Article:

Buckley, PJ orcid.org/0000-0002-0450-5589 (2018) How theory can inform strategic management education and learning. Academy of Management Learning and Education, 17 (3). pp. 339-358. ISSN 1537-260X

https://doi.org/10.5465/amle.2017.0076

HOW THEORY CAN INFORM STRATEGIC MANAGEMENT EDUCATION AND LEARNING

Peter J. Buckley
Leeds University Business School
Maurice Keyworth Building
Leeds LS2 9JT
United Kingdom
Tel: +44 (0)113 3434646
e-mail: pjb@lubs.leeds.ac.uk

Prepared for Academy of Management Education and learning, Special Issue: Strategic Management Education: Navigating between Different Approaches and Learning Impacts.

Acknowledgements

I would like to thank the editors of this Special Issue – Greg Bell, Igor Filatotchev, Ryan Krause and Michael Hitt for comments on an earlier version and my colleagues from the Centre for International Business, University of Leeds (CIBUL), particularly Ziko Konwar.

ABSTRACT

This paper examines the ways in which theory can improve strategy education and learning. It does so by examining one key question – how and why, and across which dimensions do firms differ? Pedagogical approaches can be formulated to test the proposition that firms differ, to challenge students to explore the reasons for differences between firms (and the impact of this on strategy) and to discover systematic differences and similarities in firms cross a wide variety of contexts.

HOW THEORY CAN INFORM STRATEGIC MANAGEMENT EDUCATION AND LEARNING

INTRODUCTION AND PURPOSE

The prevailing form of strategy teaching is under-theorised. There is no overt discussion of the ways in which firms under discussion share the same environment, decision making process, governance or culture. International business has a firmer anchoring in theory but is often straightjacketed into a 'one best way' form of thinking (e.g. with regard to foreign market entry strategy) and lacks differentiation and agency.

These generalisations suggest there is much room for each field to draw on the other for improvements. This paper suggests that attention to theory, more characteristic of international business, can improve strategic management teaching and education. Specifically, strategic management can draw on theory as a guide to action. This requires a pedagogical stance that pays attention to the selection of the most relevant theory, analysis of is assumptions, attention to its context and due cognisance of the boundary conditions that delimit the theory's relevance. Such a stance also enables the optimal choice of case studies for analysis and the combination of theory and cases as a guide to managerial action.

This paper thus seeks to address the question "In what ways can theory improve strategy education and learning?". Its focus is on a deceptively simple philosophical and empirical question – in what sense is each firm unique? This leads to the role of theory in seeking regularities and, given those regularities, the ability of firms – or managers and entrepreneurs within them – to break free from externally driven forces that impose those regularities.

The pedagogic implications of uniqueness versus regularity are critical in strategic management education. Resource based theories (Wernerfelt, 1984; Rumelt, 1984; Barney, 1986; Dierickx & Cool, 1989; Peteraf, 1993) and their developments, such as ‘dynamic capabilities’ (Teece, Pisano, & Shuen, 1997) emphasise uniqueness, as exemplified in the reification of ‘business models’ (Tallman, Yuo & Buckley (2017)) and encourage learners to think in terms of differences between firms. International business theories (Buckley &, 1976, 2009; Rugman 1981, Rugman & Verbeke, 2003; Vernon, 1966) seek to find regularities and conceptualise firms as part of a global system (Buckley & Hashai, 2004; Casson, 2000). This results in profound differences in the pedagogic approach to theory, evidence, the use of cases and in research agendas.

The paper draws on the author’s extensive teaching and research experience, almost entirely in the field of international business. This piece abstracts from institutional pressures, departmental configurations, administrative interference and outside exhortations for ‘innovation’. It may thus be considered dangerously naïve or radically fundamental in its overt assertion that the teacher should determine the content of what is taught, not bureaucratic structures, administrators, ‘managers’ or consultants. The first section of the paper examines philosophical and theoretical approaches to ‘the firm’ and its strategy, beginning with those that emphasise the uniqueness of each firm, running through to approaches that see firms as part of a system. The pedagogic implications of the theoretical underpinnings of the approach to strategy are then drawn in the second section. Are these approaches asking different questions? How important are management decisions? The final section makes explicit the links between theory and pedagogy.

THEORY: SIMILARITY AND DIVERSITY IN FIRMS

Similarity and diversity in firms are differently characterised in the division between Strategic Management research and courses and those on International Business. This arises from the two distinct (but partially overlapping) academic communities. These communities have different scholarly associations (Strategic Management Society and Academy of International Business), different journal outlets (Strategic Management Journal and Global Strategy Journal versus Journal of International Business Studies and Journal of World Business) and this is reflected in different pedagogical approaches to courses. This paper contrasts the theory underlying these courses based on the single notion of the uniqueness of the firm, and asks whether this difference in worldview can be integrated to teach strategic management more effectively.

Table 1 presents a spectrum of philosophical idealtypes of the firm in strategic management thinking. These idealtypes are examined in the following sections, drawing out the implications for pedagogy.

Insert Table 1 about here

Each Firm is Unique: Dynamic Capabilities

Teece (2015: 1) provides a definition of dynamic capabilities – "Dynamic capabilities are the firm's ability to integrate, build and reconfigure internal and external resources to address and shape rapidly changing business environments". Such a complex definition, encompassing strategy, innovation, the relationship between the firm and the market and dynamics requires considerable exposition, given by Teece and his co-authors in fixing this elusive concept. (See

Augier & Teece, 2008: 1190). The key, for the firm, is to create areas of monopoly and to devise mechanisms for the creation and protection of rents. The dynamic capability view of the firm is an attempt to identify "the sources of enterprise-level competitive advantage over time" (Teece, 2007: 1320). As such, it invites questioning the concept of how capabilities relate to other organisational operations and how they relate to firm performance (Wilden, Devinney, & Dowling, 2016). The creation of dynamic capabilities is a management task (Teece, 1997). In the dynamic capabilities framework, barriers to entry are essentially informational in nature, firm specific and organisationally fixed.

In pedagogical terms, the challenge is to identify an individual firm's "dynamic capabilities" and to make informed judgements on the stability and longevity of such capabilities and their competitive impact. This is a considerable intellectual task for learners. One pedagogic approach to allow students to understand and access the theoretical underpinnings of dynamic capabilities is to utilise causal mapping (Chaib-draa, 2002). A causal map is a concept map in which the links between nodes represent causality or influence. Drawing up a causal map enables students to develop strategy in the construction of a case firm's competitive advantage and distinctiveness. Work with student groups enables strategy development and should illuminate the underlying conceptual structure of the dynamic capabilities framework.

The Firm as Formula: The Resource Based View of the Firm

Beginning with Barney's (1986) contention that a necessary condition for competitive advantage is the existence of imperfect factor markets (so that the firm can appropriate the difference between the price of the factor and is value to the firm), the resource based view has focused on the creation and protection of economic rents. Barriers to entry are essentially informational in nature and the firm creates, or perpetuates, "isolating mechanisms" (Rumelt, 1984). The resource based view thus depends on the firm's ability to create and sustain a distinctive competence (Selznick, 1957). This derives from Edith Penrose's theory of the growth of the firm (1959) which she summarises as follows:-

"Growth is governed by a creative and dynamic interaction between a firm's productive resources and its market opportunities. Available resources limit expansion; unused resources (including technological and entrepreneurial) stimulate and largely determine the direction of expansion." (Penrose 1960:1).

The resource-based view (RBV) of the firm is essentially a hypothesis on the uniqueness of each individual firm – by definition, a singular collection of "resources" (Barney, 1986). It is therefore incapable of predicting heterogeneity of performance (or anything else) between firms. All outcomes are related to the fundamental uniqueness of each resource package. The resource-based view (Barney, 1986) suggests that competitive advantages of firms arise from leveraging the services of its unique assets, particularly those that are valuable, rare, inimitable and non-substitutable. Teece argues that the resource-based view is "inherently static" (Teece, 2015: 2) because know-how is viewed as a stock of disembodied knowledge whereas the capabilities view is more concerned with the creation and appropriation of returns from knowledge: creation, protection and leverage.

Peteraf (1993) summarises the resource based view in four assertions: (1) Resource heterogeneity creates monopoly rents. (2) Ex post limits to competition prevent these rents from being completed away. (3) Imperfect factor mobility ensures that valuable resources are "sticky" in the firm. (4) Ex ante limits to competition prevent costs from offsetting the rents.

These assertions are testable in general and in particular and provide an agenda for a teaching and learning programme.

An important lesson for pedagogy is that the RBV approach encourages students to think proactively; not to accept the status quo but to differentiate "their" firm from others. In this key sense, RBV encourage managers to seek difference – to achieve appropriable rents (competitive advantages) as a focus of strategic choices.

The Firm as Formula: Business Models

There are difficulties in reconciling the business model approach (Amit & Zott, 2012; Zott & Amit, 2007, 2008, 2010) with received international business theory. Business models describe a formula by which a firm creates a unique activity and resource structure and an innovative customer value proposition (Tallman, Luo & Buckley 2017). This definition thus includes a generality – "a formula" and particularities for each individual firm – "unique" and "innovative". International business theory, from Hymer (1976) and Kindleberger (1970) to Vernon (1966), Dunning (1988) and Buckley & Casson (1976) has looked for regularities – similarities between groups of firms that are bounded by a "theory of the multinational enterprise". This contrasts with the resource based view of the firm that emphasizes uniqueness – differences between firms and is encapsulated in the debate around the existence of "firm specific advantages" (FSAs) (Casson, (1987); Dunning, (1988), Rugman, (1981); Buckley, (1983); Buckley & Hashai, (2004); Rugman & Verbeke, (2003)) as to the importance of FSAs for internationalization. The debating positions run from the non–existence of FSAs, to their existence under certain circumstances, to the argument that they are an essential theoretical building block explaining the MNE.

In this context, business models are closely analogous to FSAs. In contrast, many international business theorists emphasise the "formula":- be it industry, national, regional or locationally specific (Buckley & Casson, 1976). This tradition (in economics) goes back to Alfred Marshall's (1919) "representative firm" that can be taken as a surrogate and allows analysis of (relatively) homogeneous entities. The business model approach presents a stark contrast with international business theorising.

