



Contents lists available at [ScienceDirect](#)

The International Journal of Management Education

journal homepage: www.elsevier.com/locate/ijme



The challenges of teaching strategic management: Including the institution based view



Stuart A. Napshin*, Gaia Marchisio

Department of Management and Entrepreneurship, Coles College of Business, Kennesaw State University, 560 Parliament Garden Way MD0404, Kennesaw, GA 30144, United States

ARTICLE INFO

Article history:

Received 16 January 2017
Received in revised form 28 June 2017
Accepted 18 July 2017
Available online 24 August 2017

ABSTRACT

Dealing with the institutional differences is increasingly important in the globalizing world economy. While an Institutional Based View (IBV) is gaining prominence in strategic management scholarship, it is under-represented in strategic management courses. The resource based view (RBV) and Industrial Organization Economics (IO) commonly represented by Porter's Five Forces, remain the significant theories within strategic management courses in the U.S. We summarize the tenants of the Institutional Based View, demonstrate how it relates to the Resource Based View and Industrial Organization Economics and present an experiential exercise for introducing basic aspects of the IBV in the strategic management classroom.

© 2017 Elsevier Ltd. All rights reserved.

1. Introduction

Industrial Organization Economics (IO) and the Resource Based View (RBV) are the main theoretical models in the strategic management course. Porter's Five Forces is the dominate framework used to analyze the firm's external environment from an IO perspective (Porter, 1980, 1981) while the resource based view is the dominate perspective used to analyze the firm's internal environment (Barney, 1986; Penrose, 1959; Rumelt, 1984; Wernerfelt, 1984).

The RBV argues that firm specific capabilities (Barney, 1991) including the ability of the firm to dynamically adapt to environmental change (Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997) drive firm level performance. IO argues that conditions of competition extend beyond direct competitors and that this extended competition must be considered to understand the potential profitability of the firm (Porter, 1980). Both the RBV and the IO perspectives have been criticized for lacking contextually (Narayanan & Fahey, 2005; Priem & Butler, 2001). The rise of globalization and the need to address the challenges of operating in new and different environments have made this criticism especially acute (Meyer & Peng, 2016).

The Institution Based View (IBV) is a contextual perspective that is a necessary third leg needed to balance the strategy tripod (Peng, 2002; Peng, Sunny Li, Pinkham, & Hao, 2009; Peng, Wang, & Jiang, 2008; Su, Peng, & Xie, 2016). While the IBV has not been adequately represented in the strategic management course (Marguerite & Pamela, 2004), it can contribute significantly to the key purposes of the course; the development of a managerial perspective, the linkage of theory to practice and the development of strategic thinking (Liedtka & Rosenblum, 1998; Marguerite & Pamela, 2004; Thomas, 1998).

* Corresponding author.

E-mail addresses: snapshin@kennesaw.edu (S.A. Napshin), gmarchis@kennesaw.edu (G. Marchisio).

The challenge addressed here relates to the integration of the Institution Based View into the strategic management course. To accomplish this, we discuss the emergence and impact of the IBV, summarize its main tenants, compare these to RBV and IO tenants and present an exercise to introduce the IBV to students.

2. The institution based view

The Institution Based View argues that organizations exist within a social context, often state and society, and that there is a set of acceptable economic behavioral actions available within these contexts (North, 1990; Powell & DiMaggio, 1991; Scott, 1995). In this perspective, economic behavior is motivated by more than economic utility (the basis for the IO and RBV theories), additional motivations including social approval, social justification, social obligation, habit and tradition (Scott, 1995; Zucker, 1987; Zukin & DiMaggio, 1990). These behavioral expectations or 'rules of the game' are referred to as 'institutions' and represent the 'humanly devised constraints that structure human interaction' (North, 1990, p. 3).

Within the IBV, actions are understood occurring within a cloud of uncertainty where the cues that inform actors choices of appropriate decisions are influenced by the relevant institutions that give those cues and actions meaning (Jarzabkowski, 2008). Institutions surround and influence the actions of organizations and organizational members, orienting actors towards socially acceptable and supportable actions and away from actions that may be socially sanctioned, either implicitly or explicitly (Jepperson, 1991; Oliver, 1997; Powell & DiMaggio, 1991; Scott, 1995). Actions in conformance with Institutional expectations are more certain of social acceptance than actions outside those expectations. As a result, Institutions reduce the uncertainty of organizational actions taken in compliance with the institutional expectations (Scott, 1995) as well as setting the stage for functioning markets (Williamson, 2000).

Institutions originate in both formal processes such as laws, judicial decisions, regulations and contracts and informal processes such as culture, norms, values and ideology (North, 1990). Scott (1995, 1981) referred to these formal processes as 'regulative' which defined acceptable actions as legally required and unacceptable actions are legally sanctioned. Scott (1995, 1981) referred to the informal process as 'normative' and 'cognitive', representing behaviors that are accepted because they represent the way things should, due to the normative influence of professional/technical organizations, or because those behaviors are prevalent, culturally supported and recognizable. For an introductory perspective to students, we prefer to use the 'formal' and 'informal' nomenclature (North, 1990).

