternative viewpoint of knowledge, viewing it as a property of the knower:

All essential knowledge relates to existence, or only such knowledge as has an essential relationship to existence is essential knowledge . . . knowledge has a

relationship to the knower, who is essentially an existing individual, and that for this reason all essential knowledge is essentially related to existence. (p. 177)

Further, Sartre (1956) theorized that knowledge is intuitive, that deduction and discursive argument lead to intuition, and that knowledge and action are inseparably intertwined.

Although the subjective, experiential view of knowledge advanced by existential philosophers may seem to have little relevance to a discussion of the teaching of strategic management, we find that it instead helps to explain the key difficulty in teaching and learning the RBV. The strategic management course, similar to most courses, has been taught almost exclusively from the modernist perspective—that knowledge is objective, codifiable, and hence transferable among individuals. The result is that there is little student appreciation, particularly among undergraduate students without organizational experience, for how a focal firm's history and social processes shape its members' worldview and its knowledge-generation processes.

#### **COURSE PEDAGOGY**

Despite the use of student cases for learning, strategic management has tended to reflect the pedagogical assumptions of an objectivist approach, a one-way, faculty-centered model of knowledge transmission (Bouton & Garth, 1983). This approach, in which the student is a passive learner, takes on great meaning in the strategic management course. The assumption that knowledge is conveyed from faculty member to students reinforces the modernist perspective of knowledge as individual, objective, and nonexperiential. If course pedagogy bolsters students' pre-existing belief that knowledge has these properties, they are rendered further ill prepared to gain understanding and insight into knowledge processes in organizations.

The ongoing evolution in management necessitates that students be equipped with a very different type of education to the one traditionally offered (Raelin & Schermerhorn, 1994), with an increased emphasis given to human and analytical skills, creativity, and flexibility. Students should be taught how to understand management as an activity, rather than as a set of techniques and skills to be learned (Grey & French, 1996). Techniques such as SWOT encourage students to develop a programmed response to events, thereby placing an overemphasis on technique. In treating the problem as a given to be found, strategy has become an analytical hunt for which we have equipped students with frameworks and approaches (Liedtka & Rosenblum, 1998).

Clearly, teaching effectiveness requires that the educational applications of a course should match its pedagogical assumptions and subject matter (Benbunan-Fich, 1999). This matching does not occur in the strategic management course regarding collective knowledge and social capital, which provide the basis for much, if not all, competitive advantage according to the RBV.

### **Developing Better Linkage Between Pedagogy and Subject Matter**

#### **INTRODUCING AN INTERPRETIVE PERSPECTIVE**

Our primary recommendation regarding pedagogy is to introduce an interpretive perspective into the course. The dominant pedagogy of strategic management (based on modernism) trains students to view cases as detailing a problem-laden situation, with the students' task defined as discovering these problems and their solutions. This pedagogy is not appropriate for situations that require interpretation as well as discovery; namely, those situations in which a clear problem set does not emerge, core competencies are not identified explicitly, and solution development requires reflection and creativity. More important, the most critical flaw in exposing students to modernist pedagogy exclusively is that it gives them a false, simplistic impression of the intellectual skill set needed to succeed in the business world.

The main focus of interpretive methodology is on generating meanings by transcending factual data (Wolcott, 1994). Interpretive approaches are subjective and reflexive, are well suited to examine processes that are social and complex, and allow for a process view of complex phenomena (Harlos, Mallon, Stablein, & Jones, 2003). Thus, introducing an interpretive approach into the strategic management course is of benefit in developing deeper student understanding of the RBV, given that core competencies are rarely explicit. In addition, exposing students to an alternative method of inquiry may help them to develop the awareness that sole reliance on any methodology is ill suited for addressing the range of strategic situations facing firms today.

At issue is how to introduce students to a method, within the scope of a single course, which often requires years of training to gain understanding. We have found that the article "Interpretive Management: What General Managers Can Learn From Design" (Lester, Piore, & Malek, 1998) is an excellent introduction to the interpretive approach and the benefits associated with it. The article, written for a practitioner audience, stresses how in

uncertain environments interpretive management is beneficial relative to traditional analytic management. It also emphasizes the powerful pull of the analytic approach, and how analytic routines are so ingrained in organizations. Students have been required to read the article and develop an essay that compares and contrasts the approaches and discusses how interpretive management can be of assistance in strategy. This assignment has been very successful in getting students actively engaged in learning about the methodology and developing an understanding of its usefulness.