This debate is illuminating at the level of analysis of the firm. International business theorists (Buckley & Hashai, (2004), Casson, (2000)) argue that the global system is the most important unit of analysis and that to focus on the individual firm is to miss network connections. In this respect, adjustments to different cultures and locational circumstances is at the system level, not at the firm level. Exclusive concentration on the firm level requires consideration of the adjustments made by the firm to differences in and changes over time of its environments. Thus dynamics and adjustment take place in the business model (which in this context does the analytical work of the "system" in international business theory). A taxonomy of costs of adjustment and competitive effects is used to explain flexibility and rigidity at the business model (firm) level.

Critical in the strategic management understanding of business models is the adaptation of the business model to changes in the external environment - threats and opportunities. An exemplar of how to cast strategic management education and learning in a theoretical context is the paper of Saebi, Lien and Foss (2016) which opposes two theoretical predictions – prospect theory versus threat-rigidity theory. Threat-rigidity theory predicts that firms are <u>less</u> likely to adapt their business model under conditions of perceived threat rather than conditions of perceived opportunity. Prospect theory predicts that firms are more likely to adapt their business model under conditions of perceived threat rather than under conditions of perceived opportunity. Such theoretical clashes present a learning opportunity where cases and aggregate data can be confronted with contradictory predictions. The learning opportunity is magnified where students can see that theories can be opposed to each other and can be refuted by real world evidence.

The Representative Firm

It is not here our purpose to analyse Alfred Marshall's (1919, 1920) notion of the "Representative Firm" as an analytical device (see Robbins, 1928 and Wolfe, 1954), but it continues indirectly to influence thought and here stands as a fulcrum for our spectrum of approaches to the idealtypes of the firm (Table 1). Robbins sums up the concept as "a long-period average business unit, representative of the organisation of a given line of production" (1928:391). This acknowledges differences between firms, in terms of competitive ability, but allows an overall summary of the industry to encompass firms of differing efficiencies and therefore is a suitable device to allow abstraction from differences between firms so enable supply and demand analysis to be tractable.

Indeed, Robbins distinguishes between "static" and "dynamic disparities" between firms (1928:392). The former are differences in the quality of the productive factors that firms can access and which would exist if all "transitory disturbances of tendencies to change" were absent where disturbances are maladjustments to changes in demand or supply – disequilibria, in other words. Dynamic disparities can be interpreted as management's ability to adjust to volatility.

It is worth noting (following Jacobsen 2015 p 63) that Marshall recognised differences in firms, and their strategy; “The tendency to variation is a chief cause of progress” because firms in the same industry rarely implement the same strategies despite “pursuing the same aims”. However, the consignment of the representative firm to a footnote by Robbins’s article led to the development of imperfect competition theories (Chamberlin 1933, Robinson, 1933), a focus on “industrial economics” and generic strategies - and attention to the growth rather than the size of firms (Penrose 1959) and thus to resource based views of the firm.

Generic Strategies

The argument for sources of variation between firms rests on there being a significant discontinuity between firms so classified. The boundary of nationality of ownership, industry, size grouping, technology classification, value chain, legal form or ownership type has to be unequivocal, understandable and empirically verifiable. This has important implications for teaching – how far a model and a strategy can be generalised.

It is arguable that over-generalisation in teaching and research has resulted in too little attention being paid to the context of the model, plan or strategy of the firm. This leads to generic models being over-extended and to a generation of managers believing that their generic model can be implemented across too broad a spectrum of external environments. The “sources of variation” in Table 2 – the boundaries between groups of firms – often mandates a change in strategy when crossing these boundaries. The “one-size-fits-all” strategy is only meaningful when boundaries between firms are trivial. Strategies can only be exported within relatively homogenous groups of firms. Firm heterogeneity – variations between firms – limit the exportability of standardised strategies. The existence and range of standardised strategies is an important learning issue for students. Classroom exercises can test the 'exportability' of standard strategies across the groupings of firms by the categories of Table 2. Does a "successful" strategy transcend sectors, technologies, national boundaries? What are the characteristics of 'mutable' strategies?

Industry Models - The Legacy of Industrial Economics

The classic industrial organisation paradigm proposes that industry structure determines the conduct of firms within it and that this explains the performance of firms in the industry (Bain 1968). Structure consists of barriers to entry of the industry (Bain 1956), the number and size distribution of firms, product differentiation and the overall elasticity of demand. Industry structure, given technology and stability of external conditions, determines the competitive context of individual firms (Bain 1972). This formal structure was found to be limited by the originators of business strategy research on the grounds of its alleged static nature, its "black box" view of the firm and its determinism (Porter 1981). Shifting the focus from the industry to the firm (or to strategic groups of firms (Porter 1978)) allowed a new unit of analysis to emerge, perhaps at the expense of industry regularities, because one long-lasting and important source of regularity in firms is the membership of an industry – defined by technological parameters and by its market. Pedagogic attention thus shifts from statistical analyses of populations of firms to single firm "in-depth" case studies.

Spender (1989) conceptualised the 'industry recipe' as an evolving response of the firm to uncertainty and therefore a driver of managerial creativity. The firm is seen as a body of limited and contextually specific knowledge and the task of management is to create and manipulate this knowledge base. Competitive advantage lies in this knowledge base. Thus Simon's (1957) concept of 'bounded rationality' is refined by placing it in the detailed context of the industry setting and management creatively and continually update "what needs to be done". The response to uncertainty is characteristic of the industry and consequently that "professional common sense" becomes an 'industry recipe' – a body of knowledge on appropriate responses to environmental uncertainties. Such responses can be incomplete, ambiguous and require interpretation as a guide to managerial action. Uncertainties, knowledge bases and managerial actions are therefore predicted to vary more across industries than within them. Leaving aside the appropriate definition of industry, Spender provides some important pedagogical lessons – the identification of firms' contextually specific knowledge, the way it is created and augmented, the response to uncertainty (that is, in some senses, standardised across a definable industry group), and, critically, the transportability of the 'recipe'. These are all crucial components in the analysis of individual cases of managerial decision making and a challenge to the idea that strategies are universal and context free. For students, the challenge is to identify the boundary conditions on the efficacy of an 'industry recipe'.

Chandler – strategy and structure

Business history is an excellent source of in-depth case studies over time. Alfred Chandler (1962, 1977, 1990) contributed not only to the theory of the firm but made a significant contribution to strategic management in his work on the rise of the large managerial corporation. Firms exist, for Chandler (like Coase 1937), because they can coordinate resources more efficiently than can the market where managerial hierarchy achieves productivity gains (Wilson and Toms 2012). This is most obvious where the market for the firm's output mandates scale economies. However, these gains are best realised by decentralisation of decision making within the firm – allowing global/local trade-offs to be made (Bartlett and Ghoshal 1979). Consequently, the strategy of the firm – its market seeing behaviour – dictates the firm's structure. Its scale and scope are concomitants of its strategy. Chandler thus stresses the entrepreneurial role of creating the firm and subsequent managerial innovativeness in refashioning its structure to maximise returns from its strategy. Chandler effectively placed managerial talent, innovativeness, and leadership at the core of business success.

Porter and Industry Based Frameworks

The fundamental contention of Porter's contribution to strategic management (Porter 1978, 1979, 1980, 1991) is that sustainable comparative advantage can be created by management's reaction to, and exploitation of, industry structure. Porter opens his 1979 article 'How competitive forces shape strategy' with the sentence "The essence of strategy formulation is coping with competition" (Porter 1979 p 137). Strategy thus becomes the science of securing excess profits in the face of rivalry. The crucial 'five forces' with which management has to contend are three 'horizontal' forces – the threat of substitutes, the threat from established rivals and the threat of new entrants and two 'vertical forces' – the bargaining power of suppliers and the bargaining power of customers (Porter 1979). Structural barriers to competition protect excess profits. This analysis puts 'top management' (Chief Executive Officer) as the crucial locus of decision making, selecting markets and products whilst middle managers become replicators of market practices. Strategies can be generically classified as "cost leadership" or "differentiation" and "focus" (Porter 1980 p 39).

Pedagogically, Porter's schema is attractive because it allows the classification and ordering of strategies and places the focus firmly on top management decision making as the differentiating factor between firms and as the ultimate arbiter of "success" and "failure". It has classroom appeal.

However, it is arguable that structural barriers to competition have declined, and are continuing to decline, because of globalisation and disruptive innovation arising from technological improvement, notably the role of the internet. These factors radically reduce entry barriers – those facing foreign competition and those facing new firms experimenting and innovating. A further issue - and a major topic for classroom discussion - is the focus on rivalry as the key strategic orientation of the firm, rather than the customer. Sustainable competitive advantage as a maximand can be contrasted with adding value for customers. A question for debate is whether sustainable competitive advantage is a means to an end (adding value for customers for instance) or an end in itself – or indeed a chimera. A concept that does replay classroom time is 'mobility barriers' (Caves and Porter 1977) – deterrents to shifts in the strategic positioning of firms within an industry. Mobility barriers help to explain differences in performance among firms in an industry and, interpreted dynamically, can help students to explore the changing nature of firms and competition within an industry over time. The reduction in mobility barriers (an interesting teaching and research focus in itself) helps to explain disruptive entry into previously stable and secure industries.

Porter's (1990) focus on competitiveness leads naturally to international competition and to the suggestion that the strategy framework is at least partially dependent on national location and possibly, nationality of ownership.

Insert Table 2 about here

The Firm as Part of a Global System

What makes international business theory unique is the encompassing nature of its theorising – its generality. In the internalisation theory of the multinational enterprise, the international firm is the general case and the national firm is a special case (Buckley & Casson 1976). Internalisation theory avers that the firm internalises markets until the costs of further internalisation outweigh the benefits (to the firm). An MNE is created when markets are internalised across national boundaries. The uni-national firm exists because the markets it has internalised (so far) are purely national in scope. This is more likely to arise in large home markets (China, USA) rather than small ones, giving rise to the multi-plant national firm (Scherer et al, 1975).