Developing student understanding of an interpretive approach can occur in other assignments that encourage students to reflect on their personal experiences in a way that is related to course content. For example, students have been assigned to read selections from *The Leadership Moment* by Useem (1998). This book describes the personal, experiential aspects of leadership by chronicling several cases of leader success or failure at a critical juncture or "leadership moment." They are then required to write an essay describing their own personal experience of a leadership moment, as either a leader or observer. Similarly, encouraging students to be introspective regarding their own resources (especially in comparison to others) and then illustrating with them how choices they have made (regarding their major course selection etc.) affect and reflect their resources helps to further clarify RBV concepts. We also endorse the idea of further exposing students to interpretive and other qualitative methodologies by bringing qualitative researchers into the classroom, for discussion of their craft (Harlos et al., 2003).

Another suggestion for developing student awareness of RBV concepts through an interpretive approach is for assignments to require student collection of primary data from a corporate research site, using the qualitative methods of interview and observation. Here, students are not merely reading about the interpretive approach but are instead actively engaged in it. They would then use the data to provide analysis of the company's activities that positively or negatively affect its competitiveness. Students come to realize their role as synthesizer and interpreter of the impressions gathered through the research, a far different way of developing knowledge regarding a firm's competitiveness compared to the traditional analytic method of culling from financial reports and press releases.

By gaining some understanding of interpretation, students are able to apply what they have learned to case analysis, in which they are charged to read and interpret the case, generate opinion, and develop recommendations rather than hunt for answers in the case. However, although wholly endorsing interpretation as an appropriate methodology for student case studies, we also strive to dissuade faculty from entering the "all answers are right answers" trap. The faculty member should inform and warn students that all

interpretations are not equally plausible; some may clearly be bad, as described by Eco (1990):

I think, on the contrary, that we can accept a sort of Popperian principle according to which if there are no rules that help to ascertain which interpretations are the “best” ones, that are at least rules for ascertaining which ones are “bad.” (p. 52)

Regarding strategic management cases, unreasonable or bad interpretations are poorly supported by case material and are either ill conceived or devoid of conceptualization, whereas reasonable interpretations are well supported by case material and are well framed by strategic management concepts. Students may gain further understanding of this application of the interpretative process when the faculty member refers to case analysis as similar to a court trial—in which a lawyer stakes a position and then uses available data or evidence to support the position. Accordingly, their charge as students is to develop positions as to the situation in the case and how to improve it, and support their positions with use of case and other course material.

#### **ADDITIONAL SUGGESTIONS FOR PRESENTING AND EXEMPLIFYING RBV CONCEPTS**

*Textbook selection.* We recommend use of a strategic management text that is either quite recent and therefore reflects the RBV, or does an exemplary job in integrating the RBV through the revision process. Several current texts (e.g., Hitt, Ireland, & Hoskisson, 2003; Saloner, Shepard, & Podolny, 2001) successfully integrate IOE and RBV contributions to strategy. The text helps to set the tone of the class, so that the criticality of selecting one with adequate treatment of the RBV cannot be overstated.

*Comparing and illustrating the concepts.* In addition, we find it necessary to spend significant time developing RBV concepts for students, contrasting them with IOE concepts, and illustrating how the strategic process and its outcomes differ under the two approaches. It should be stressed to students that the criteria used for an organizational asset to be a core competency are more stringent than for it to be a strength. Among a focal firm’s many competitors, several may have a given strength in common vis-à-vis the other competitors, whereas core competencies are unique to the focal firm. Thus, strengths—although desirable—cannot be a source of sustainable competitive advantage for a firm, because they are not unique to the firm. Use of specific examples with which many students are familiar—such as Wal-Mart’s

capability in logistics management techniques, Nordstrom's customer service, and Sony's manufacturing prowess in miniaturization of components—helps to reduce the seemingly high level of abstractness of RBV concepts. Students should come to understand that not all firms have competencies; if this is the case, recommendations should be made regarding the resources and capabilities that might best be nurtured into competencies.

*Use of written assignments.* Written assignments that require critical thinking and interpretation may help to reinforce students' learning of RBV concepts. One such assignment calls for students to identify and justify their identification of the core competencies of their school of business. This forces students to reflect on what distinguishes their school of business from others (rare), and what is unique about it that is of value to the market—nonimitable and nonsubstitutable within the school's competitive environment. Furthermore, the assignment helps to bring the concepts of organizational complexity and interpretation to life for the students. Are the core competencies unique to the school of business, or are they part of, or derived from, the larger college or university? If one unit of an organization has a competency, how can it be leveraged to other units?

Another written assignment prompts students to develop a process for ascertaining the core competencies of an organization. Some students circumvent the issue by defining and describing core competencies, focusing on content instead of process, and employ the circuitous logic of planning to identify those assets that have the taken-from-the-text qualities, believing that this would identify the organization's core competencies. Others do focus on process, designing ones that make use of various sources of data and perceptions of the organization. These students propose to tap into multiple stakeholder groups, such as employees of various levels, functions, and divisions; customers; competitors; suppliers; the media; and investment analysts and institutional investors. They tend to utilize quantitative (e.g., financial statements, benchmarking standards) and qualitative data (e.g., detailed interviews with customers, employees, suppliers). Furthermore, the best essays describe the challenge of interpreting the data and synthesizing them into a coherent pattern that may not be in evidence to any stakeholder.