Very few of the costs and benefits of internalisation are purely international, which makes internalisation a general theory of why firms exist. Of the benefits of internalisation – coordination over time, avoidance of bilateral monopoly, the ability to use discriminatory pricing in internal markets, "buyer uncertainty" and the avoidance of tax through the use of international transfer prices – only the last is purely international (Buckley & Casson ,1976: 36-41). The costs of internalisation – higher resource costs, higher communication costs, higher management costs and potential discrimination against foreign control – only the last named is purely international, although liabilities of foreignness (Zaheer, 1995) potentially increase resource, management and communication costs (Buckley & Casson, 1976: 41-44). The methods by which foreign owned firms can overcome liabilities of foreignness (Van Der

Eng, 2017) are a suitable subject for study as this represents an important aspect of international strategy. The scope of liabilities of foreignness can be extended beyond product markets. International firms face liabilities of foreignness issues in global factor markets too, including capital markets (Bell, Filatotchev and Rasheed, 2012) and labour markets (Amin and Thrift, 1995).

These wider aspects of constraints on international operations are a useful addition to teaching in both strategic management and international business.

In conventional economics and organisational theory, the multinational firm is an outlier, an extreme form of the firm, unusual, its vast reach something to be explained by extra theoretical provisions. This is not the case in international business theory nor in variants such as "born globals" (rapidly internationalising new ventures, in theories of international entrepreneurship (Oviatt & McDougall, 1994; Knight & Cavusgil, 2004, Cavusgil & Knight, 2015; Zander, McDougall-Covin & Rose, 2015)) where the national firm is the result of constraints on internalising markets across national frontiers – that can be cognitive, regulatory or structural, summed up as 'liabilities of foreignness' (Zaheer, 1995). The boundary of the national economy is a barrier to growth only so far as it inhibits internalisation of markets across the frontier. National boundaries are important discontinuities, but not necessarily theoretically significant ones. The existence of national boundaries as inhibitors to growth cannot be simply asserted, it must be proved.

In empirical work, the national frontier is often a cost barrier – this is true not just of regulatory and tax discontinuities, but also national frontiers often (not always) coincide with language differences, cultural differences and geographical distance. Contiguous countries, membership of regional bodies (the European Union for instance), political groupings (the Commonwealth), tax and tariff harmonized countries, culturally similar countries will all have reduced barriers to internalisation across frontiers and will be more open to the expansion of foreign MNEs. This is reflected in the Uppsala approach to internationalisation (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne 1977, 2009) where an expansion path for MNEs is proposed, running from culturally close countries to progressively more culturally "distant" locations. The 'liability of foreignness' declines as these more distant countries are entered, and with learning on how to manage abroad, the firm's expansion pattern is determined. There are many empirical studies showing that regional, political and cultural similarity increases the flow of FDI by reducing the costs of internalising markets (Buckley, Munjal, Enderwick & Forsans, 2017; Brouthers, 2002, 2013).

This leads to a global system view that explains the number, location and ownership of firms in the world economy (Casson, 2000; Buckley & Hashai 2004; Hashai & Buckley 2014). The global system view examines the location and control strategies of firms across a grid of (national) locations. These strategies are constrained by markets, costs and the policy openness of the countries in the system. Production, marketing and R&D strategies are strategic variables but choices are highly constrained by external and regulatory conditions.

In terms of pedagogy, underlying theory suggests that international business strategy requires an understanding of global and national external environments, hence the attention paid to policy. The vast literature on "entry strategy" – the choices that firms make on which foreign markets to enter, their sequencing and the "mode of entry" (takeover, greenfield venture, joint venture, wholly owned subsidiary) - is a key focus of study (good theory-based examples are Hennart (1991) on ownership strategies and Hennart and Park (1993) on entry modes) and teaching. Case studies of foreign market entry and simulations of internationalisation strategies reflect this research stream.

The introduction of heterogeneity of firms into a global systems view is problematic. The intention of the global system view is to illustrate the impact of global forces and to explain the resulting structure of firms.

National/Cultural Models

International business as a research and teaching area is based on the assertion that business models, practice and, to some extent, strategy is based on nationality of ownership – and, for some, on (national) location of the activities of a firm, through its subsidiaries and other associated ventures.

One important strand of international business theorising takes the nationality of the firm as a crucial determinant of difference from other nationalities of ownership. Thus 'varieties of capitalism' (Whitley, 1999; Soskice and Hall, 2001) arising from national systems can classify firms or 'national systems of innovation' (Freeman, 1995, Lundvall, 1992, Nelson, 1993) determine the strategic direction of firms derived from their national origin. Explanations based on national culture differentiate individual national cultures, perhaps grouped into broader cultural families such as 'Asian firms' (Tipton, 2007, Chan and Cui, 2014)[1]. These generic differences are the lifeblood of many pedagogic approaches to international business. In particular, approaches based on culture focus on integration, within the firm, of cultural differences (Adler and Graham, 1989) and 'distance' (Shenkar, 2001, 2012), coping with

[1] For a critique of stereotyping enterprises by 'nationality' see Buckley and Mirza (1985).

cultural friction (Koch, Koch, Menon and Shenkar, 2016, Shenkar, Luo and Yeheskel, 2008, Luo and Shenkar, 2011) and generally, 'reconciling differences' (Molinsky, 2007). International management thus focuses on reconciling global/local differences in the firm's practices, strategy and objectives (Bartlett and Ghoshal 1979); Classifying cultures (Hofstede, l980, 1991) becomes central to understanding and reconciling groups from different cultural backgrounds so as to optimise the performance of the firm.

These approaches have a profound influence on pedagogy (Aggarwal and Zhan, 2017). The cultural biases of students and teachers need to be identified and aired and thus can lead to introspection in classroom practices, influence on the curriculum and teaching methods. Differences are not only identified in <u>firms</u> but also in individuals and groups within the firms, at organisational level (parent versus foreign affiliates), group level (cross cultural virtual teams) and the level of the individual manger ([unconscious] cultural bias). The cultural element in international business and management teaching is a key differentiator from strategic management courses that assume a single cultural framework, and this is part of the attraction of international business as a teaching and research area in a more globalised world, and world economy. It is important in today's globalised business and educational world for teachers of <u>all</u> business subjects to recognise cultural influences on them and on their students. Multi-cultural classes represent major opportunities for all teachers and learners to learn from each other and to challenge every participant's culturally held assumptions. Creating mixed cultural groups for classroom activities of all types helps each learner to see the importance of cultural difference and deeply felt culturally based assumptions about 'how to do business'. In international business classes, this is an excellent way to show the importance of 'business context'. For strategic management, cultural difference in approach to cases and decisions on multicultural classes is an under-exploited opportunity. Challenging basic assumptions that arise from different cultural backgrounds (e.g. only family members are trustworthy, so only family firms can function well in certain cultures) represents major learning and teaching opportunities. Most strategic management courses incorporate a variety of cultural settings for case studies, but are students always challenged to make their cultural assumptions clear?

However, national and cultural differences are not, as we have seen, the only differentiator between firms and not the only determinant of enterprise strategy. Reconciling the single privileged differentiator (nationality or culture) with all the other potential determinants of strategy is a key issue for international business pedagogy given that all differences do not arise from "international" ("intercultural") sources.

Similarity and Diversity in Firms: Summary

The competing theories and pedagogic perspectives are shown in Figure 1 where the outer circles show the theoretical perspectives that can be brought to focus on case studies, simulations and other learning aids.

Insert Figure 1 about here

The how? and where? questions of differentiation are shown in Figure 2 as pedagogic issues. The role of time – the when? question – covers the whole pedagogic space. "When" and "for how long" a strategy is effective affects all examples. These issues are examined below.

Insert Figure 2 about here

The implications of the theoretical choices in the figures are examined in the remainder of the paper.

THE PEDAGOGICAL IMPLICATIONS OF THE QUESTIONS WE ASK

This paper argues that the theoretical perspective taken has important implications for pedagogy. In international business, pinpointing the "firm specific advantage" allows firms to be differentiated from each other whilst still having a uniform theoretical umbrella to explain overall firm strategy. The same could be true of dynamic capabilities. Internalisation theory allows the opportunity for firms to identify and replace (by internalisation) imperfect markets and to appropriate the rents from so doing – but different firms in different contexts exploit different imperfections and therefore move on a different growth trajectory. All these approaches combine generalisation (theory) with specification of differentiation within the theoretical rubric. Thus we have pedagogic advantages of allowing students to identify both general principles and strategic opportunities.

This analysis suggests that international business theory and strategic management approaches are answering different questions. Teece (2014) notes "Neglect of firm-level heterogeneity and the particulars of competitive advantages is perhaps the primary reason for the schism between the fields of international business and international (strategic) management". He suggests that international business research is largely aimed at public policy and the understanding of national competitiveness, while international strategic management is largely aimed at managers. This question of different audiences is certainly a contributor to differences in research and in pedagogical approach between the fields.

A fundamental tenet of international business theory is that firms of the same nationality are more similar to each other than to foreign firms. Industrial economics avers that firms within the same industrial sector are more similar to each other than to firms from other sectors. Technological determinists insist that the technological basis of a firm will cause convergence. It is frequently asserted that firms of similar size follow broadly similar strategies in contrast with 'smaller' or 'larger' firms. Firms within the same global value chains (Buckley & Ghauri, 2004; Buckley, 2007, 2009, 2010, 2011, 2012; Buckley & Strange, 2015) are constrained to follow the same strategy, analysts state. State controlled enterprises (SOEs) differ radically from profit driven private enterprises or family ownership as case studies suggest.

How far are these generalisations valid against the legitimate argument that there are exceptions to every rule, every classification, every suggestion of similarity? Why privilege one of these assertions of uniformity (e.g. national ownership) over the others?

One answer to these questions is theoretical legitimacy – being able to justify the categorisation logically and providing satisfactory explanatory power in use. A second answer is empirical – the explanatory power of the hypotheses provided by the theory.

Underpinning these arguments is a set of philosophical ideal types that affect thinking and pedagogy on strategic management (Table 1). We can also think in terms of the importance, or otherwise of the potential sources of variation between firms (Table 2). How far is the external environment powerful enough to force organisations (firms) to conform in their responses to it? In many cases, the external environment is 'the market' and international business theory par excellence contrasts the firm and market in accord with the transactions cost economics approach to explaining organisations (Williamson, 1981; Hennart, 2009). The disciplines of the capital market may also be a source of conformity among firms. As Williamson (1980 p 194) says "it is a rare firm that is not subject to the discipline of the capital market to some degree". This veracity of this quotation in various national circumstances is a worthy subject for classroom debate.

THE IMPORTANCE OF MANAGEMENT DECISIONS

In strategic management teaching, primacy is often give to the analysis of management decisions. The 'firm' is identified as a decision maker with its top management. This raises issues of agency, of entrepreneurial judgement and risk, of the nature of innovation and relationships between individual firms.

The Unique Role of the CEO or entrepreneur

If there are (persistent) differences between firms in the same industry, to what might these be due? Perhaps to the (unique) role of the founder/entrepreneur/CEO? Differences in technology might persist because of intellectual property laws, including patents, or problems in adopting competitive technologies. Differences in scale might persist because of regulations or differentials in access to capital. Location, spatial and distance factors might be the cause – and this is more likely in large economies or because of international differences. Ultimately though, most analysts suggest that differences in firms are due to management. The subject of strategic management (in the past "business policy" or "corporate strategy") arises because of the belief that differences in firms exist and persist over time because their managements differ. This fundamental difference gives rise to divergences in decision making between firms that are otherwise similar (in sector, location, size and technology) and these differences in decision making result in different outcomes.

Agency

In much strategic management pedagogy, management (or managerial decisions) become reified. They become the single differentiator and the ultimate cause of "success" and "failure". The definition and identification of success is a research area in itself (Buckley, Pass & Prescott, 1990; Pretorius, 2009; Jennings & Beaver, 1997) but strategic management theorists attribute its cause to good management. This goes further. The identification of the management team with the firm is central to the ethos of strategic management. The variation in "success" (profits, growth, market share, net worth of the firms, brand value is entirely attributed to successful management decision making. External sources of variation (even including market power) are downplayed.

There is, and has to be, a temporal factor in this analysis. Firms are not "successful", they are successful over a given time period, usually one that includes the time they are observed and analysed. Successful or "excellent" (Peters & Waterman, 1982) firms may be top achievers at the time of analysis, but sustaining performance over time is difficult and their regression to the mean often inevitable. Heroic managers and entrepreneurs often sustain above average performance only for a limited period. The question then arises as to whether this was the result of a run of good decisions (or an interrelated nexus of good decision making) or a favourable set of external circumstances that vanished over time.

The source of variability of performance is therefore a key concern in establishing the primacy of management and management decision making over external events. Maintaining supra-normal performance over a given time period is an essential factor underpinning claims for the central importance of management, management teams or heroic entrepreneurs. Maintaining the (independent) existence of the firm over longer than normal time periods may be a more modest success indicator.

Imagine an unlikely scenario. If we could hold every factor that determines the performance of two identical firms constant, except their management, what impact would this single variable factor have? Every answer from zero to 'huge' is implied by the existing literature. Strategic management advocates would suggest significant results, international business theorists some difference, neo-classical economists would predict no difference.

The implications of attributing agency to management decisions is to identify its range, limits and context. There are imperatives on the firm arising from demand conditions, technology and location. The teaching task is to encourage learners to understand and to specify the limits on managerial agency and the extent to which "success", however defined, can be attributed to managerial decisions, versus the environmental conditions of the firm (time, place and state of technology) – and luck!

Entrepreneurship and Risk

It is impossible to analyse real world decision making without a consideration of risk. Certainty exists only in abstract models. Some of the observed 'differences' among firms arise because of different risk preferences. The risk/return trade off is embedded in finance theory and therefore in strategic management, international business and perhaps, most explicitly, in analyses of entrepreneurship (Casson, 1982; Maitland & Sammartino, 2015; McMullen & Shepherd, 2006).

However, the Knightian distinction between risk and uncertainty (Knight, 1921) is relevant here. The more deterministic approaches to company behaviour assume that risk is known, objectified and can be measured. Firms can thus select from a given 'choice set' to determine their technological and organisational trajectories knowing the probability distribution round their decisions as a matter of statistical uncertainty (Nelson, 1991). However, once we allow radical uncertainty – difficult or impossible to translate into a probability distribution – then the role for strategy, for trial and error, for evolutionary analysis (Nelson & Winter, 1982) becomes stronger.

In evolving our educational philosophy on strategic management, how much attention is paid to the formulation of risk and uncertainty? Knight identified cases of "unmeasurable uncertainty" as those that are radically unsure because any basis for classifying instances is absent. Outcomes of strategy cannot be calculated - with risk "the distribution in a group of instances is known… while in the case of uncertainty this is not true, the reason being in general that it is impossible to form a group of instances, because the situation dealt with is in a high degree unique" (Knight, 1921:225). This uncertainty is immeasurable because the premises underlying prediction are undermined. "Modelling the future becomes elusive" (Katznelson, 2013: 33). In strategic management education and learning, how far are these issues raised, confronted and discussed? Yet they are crucial theoretical underpinnings of the design, even the meaning, of "strategy".

Hardy and Maguire (2016:80) make the point that risk is organised in three different modes: prospectively, in real time and retrospectively. Replication of real time risk is difficult in classroom situations, and attempts can be made to capture its impact by ongoing case work with student participation in real projects where the outcome of their decisions are unknown. Simulations also can capture the essence of uncertainty. Equally important are the prospective assessment of risk in influencing strategy and the retrospective examination (in case studies for example) of the risk undertaken in strategic decisions.

New Forms of Risk

International business research has begun to engage with new and emerging forms of risk. "Globalisation has given rise to new forms of risks, including cyber-attack, industrial espionage, governmental surveillance and public-private tension" (Buckley, Chen, Clegg and Voss, 2016: 131). To these may be added the impact of mass migration, proxy wars and anti-globalisation rhetoric and policies. Students can be challenged to analyse and predict the impact of risk – the operational risks in emerging economics (for instance) arising from low trust economies and institutional voids, from the liability of foreignness (Zaheer 1995) facing all foreign investors, from the long gestation periods for capital and innovation projects and from investment exposure (to debt) (Wijeratne, Rathbone and Wong, 2018). Cases and simulations can be utilised to replicate risky situations.

These new forms of risk need to be recognised in learning and teaching strategies. The information available to the entrepreneur or to the management team at the time of a crucial decision is not easy to replicate.

It is arguable that "new forms of risk" provides an excellent point of attack on the existing conceptual structures of both strategic management and international business. Concepts such as 'real options' (Kogut and Kulatilaka, 2001) inform risk taking as an issue in entering both new markets and new countries (Buckley and Casson, 2007). The identification of 'black swans' (unforeseen events with great consequences) (Taleb, 2010) and 'unknown unknowns' as well as disruptive innovation (Bower and Christensen, 1995) are serious challenges to management thought and practice and thus could be a key area for co-creation of new thinking between teachers and learners. The excitement and frontier area status of new sources of risk are stimuli to creative teaching. Turning tactical risks into strategic opportunities is a challenge for managers and should be for learners too.

Entrepreneurship and Innovation

It can be argued that the key role of the entrepreneur is to exercise the decision making function in the presence of uncertainty (Casson, 1982). The process of entrepreneurship involves the identification, collection and synthesis of relevant information concerning profitable opportunities. The entrepreneur, having identified the opportunity, needs to amass the resources to exploit it and, crucially, to pre-empt other entrepreneurs who may also have identified the opportunity. This may involve creating a monopoly by tying up a crucial resource by purchase or long term contract or by initiating a new product. Restricting information on the opportunity by preventing dissemination is another strategy of pre-emption (Casson, 1985).

Recent research on invention has seen it conceptualised as a search over a space of combinatorial possibilities. The recombinant nature of invention is capable of formal and quantitative modelling (Youn, Strumsky, Bettencourt & Lobo, 2015). The increasing combinatorial dynamic contrasts with the slowing down of the creation of new technological capabilities – the building blocks of innovation that are combined in innovations. It is largely existing technologies that entrepreneurs exploit in creating profitable opportunities. That advances in technology grow largely out of existing technology has been extant knowledge at least since Mansfield's pioneering research (1993) found that 90 per cent of advances emerged from pre-existing technologies.

Relationships between Firms

No firm, like no man, is an island. Firms exist in a web of suppliers, customers, subcontractors, joint venture partners and a myriad of other external relationships (Richardson, 1972). This implies that the decisions of firms are not independent of other firms, for instance where they are members of, or orchestrators of, value chains (Hinterhuber, 2002). This is an important contextual constraint on the assumption of a direct relationship between the management decisions of the firm and outcomes. Connections between firms are crucial contextual factors that determine both analysis and outcomes.

One of the key elements bringing together international business and strategic management research is the analysis of global value chains. Here are real prospects of synergy. The "global factory" approach (Buckley, 2009, 2010, 2011, 2012, Buckley & Ghauri 2004, Buckley & Strange 2015) attempts to bring together the coordinating role of the focal firm and its relationships with suppliers, customers, partners and collaborating firms (Buckley &

Prasantham, 2016). For students, a key question is – ‘How far can (small and medium-sized) enterprises in value chains have independent strategies? (Given that the overarching strategy is determined by the focal, brand owning firm). Such a question focuses the learners on the constraints on independent strategies, the choice of ‘collaborate or compete’, long run versus short run objectives, the role of power relationships between firms, risk, and the exercise of entrepreneurial abilities. This is rich learning material and allows the theories of international business and strategic management to be brought to bear on real cases of supply chain building and management.

FROM THEORY TO PEDAGOGY

The theoretical landscape set out above presents a challenging framework against which to analyse evidence, including case studies. It is emphatically not the case that theory and case study based teaching are incompatible – indeed they can enrich each other. The key theoretical questions underlying a case are: what is fixed and what can be changed by management fiat? Making these assumptions (assertions often within the case) clear opens the way to meaningful debate on the feasibility of alternative management strategies. Context is critical, as is the role of time (time to take, implement and observe the impact of the decisions) and a consistent theoretical perspective fixes the proposed solution(s) to the issues set by the case. Theoretical presumptions can be outlined in the teaching notes of the case – and of course these are open to challenge. It would be an excellent discipline for case writers to make their theoretical assumptions explicit.