*Case selection.* Specific cases are selected to illustrate RBV concepts, although we caution that the instructor—not the case—is key to the process of successful illustration. One case that we have found to be particularly helpful is "Harley-Davidson, Inc." by Darnell and Rumpf (1995), as it allows for a contrast of IOE and the RBV as the basis for analysis. Under IOE thinking, the conglomerate that formerly owned Harley-Davidson made reasonable

sense in its mandate for Harley to emulate or mimic Honda, the market-share leader. Of course, from a RBV perspective, this idea was a recipe for suicide. It ignores Harley-Davidson's great competencies, which evoke the unique symbolism and imagery associated with the Harley name, that help to give the firm a competitive advantage. Yet IOE thinking is undoubtedly helpful in analysis of the case, by promoting identification of the forces that characterize the motorcycle and other industries in which Harley-Davidson operates. Under the faculty member's guidance, the case provides an illustration of the benefits and limitations of the IOE and RBV perspectives, a lesson that students learn by doing rather than by memorization.

*Illustrating collective knowledge through teamwork.* Finally, a positive process in their teamwork may help to convey to students on a personal level the experiential and collective aspects of knowledge. Much of the burden is clearly dependent on the students, and results will vary widely. However, stressing that positive experiences and better outcomes (i.e., grades) are generally associated with reciprocal interdependence, or working together as a team, rather than with pooled or sequential interdependence, or delegating case components to individual members and then presuming falsely that there is an integration of the components may lead students toward collective learning experiences (Thompson, 1967).

## Conclusions and Recommendations

A main reason for teaching strategic management is to give students the training to make and implement sound business decisions. It is therefore imperative for colleagues who are involved in the teaching of strategy to continue the mission of better integrating the RBV into the teaching of strategic management. We find that exposing students to interpretive methodology is of benefit in developing RBV concepts and presenting them with an alternative method of inquiry that is of great value. They may come to realize that conversation and interpretation, as well as calculation, are legitimate methods that contribute to understanding the world.

Integration of the RBV into the course is facilitated by cases that include the historical, sociological, and psychological perspectives necessary for RBV analysis. For example, "Steinway & Sons" (Kotha & Dunbar, 1996) is rich in its description of the firm's history; its manufacturing process, which is a mix of technical prowess and finely skilled craftsmanship; and its reputation. Rich description enhances the students' abilities to read between the lines and interpret the situation in the case. Another excellent case that has

come to our attention is "Black Diamond Equipment, Ltd.: Hanging on the Cutting Edge" (Maranville & Pullman, 1996).

The proposed style of case writing is less dependent on secondary research and more dependent on primary research. Although this is different from the mainstream, it is not novel, for The North American Case Association (NACRA), Babson Case Center, and The Society for Case Research endorse primary data collection. This methodology is not limited to firms that are well endowed with resources, as is Steinway, nor does our proposal for RBV cases mean that objective data has no role in such cases. The Steinway & Sons case illustrates how a firm can be stumbling in its financial performance despite the presence of significant competencies, indicating a need for objective analysis as to why it is stumbling. Cases and other course materials should continue to stress the firm's environment, as environmental change may alter the significance of resources to the firm (Penrose, 1959). More fundamentally, one cannot evaluate the rarity, value, and nonimitability of a firm's resources without benefit of an environmental analysis. We thus encourage authors to develop cases that can be used to teach IOE and RBV approaches to strategic analysis and encourage business schools to recognize and help fill the relative void in primary source case studies by encouraging and rewarding faculty efforts in this regard.

As is mentioned previously, we support the integration of IOE and the RBV within the strategic management course. A point of concern is that IOE and the RBV do, to a degree, represent different and somewhat conflicting perspectives, as was demonstrated in Table 1 and in our discussion of the Harley-Davidson, Inc. case (Darnell & Rumpf, 1995). One could conclude that the representation of both schools within the strategic management course may lead to confusion, rather than clarity, in the minds of students, and should therefore be avoided. We instead offer the perspective that strategy making is an inherently problematic process that requires much critical and creative thought.

The portrayal of strategy as simplistic and prescriptive is a grave disservice to students' intellectual and professional development. The inclusion of a diverse array of perspectives, if presented well, should serve to encourage students to think about the perspectives, how they fit together, and their respective areas of applicability and limitations. We encourage those who teach strategic management to develop additional techniques and new models for furthering the integration of the RBV into the strategic management course. However, although schools and models may facilitate presentation and discussion of ideas, they do not substitute for the probing and analysis necessary for true strategic thinking. Faculty should promote strategic think-

ing, with IOE, the RBV, and other schools and their models employed as means toward this end.

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