The relationship between theory and case studies is a complex one. Eisenhardt (1989) states that “the accumulation of knowledge involves a continual cycling between theory and data” (p 549) and this is surely the key lesson for pedagogy in strategic management. Eisenhardt explores the possibilities of inducting theory using case studies and notes (p 536) the importance of a tight specification of the research question. If this approach is taken in strategic management education then "constant recycling" needs to be emphasised in the classroom. The selection of cases must be informed by "theoretical not random sampling" (Eisenhardt, 1989: 533), not by issues of case availability (or popularity). The choice of case material in teaching must itself be theoretically driven – and explained to the learners. A pedagogical challenge is to involve the learners in the choice of case material – based on an introduction to the dimensions of theoretical sampling of the population of firms that underpins the choice.

Prosopography versus Biography

The resource based view that each firm is unique is akin to the biographic approach to individuals. It chimes very closely with the heroic or unique individual approach associated with figures such as Napoleon or Bismarck. It relates closely to the extreme focus on outstanding entrepreneurs (Richard Branson) and the reification of management. Internalisation theory is more like prosopography which is less interested in the unique and more in the average, the general and the 'commonness' among firms (Verboven, Carlier & Dumolyn, 2017). The individual and exceptional are important only insofar as they provide information on the collective and the 'normal'.

The choice of approach may be determined by data availability. Prosopography is useful where data on individual firms is scarce or with large numbers of missing values on key measurements. Biography requires deep knowledge of motives (objectives) and details of internal company operations. Selection is often by indicators of immediate success (or 'excellence'). Selected firms are often cast of exemplars of particular types of success – the (sometimes overt) implication is that these are firms to be copied, even admired. By contrast, the prosopographical approach is to search for the systematic, even the stereotypical. This represents a real opportunity for learning, exploration and achieving synergies between the 'strategic management biography' view and the 'international business prosopographic approach'.

Methods: Models versus Frameworks

Porter (1991) contrasts 'models' and 'frameworks'. Model building 'abstracts the complexity of competition to isolate a few key variables whose interactions are examined in depth' (Porter 1991 p 97) and so the findings are almost inevitably restricted to a small subgroup of firms or industries whose characteristics fit the model's assumptions (Porter 1991 p 98). Strategic management, however, is identified with its ability to build frameworks. "A framework, such as the competitive forces approach to analysing industry structure, encompasses many variables and seeks to capture much of the complexity of actual competition" (Porter 1991 p 98). Frameworks are analogous to expert systems which are tailored to particular industries or companies (Buckley and Casson 1998).

This has important implications for pedagogy. A teaching approach based on models requires selectivity and a wide range of data points, focussing on key characterises of the environment, and changes in these factors. The strength of the framework approach is that it postulates continuous incremental change (but possibly not disruptive change). Models attempt to cut through the complexities of a situation, frameworks embrace complexity. In terms of teaching materials, this suggests that the ‘models’ (international business) approach would concentrate on material on the firm’s external environment, the ‘frameworks’ (strategic management) style on the characteristics of the firm and its management.

The use of simulations is growing as a teaching tool, particularly in international business where it is regarded as a means of capturing the complexity and inter-relationships inherent in a global strategy. Although simulations provide a “hands-on” and experimental approach to leaning (Faria, Hutchinson, Wellington and Gold, 2009), their theoretical positions, as expressed in the algorithms of the game, are often unclear. Farrell (2005) finds some weak evidence that simulations integrate theory and practice (by, for instance, reinforcing the understanding of theoretical concepts covered in class) but much more can be done both by the designers of the simulations and classroom teachers, to make explicit these connections and to use simulations to explicate and confront theoretical underpinnings.

Simulations in international business teaching are felt to provide “an appreciation of the context and complexity of the international business environment” (Farrell, 2005:73). The attention to content and to (international) complexity is a feature that the above analysis attributed to theoretical approaches to international business rather than strategy - the impact of the external environment being privileged in much international business research. Simulation can (in principle) be used to contrast theoretical tools from a number of domains and this is much to be encouraged - using a variety of assumptions that underlie Table 1 (the weight given to differences versus similarities between firms.) This would be a massive step forward for <u>both</u> international business and strategic management teaching. Simulations can be used to integrate theory and practice and to test theoretical propositions within the modelling.

Currently, simulations in the two domains follow the principles suggested in this paper – strategy simulations concentrate on the integration of functional specialisations within the firm into a coherent ‘strategy’; international business simulations focus on reactions to the external environment. Combining these approaches would help to integrate the separate disciplines.

Knowledge based learning versus guides to action

Strategic management (less so international business) pedagogy often has an implicit ‘guide to (future) action’ content. Course design often awkwardly combines the presentation of knowledge with action guides. This dichotomy is often mistakenly conflated with theory versus descriptions of practice. In fact, theory can be a profound underpinning of strategy as a guide to action. Theoretical formulations can be presented as “if X then Y”. Such approaches can be taught as “if management makes the following decisions then these consequences will ensue”. Providing this is set within the appropriate boundary conditions, a strategy emerges.

The pedagogic virtue of guides to action is their empirical testability. Putting strategies into practice in reality is costly and potentially disastrous if the strategy is untested. Theoretical analysis are thus analogous to ‘war gaming’ (Asprey, 1993). Strategic planning is akin to ‘war rides’ carried out by military commanders before battles (Bucholz 2001).

Pedagogic approaches can thus be designed with a view not simply to conveying knowledge but to applying knowledge to business practice. This ‘action approach’ is best implemented by the application of theory to real world situations. Cross fertilisation between strategic management and international business here would benefit the latter discipline as international business often presents the optimal solution without exploring the processes necessary to achieve it (Buckley and Casson, 1998) or the boundary conditions of the theory, which may mean that the company in question is not equipped to effectuate the predicted outcome (Buckley and Casson, 2009).

Potential Integration of Strategic Management with International Business to improve education and learning

Simply pushing together structures of thought with incompatible assumptions is a recipe for disaster and for muddled thinking. If strategic management and international business theories are to be combined to underpin education and learning (perhaps in an "international strategic management" course), then serious attention has to be given to the integration of a conceptual structure that will bear the weight of this extension (Figure 1). Firms can be assumed to be neither uniform, nor sui generis. The question of exactly how, where and when firms are assumed to differ is critical.

The question of how firms differ derives from technology, demand patterns and entrepreneurial skills/management orientation. "How" questions dominate strategic management. "Where" questions are taken as given and "When" questions are left to emerge from situational case studies. (See Figure 2).

Where firms differ is a locational question derived from place and space. It may also refer to ownership because foreign ownership has for decades been identified as a source of variation (e.g. in productivity (Dunning, 1958)). Where questions dominate international business. How questions are largely determined by the firm's constraints from the environment – how to enter a given foreign market, for instance. Some attention is given to when questions - as in the optimal timing of a switch in foreign market servicing strategy (Buckley & Casson, 1981; Vernon, 1966) but this is limited.

When firms differ – the question of time-relates both to the inception date of firms and their stage in the life cycle (Vernon, 1966). If an evolutionary stance is taken (Nelson & Winter, 1982), then precision is required as to the level reached by the firm in question. When questions, critical in business decision making, are the most under theorised area (even after accounting for 'process' studies (Pettigrew, 1992) and provide real opportunities for classroom exploration.

In pedagogical terms, therefore, student attention should be directed to how, where and when questions. Referring back to Figure 1, both the theories and the 'actions from case studies' need to be located on these three dimensions. A careful outline of the theory behind the case study will specify the context in which the analysis is valid, and exploring the boundary conditions of the approach gives students the opportunity to judge how far the validity of the approach extends and where the search for new solutions is required.

Looking forward, it is clear that the strategic opportunities of the future require both strategic management and international business skills and knowledge. Initiatives like the Chinese Belt and Road Initiative, Industry 4.0 and cloud based platforms challenge management, pedagogy and (perhaps particularly) theory. In the face of these developments, pedagogy and management decision making will require fundamental rethinking.

Philosophical Approaches to Teaching

The ground rules of the philosophy underlying any pedagogical schema need to be made explicit. Under what assumptions do we draw up our syllabi for strategic management? The level of analysis is the firm, or the manager, or "top management" or the management team. These are not the same thing, and it is important to make clear the focus of analysis. More important are the assumptions on the potential impact of management decision making. What are the theoretical assumptions on which teaching is predicated?

The analysis above suggests three philosophical approaches to education and learning in strategic management.

1. Present the course as the **test** of the hypothesis that firms differ and that the critical reason for this is that managements (management decisions) differ. This would be a good approach for undergraduates and for doctoral candidates.
2. **Challenge** the students to find why and how firms differ and how far this can be related to management decisions. Such an approach would suit MBA candidates who can draw on management experience.
3. Set up the strategic management course as a **voyage of discovery** where learners (and educators) together explore the differences and similarities in firms across a broad range of contexts. This approach would be useful in post-experience, executive

teaching where self-motivated learners can take the class forward in exploration of the key issues.

It is arguable that a combination of these three approaches (testing, challenging and exploring) is an appropriate response to producing an excellent pedagogic schema to confront the questions posed above. It is important, though, that the teacher be explicit about the rationale underlying the curriculum and the approach to learning.

CONCLUSION

Theory can improve strategy education and learning. This is not necessarily the adoption of one particular theory but an understanding of the operation of theoretical approaches to strategic management, the contrasts between them, and the consequences of the differences, and the incorporation of this understanding into pedagogy. How, and why, and across which dimensions, firms differ, is critical to the understanding of strategy and of learning designs.

Cross fertilization of theory, empirical investigation and pedagogical innovation between international business and business strategy can be beneficial to both. The forensic attention to the firm and managerial decision making in strategic management complements the greater attention to structure and to the external environment typical of the international business tradition. As these approaches derive from different philosophical and theoretical interpretations of “the firm”, teachers and learners must pay attention to the compatibility of these fundamental assumptions before pushing the approaches together. That said, this paper has illustrated great opportunities for mutual learning between International Business and Business Strategy.

The philosophical approach to differences in firms, management and performance can inform teaching and learning styles. This paper recommends approaches based on testing the proposition that firms systematically differ, challenging students to question this proposition and discovering differences in an exploratory fashion. These approaches can be tailored to the abilities and backgrounds of student cohorts and can present a satisfactorily holistic approach to the potentially fragmented study of strategic management.

A number of suggestions for future research in strategic management and international business emerge from this review of pedagogy. First, there is great scope for researchers in the two fields to increase their dialogue and to learn from each other, from questioning of assumptions to interpretation of case study evidence, there is much to gain. Second, in both areas, there is a need to tease out the theoretical assumptions that are hard-wired into the research domains. Opening up basic assumptions to challenge and questioning – not least by students – is a potential step towards new research agenda. Third, there is potential in both subject areas to strengthen the connections between theory and managerial practice. Too often, theory floats above decision making in companies, so bringing theory close to practitioners is worthwhile goal. Lastly, practitioners can be involved not only in teaching delivery but also in curriculum design and in questioning the basic rationale of courses in business. Increasing the exposure of theory to practitioner criticism can propel research into new worthwhile avenues.

Finally, it is hoped that this paper will stimulate research and publication of pedagogical papers on international business and strategy and particularly on the relationship between theory and pedagogy. This paper focussed on one philosophical proposition – the idea that each firm is unique – there are many other theoretical propositions that need to be explicated and challenged in their role as foundations for pedagogy.

Figure 1: Theories and Pedagogic Perspectives

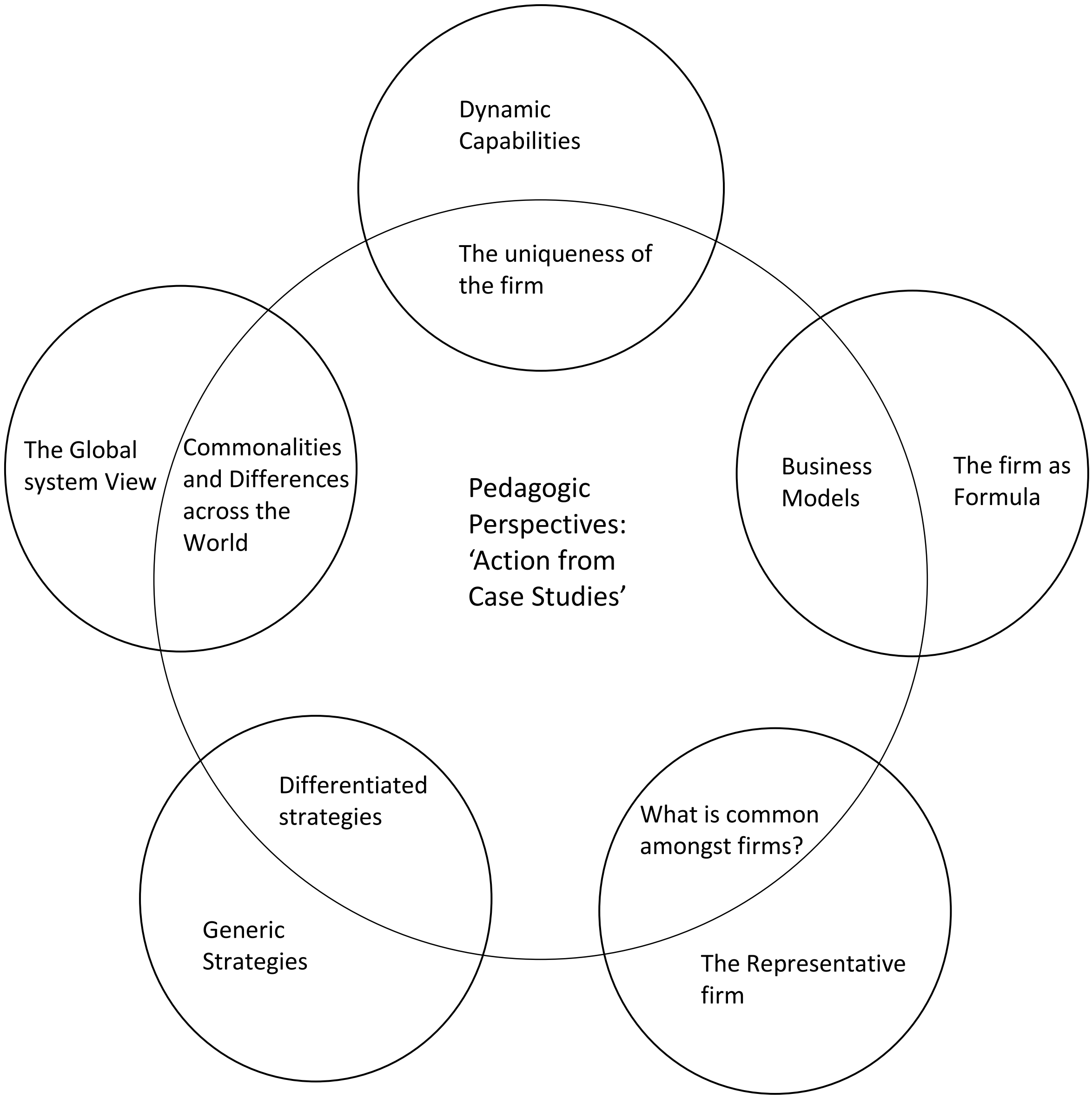

Figure 2: How, where and when questions in theoretical approaches to the firm

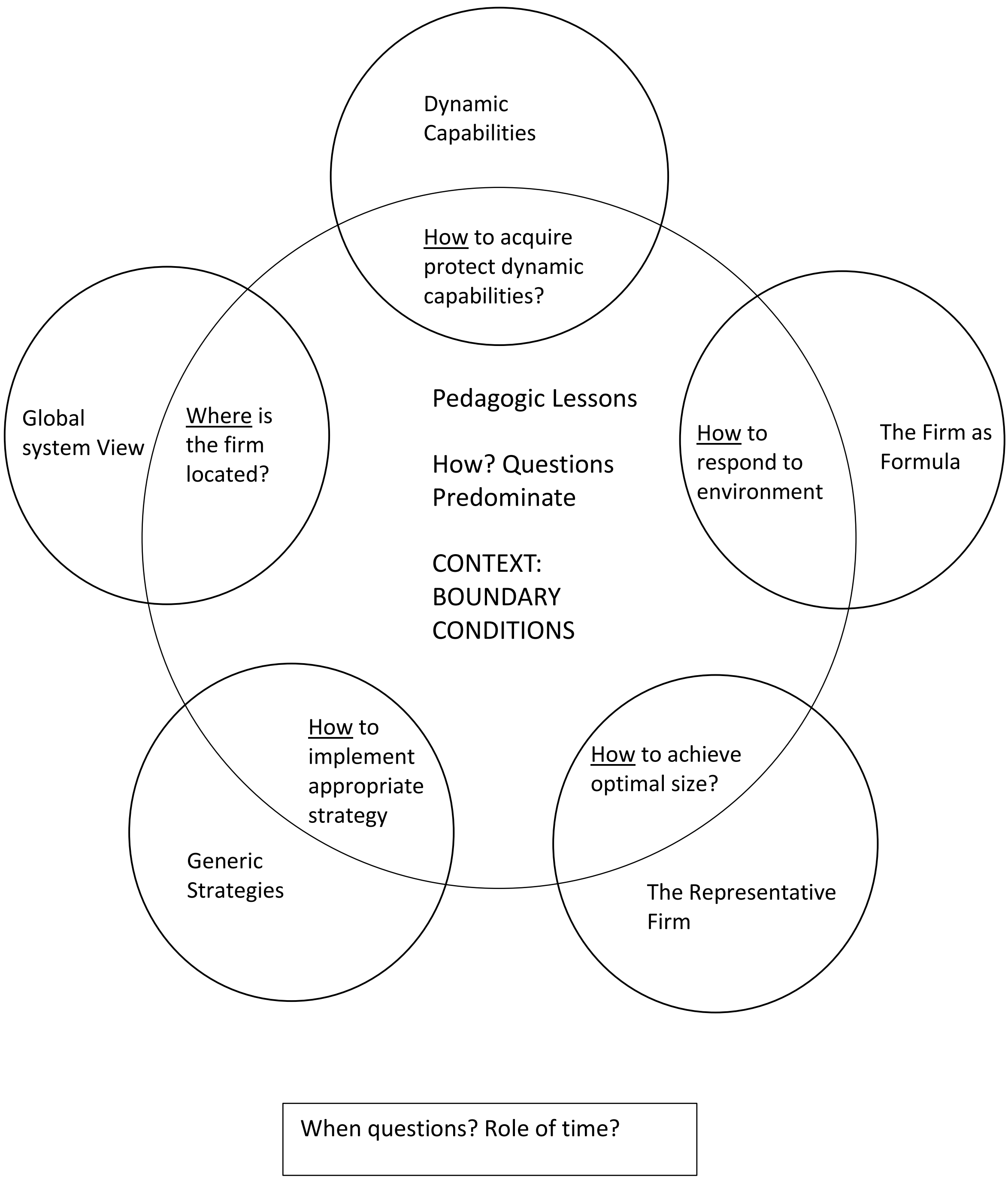

Table 1: Philosophical Idealtypes of the Firm in Strategic Management Thinking: A Spectrum

Philosophical Idealtype

Each Firm is Unique	The Firm as Formula	The Representative Firm	Generic Strategies	Firm as Part of a Global System
The Spectrum of Strategic Management Theories				
Dynamic Capabilities	Resource Based View of the Firm Business Models	Marshall's Representative Firm	Industry Models Chandler "Strategy and Structure" Porter Five Forces Porter's 'Diamond'	Global System View National/Cultural Models

Specific Theories

Table 2: Putative Sources of Variation between Firms

Nationality of Ownership

Industry/Sector

Size

Technology

Value Chain Membership

Ownership Category (SOE, family, private*)

*Legal form – partnership, public quoted company, sole proprietorship etc. may be a variant here.

References

Adler, N. J. & Graham, J. L. 1989. Cross-cultural interaction: The international comparison fallacy? **Journal of International Business Studies**, 20: 515-537.

Aggarwal, R. & Zhan, F. 2017. Teaching Management of Cultural Differences. **Journal of Teaching in International Business**, 28(1): 1-3.

Amin, A. & Thrift, N. 1995. **Globalization, Institutions and Regional Development in Europe**. Oxford: Oxford University Press.

Amit, R, Zott, C. 2012. Creating value through business model innovation. **Sloan Management Review**, 53(3): 41-49.

Asprey, R. B. 1993**. The German High Command at War: Hindenburg and Ludendorff and the First World War.** London: Little, Brown and Company.

Augier, M. & Teece, D. J. 2008. Strategy as Evolution with Design: The Foundations of Dynamic Capabilities and the Role of Managers in the Economic System. **Organization Studies**, 29(8-9): 1187–1208.

Bain, J. S. 1956. **Barriers to New Competition**. Cambridge Mass: Harvard University Press.

Bain, J. S. 1968.**Industrial Organization (2nd edition)** New York: Wiley.

Bain, J. S. 1972. **Essays on Price Theory and Industrial Organization**. Boston: Little, Brown.

Barney, J. 1986. Strategic Factor Markets: Expectations, Luck and Business Strategy. **Management Science**, 32(10): 1231-41.

Bartlett, C. A. & Ghoshal, S. 1979. **Managing Across Borders: The Transnational Solution**. Cambridge Mass: Harvard University Press.

Bell, G., Filatotchev, I. & Rasheed, A. 2012. The liability of foreignness in capital markets: Sources and remedies. **Journal of International Business Studies**, 43(2): 107-122.

Bower, J. L. & Christensen, C. M. & 1995. Disruptive Technologies: Catching the Wave. **Harvard Business Review**. January-February 73(1): 43-53.

Bucholz, A. 2001. **Moltke and the German Wars 1864-1871**. London, Palgrave.

Buckley, P. J. 1983. New theories of international business: some unresolved issues. In M. C. Casson (Ed.), **The growth of international business**. George Allen and Unwin, London.

Buckley, P. J. 2004. Globalisation, Economic Geography and the Strategy of Multinational Enterprises (co-author Pervez N. Ghauri), **Journal of International Business Studies,** 35(2): 81-98.

Buckley, P. J. 2007. The Strategy of Multinational Enterprises in the Light of the Rise of China. **Scandinavian Journal of Management**, 23(2): 107 - 126.

Buckley, P. J. 2009. Internalisation thinking – from the multinational enterprise to the global factory, **International Business Review**, 18(3): 224-235.

Buckley, P. J. 2010.The role of headquarters in the global factory. In Ulf Andersson and Ulf Holm (Eds.) **Managing the Contemporary Multinational**, Cheltenham, Edward Elgar, pp 60-84.

Buckley, P. J. 2011. International Integration and Coordination in the Global Factory, **Management International Review**, 51(2): 269-283.

Buckley, P. J. 2012. The Multinational Enterprise as a Global Factory in Alain Verbeke and Hemant Merchant (eds) **Handbook of Research on International Strategic Management**. Edward Elgar, Cheltenham, pp 77 – 92.

Buckley, P. J. & Casson, M. C. 1976. **The Future of the Multinational Enterprise**. London, Macmillan.

Buckley, P. J. & Casson, M. 1981. The Optimal Timing of a Foreign Direct Investment. **Economic Journal**, 91, 75-87.

Buckley. P. J. & Casson. M. C. 1998. Models of the Multinational Enterprise. **Journal of International Business Studies**, 29(1): 21-44.

Buckley, P. J. & Casson M. C. 2007. Edith Penrose's Theory of the Growth of the Firm and the Strategic Management of Multinational Enterprises. **Management International Review**, 47(2): 151-173.

Buckley. P. J. & Casson. M. C. 2009. Strategic complexity in international business in Alan M. Rugman and Thomas L. Brewer (eds) **The Oxford Handbook of International Business,** Oxford Press: Oxford, 2001. Second edition edited by Alan M Rugman (2009).

Buckley, P. J., Chen, L., Clegg, J. & Voss, H. 2016. Experience and FDI risk-taking: A Microfoundational Reconceptualisation. **Journal of International Management**, 22:131-146.

Buckley, P. J. & Ghauri, P. N. 2004. Globalisation, Economic Geography and the Strategy of Multinational Enterprises. **Journal of International Business Studies**, 35(2): 81-98.

Buckley, P. J., & Hashai, N. 2004. A global system view of firm boundaries. **Journal of International Business Studies**, 35(1): 33-45.

Buckley, P. J., & Mirza, H. 1985. The Wit and Wisdom of Japanese Management: An Iconoclastic Analysis. **Management International Review**, 25(3): 16-32.

Buckley, P. J., Munjal, S., Enderwick, P., & Forsans, N. 2017. The Role of Country Alliances in Reducing the Transaction Costs of Internationalisation: Evidence from Indian Multinational Enterprises **Cambridge Journal of Economics** (forthcoming).

Buckley, P. J., Pass, C. L., & Prescott, K. 1990. Measures of international competitiveness – empirical findings from British Manufacturing Industry. **Journal of Marketing Management**. 6(1): 1-14.

Buckley, P. J. & Prashantham, S. 2016. Global Interfirm Networks: The Division of Entrepreneurial Labour between MNEs and SMEs. **Academy of Management Perspectives**, 30(1): 40-58.

Buckley, P. J., & Strange, R. 2015. The Governance of the Global Factory: Location and Control of World Economic Activity. **Academy of Management Perspectives**, 29(2): 237-249.

Brouthers, K. D. 2002. Institutional, cultural and transaction cost influences on entry mode choice and performance. **Journal of International Business Studies**, 33(2): 203-212.

Brouthers, K. D. 2013. A retrospective on: Institutional, cultural and transaction cost influences on entry mode choice and performance. **Journal of International Business Studies**, 44(1): 14-21.

Casson, M. C. 1982. **The Entrepreneur: An economic Theory**. Martin Robertson: London.

Casson, M. C. 1985. Entrepreneurship and the Dynamics of Foreign Direct Investment. In P. J. Buckley and M. C. Casson, **The Economic theory of the Multinational Enterprise**. Basingstoke: Macmillan.

Casson, M. C. 1987. **The Firm and the Market**, Basil Blackwell, Oxford.

Casson, M. C. 2000. **Economics of International Business: A New Research Agenda.** Edward Elgar: Cheltenham.

Caves, R. E. & Porter, M. E. 1977. From entry barriers to mobility barriers: Conjectural decisions and contrived deterrence to new competition. **Quarterly Journal of Economics**, 91: 241-262.

Cavusgil, S. T. & Knight, G. 2015. The born global firm: An entrepreneurial and capabilities perspective on early and rapid internationalization. **Journal of International Business Studies**, 46(1): 3-16.

Chaib-draa, B. 2002. Causal maps, theory, implementation and practical applications in multiagent environments. **IEEE Transactions on Knowledge and Data Engineering**, 14(6):1-17.

Chamberlin, E. H. 1933. The Theory of Monopolistic Competition: A Reorientation of the Theory of Value, Cambridge, Mass.: Harvard University Press.

Chan, T. & Cui, G. (Eds) 2014. The Rise of Asian Firms: Strength and Strategies. London, Palgrave.

Chandler, A. D. 1962. **Strategy ad Structure: Chapters in the History of the Industrial Enterprise**. Cambridge Mass: MIT Press.

Chandler, A. D. 1977. **The Visible Hand**. London: Belknap Press.

Chandler, A. D. 1990. **Scale and Scope**. London: Belknap Press.

Coase, R. H. 1937. The nature of the firm. **Economica**, 4(16), 386–405.

Dierickx, I. & Cool, K. 1989. Asset Stock Accumulation and the Sustainability of Competitive Advantage. **Management Science**, 35/12: 1504-11.

Dunning, J. H. 1958. **American Investment in British Manufacturing Industry**. London: George Allen & Unwin.

Dunning J. H. 1988. The eclectic paradigm of international production: A restatement and some possible extensions. **Journal of International Business Studies,** 19: 1-31.

Eisenhardt, K. M. 1989. Building Theories from Case Study Research. **Academy of Management Review**, 14(4): 532-550.

Faria, A. J., Hutchinson, D., Wellington, W. J. & Gold, S. 2009. Developments in Business Gaming: A Review of the Past 40 years. **Simulation and Grooming**, 40(4): 464-487.

Farrell, C. 2005. Perceived effectiveness of simulations in International Business Pedagogy: An Exploratory Analysis. **Journal of Teaching in International Business**, 16(3): 71-88.

Freeman, C. 1995. The national system of innovation in historical perspective. **Cambridge Journal of Economics,** 19(1): 5-24.

Hardy, C., & Maguire, S. 2016. Organising Risk: Discourse, Power and "Riskification". **Academy of Management Review,** 41(1): 80-108.

Hashai, N. & Buckley, P. J. 2014. Is competitive advantage a necessary condition for the emergence of the multinational enterprise? **Global Strategy Journal,** 4(1): 35-48.

Hennart, J-F. 1991. The transaction cost theory of joint ventures: An empirical study of Japanese subsidiaries in the United States. **Management Science**. 37(4): 483-497.

Hennart, J-F & Park, Y. R. 1993. Greenfield vs Acquisition: The strategy of Japanese Investors in the United States. **Management Science**. 39(9): 1054-1070.

Hennart J-F. 2009. Down with MNE-centric theories! Market entry and expansion as the bundling of MNE and local assets. **Journal of International Business Studies**, 40(9): 1432-1454.

Hinterhuber, A. 2002. Value chain orchestration in action and the case of the global agrochemical industry. **Long Range Planning**, 35(6): 615-635.

Hofstede, G. 1980. ***Culture's consequences: International Differences in Work Related* Values**. Beverly Hills: Sage Publications.

Hofstede, G. 1991. **Cultures and organizations: Software of the mind**. London: McGraw-Hill.

Hymer, S. 1976. **The International Operations of National Firms: A Study of Direct Foreign Investment** (Cambridge, Mass: MIT Press).

Jacobsen, L. R. 2015. On Robinson, Robertson and the Industrial Organization View. **History of Political Economy**, 47(1): 41-89.

Jennings, P. & Beaver, G. 1997. The performance and competitive advance of small firms: A management perspective. **International Small Business Journal**, 15(2): 63-75.

Johanson, J. & Vahlne, J. E. 1977. The internationalization process of the firm-a model of knowledge development and increasing foreign market commitments. **Journal of International Business Studies,** 8(1): 23-32.

Johanson, J. & Vahlne, J. E. 2009. The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. **Journal of International Business Studies**, 40: 1411-1431.

Johanson, J. & Wiedersheim-Paul, F. 1975. The internationalisation process of the firm: Four Swedish cases. **Journal of Management Studies,** 12(3): 305-22.

Katznelson, I. 2013. **Fear Itself – The New Deal and the Origins of our Time**. W. W. Norton & Co. New York.

Kindleberger, C. P. 1970. **American Business Abroad**. New Haven, CT: Yale University Press.

Knight, F. H. 1921. **Risk Uncertainty and Profit**, Boston Mass: Houghton Mifflin.

Knight, G. & Cavusgil, S.T. 2004. Innovation, organizational capabilities, and the born-global firm. **Journal of International Business Studies**, 35(2): 124-141.

Koch, P. T., Koch, B., Menon, T. & Shenkar, O. 2016. Cultural friction in leadership beliefs and foreign-invested enterprise survival. **Journal of International Business Studies**. 47: 453–470.

Kogut, B. & Kulatilaka, N. 2001. Capabilities as Real Options. **Organization Science**. 12(6): 744–758.

Lundvall, B. A. 1992. **National Innovation Systems: Towards a Theory of Innovation and Interactive Learning.** London: Frances Pinter.

Luo, Y., & Shenkar, O. 2011. Toward a perspective of cultural friction in international business. **Journal of International Management**. 17: 1–14.

Maitland, E., & Sammartino, A. 2015. Managerial cognition and internationalization. **Journal of International Business Studies**, 46(7): 733-760.

Mansfield, E. 1993. **The Economics of Technical Change**. Brookfield VT: Edward Elgar.

Marshall A. 1919. **Industry and Trade.** London: Macmillan.

Marshall A. 1920. **Principles of Economics.** (8th edition) London: Macmillan.

Mason, E. S. 1939. Price and production policies of large-scale enterprises. **American Economic Review**, 29(1) 61-74.

McMullen, J. S. & Shepherd, D. A. 2006. Entrepreneurial action and the role of uncertainty in the theory of the entrepreneur. **Academy of Management Review**, 31(1): 132-152.

Molinsky, A. 2007. Cross-cultural code-switching: The psychological challenges of adapting behavior in foreign cultural interactions. **Academy of Management Review**. 32: 622-640.

Nelson, R. 1991. Why Do Firms Differ and How Does It Matter? **Strategic Management Journal**, 14:61-74.

Nelson, R. (Ed) 1993. **National Innovation Systems: A Comparative Analysis**. Oxford: Oxford University Press.

Nelson, R. & Winter, S. G. 1982. **An Evolutionary Theory of Economic change**. Cambridge Mass: Harvard University Press.

Oviatt, B. M. & McDougall, P. P. 1994. Toward a theory of international new ventures. **Journal of International Business Studies**, 25(1): 45-64.

Penrose, E. T. 1959. **The Theory of the Growth of the Firm**. Oxford: Basil Blackwell.

Penrose, E. T. 1960. The growth of the firm – A case study; The Hercules Powder Company. **Business History Review**, 34(1): 1-23.

Peteraf, M. A. 1993. The cornerstones of Competitive Advantage: A Resource-Based View. **Strategic Management Journal**, 14: 179-88.

Peters, T. J., & Waterman, Jr., R. H. 1982. **In Search of Excellence**. New York: Harper & Row.

Pettigrew, Andrew. 1992. The character and significance of strategy process research. Strategic Management Journal 13, Special issue: 5-16.

Porter, M. E. 1978. Market Structure, strategy formulation and firm profitability: The theory of strategic groups and mobility barriers in J. Cady (ed) **Marketing and the Public Interest.** Cambridge, Mass: Marketing Science Institute pp 101-126.

Porter, M. E. 1979. How Competitive Forces shape Strategy. **Harvard Business Review**, 57: 137-156.

Porter, M. E. 1980. **Competitive Strategy**. Free Press, New York.

Porter, M. E. 1981. The Contributions of Industrial Organisation to Strategic Management. **Academy of Management Review**, 6(4): 609-620.

Porter, M. E., 1990. **The competitive advantage of nations**. London: The Free Press.

Porter, M. E. 1991. Towards a Dynamic Theory of strategy. **Strategic Management Journal**, 12 (Special Issue): 95-117.

Pretorius, M. 2009. Defining business decline, failure and turnaround: A content analysis. **Journal of Entrepreneurship and small Business** 2(1): 1-16.

Richardson, G. B. 1972. The organisation of industry. **Economic Journal,** 82(327): 883-96.

Robbins, L. 1928. The representative firm. **Economic Journal,** 38:387-404.

Robinson, J. 1933. The economics of imperfect competition. London, Macmillan.

Rugman, A. M. 1981. **Inside the multinationals – The economics of international markets.** London/New York: Columbia University Press.

Rugman, A. M., & Verbeke A. 2003. Extending the theory of the multinational enterprise and strategic management perspectives**. Journal of International Business Studies,** 34(2): 125-137.

Rumelt, R. P. 1984. Towards a Strategic Theory of the Firm. In R. B. Lamb (Ed.), **Competitive Strategic Management**, Upper Saddle River, N. J.: Prentice Hall.

Saebi, T., Lien, L., & Foss, N. J. 2016. What Drives Business Model Adaptation? The Impact of Opportunities, Threats and Strategic Orientation. **Long Range Planning** (forthcoming).

Selznick, P. 1957. **Leadership in Administration**. Harper & Row, New York.

Shenkar, O. 2001. Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences. **Journal of International Business Studies**. 32: 519–535.

Shenkar, O. 2012. Beyond cultural distance: Switching to a friction lens in the study of cultural differences. **Journal of International Business Studies**. 43: 12-17.

Shenkar, O., Luo, Y. & Yeheskel, O. 2008. From 'distance' to 'friction': Substituting metaphors and redirecting intercultural research. **Academy of Management Review**. 33: 905–923.

Scherer, F. M. et al. 1975. **The economic theory of the multi-plant firm.** Cambridge: Mass. Harvard University Press.

Simon, H. A. 1957. **Models of Man. Social and Rational Mathematical Essays on Rational Human Behavior in a Social Setting**. Hoboken, N. J.: John Wiley & Sons.

Soskice, D. & Hall, P. A. (Eds) 2001. **Varieties of Capitalism: The Institutional Foundation of Comparative Advantage**. Oxford: Oxford University Press.

Spender, J-C. 1989. Industry Recipes – **An Enquiry into the Nature and Sources of Managerial Judgement.** Oxford: Basil Blackwell.

Taleb, N. N. 2010. **The Black Swan: The impact of the highly improbable**. London: Penguin (second edition).

Tallman, S., Luo, Y., & Buckley, P. J. 2017. Business Models in Global competition. **Global Strategy Journal.**

Teece, D. J. 2007. Explicating dynamic capabilities: The nature and microfoundations of (sustainable) enterprise performance, **Strategic Management Journal**, 28(13): 1319-1350.

Teece, D. J. 2014. A dynamic capabilities-based entrepreneurial theory of the multinational enterprise. **Journal of International Business Studies**, 45(1): 8-37.

Teece, D. J. 2015. **Dynamic Capabilities.** Palgrave Encyclopaedia of Management. DOI 10.1057/9781137294678.0180.

Teece D. J., Pisano, G., & Shuen A, 1997. Dynamic Capabilities and Strategic. **Management. Strategic Management Journal**, 18(7), 509-533.

Tipton, F. B. 2007, Asian Firms: History, Institutions and Management. Cheltenham: Edward Elgar.

Van Der Eng, P. 2017. Dealing with Liabilities of Foreignness: The Case of Philips in Australia, 1945-1980. Australian National University Discussion Paper 2017-06 July 2-017, Canberra.

Verboken, K., Carlier, M., & Dumolyn, J. 2017. A short Manual to the Art of Prosopography. In Keats-Rohan K.S.B. (Ed.), **Prosopography Approaches and Applications. A Handbook**, Oxford, Unit for Prosopographical Research (Linacre College), 2007, p. 35-69.

Vernon R. 1966. International trade and international investment in the product cycle. **Quarterly Journal of Economics,** 80: 190-207.

Wernerfelt, B. 1984. A resource-based view of the firm. **Strategic Management Journal**, 5(2): 272-80.

Whitley, R. 1999. **Divergent Capitalisms: The Social Structuring and Change of Business Systems**. Oxford: Oxford University Press.

Wijeratne, D., Rathbone M., & Wong, G. 2018. A strategist's guide to China's Belt and Road Initiative. **Strategy & Business**, Issue Spring 2018, 90:58-69.

Wilden, R., Devinney, T. M., & Dowling, G. R. 2016. The Architecture of Dynamic Capability Research: Identifying the Building Blocks of a Configurational Approach, **Academy of Management Annals,** 10(1): 997-1076.

Williamson, E. O. 1980. Emergence of the Visible Hand: Implications for Industrial

Organization. In A. D. Chandler and H. Daemes (Eds) **Managerial Hierarchies: comparative perspectives on the Rise of the Modern Industrial Enterprise**. Cambridge, Mass: Harvard University Press.

Williamson, O. E. 1981. The Economics of Organization: The Transaction Cost Approach. **The American Journal of Sociology,** 87(3): 548–577.

Wilson, J. F. & Toms, J. S. 2012. Revisiting Chandler on the Theory of the Firm. In M. Dietrich and J. Krafft (Eds) **Handbook on the Economics and theory of the Firm**. Cheltenham: Edward Elgar.

Wolfe, J. N. 1954. The Representative Firm. **Economic Journal**, 64(254): 337-349.

Youn, H., Strumsky, D., Bettencourt, L. M. A., & Lobo, J. 2015. Invention as a combinatorial process: evidence from US Patents. **Journal of the Royal Society**, Interface, 12: 20150272.

Zaheer, S. 1995. Overcoming the liability of foreignness. **Academy of Management Journal,** 38(2): 341-63.

Zander, I., McDougall-Covin, P., & Rose, E. L. 2015. Born globals and international business: Evolution of a field of research. **Journal of international Business Studies**. 46(1): 27-35.

Zott C, Amit R. 2007. Business model design and the performance of entrepreneurial firms.

Organization Science, 18(2): 181-199.

Zott C, Amit R. 2008. The fit between product market strategy and business model: Implications for firm performance. **Strategic Management Journal**, **29**: 1-26.

Zott C, Amit R. 2010. Business model design: An activity system perspective. **Long Range Planning**, 43: 216-226.