Formal and informal institutions represent more than simple background conditions upon which resource and industry differences are set (Meyer & Peng, 2016; Oliver, 1997; Peng & Heath, 1996; Peng et al., 2009; Su et al., 2016). Instead, 'institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy' (Ingram & Silverman, 2002, p. 20). Institutions are the "vehicles for activity ... and the ... frameworks of programs or rules establishing identities and activity scripts for such identities" (Jepperson, 1991, p. 146).

Firm performance is influenced by the firm's relationship to institutional expectations. Conformity to institutional expectations has been shown to influence organizational legitimacy and thus facilitate access to the resources that are important for firm survival and success (Delmar & Shane, 2004; DiMaggio & Powell, 1983; Karlsson & Honig, 2009; Tornikoski & Newbert, 2007; Zott & Huy, 2007). Particular to developing economies institutional differences can play a critical role as more formalized economic structures are less pronounced (Meyer & Peng, 2016; Peng et al., 2009).

Fundamentally, the Institution Based View argues that the firm's relationship to and reflection of dominate acceptable economic behaviors can affect a firm's performance in addition to the influence occurring due to a firm's resources and its relative position within the industry structure (Peng, 2002; Peng et al., 2009; Su et al., 2016).

2.1. Institution based view in relationship to the RBV

The Resource Based View focuses on the characteristics of the resources and capabilities the firm possesses. Resources that are valuable, rare, difficult to copy and difficult to substitute for lead to economic rent (Barney, 1991; Barney, Wright, & Ketchen, 2001). Oliver (1997) argues that the resource selection, development and disposition process is inherently embedded within an institutional context that affects the pure economic rationality of these decisions. Included in the dynamic capabilities perspective is this resource selection, development and disposition process used to maintain the relevance of the firm's resources and capabilities as the environmental opportunity changes (Eisenhardt & Martin, 2000; Teece et al., 1997).

Within the resource based view and the dynamic capabilities perspective, managers guided by economic justification and motivations of optimization, efficiency, effectiveness and profitability (Barney, 1986, 1991) conduct resource selection, acquisition, deployment and disposition. The institution based view extends this to include motivations of social justification and social obligation (Zukin & DiMaggio, 1990). Embedded within social structures, individuals are approval seeking, socially influenced and disposed to institutionalized actions based out of habit and tradition (Scott, 1995; Zucker, 1987). Resource choices instead of being driven solely by economic justification can also be justified by institutionalized expectations of tradition, longevity, acceptance and legitimacy. Thus, the IBV adds explanatory power to the process of resource acquisition, development, use and disposition at multiple levels and is an effective behavioral compliment to the economic logic of the RBV and dynamic capabilities as presented in the strategic management classroom.

2.2. Institution based view in relationship to industrial organization economics

The second major perspective presented in the strategic management classroom is IO most often brought into the classroom as Porter's Five Forces (PFF) (Porter, 1980). IO argues that the conditions of competition among five forces; threat of new entrants, threat of substitutes, bargaining power of supplies, bargaining power of buyers and industry rivals largely determine the level of industry profitability (Porter, 1980, 1981). IO points out the importance of assessing the firm's external environment. However, the IO perspective has been criticized for a lack of attention to context, relying on an unstated western market based institutional framework, primarily the United States (Narayanan & Fahey, 2005).

Although Michael Porter's later work more explicitly incorporated institutional conditions (Porter, 1992, 1998) it is the original IO framework that is generally incorporated within strategic management texts and classes. In presentation of the IO, this western market based institutional framework is implicit and taken for granted but represents a boundary condition for application of the IO and PFF (Narayanan & Fahey, 2005). Formal institutions (laws and regulation) and informal institutions (customs, norms and values) should not be assumed away as background conditions in the strategy classroom.

2.3. The institution based view in the strategic management classroom

Introducing the institution based view in the strategic management classroom presents an opportunity to deepen student understanding of the relationship between the firm, managerial action and the environmental context. By introducing the IBV, students can begin to understand the limitations and boundary conditions of the dominant strategy theories, IO and RBV. Further, the IBV can contextualize Corporate Social Responsibility, a topic common in many strategic management texts that we discuss below. As the IBV is initially best understood in relationship to the RBV and IO, we suggest that the IBV be introduced after the RBV and IO have been discussed. Since the IBV can be an explanatory theory for the development and spread of Corporate Social Responsibility (CSR), we suggest that it be introduced prior to in depth discussions of CSR. We recognize the significant demands on the Strategic Management class and limited time. However, the IBV is an important framework for understanding the firm's environment as well as managerial actions. Given the subtlety of institutional expectations, a tacit experience is a good way to outline the importance of the un-stated rules that shape social interaction.

With respect to the RBV and dynamic capabilities, the IBV is best presented as an alternative to analyze and explain resource selection, acquisition, deployment and disposition, thus contextualizing managerial action. The IBV is especially salient in discussions of: persistence and change (Hannan & Freeman, 1984), core capabilities and core rigidities (Leonard-Barton, 1992), the liability of newness (Freeman, Carroll, & Hannan, 1983; Henderson, 1999), the role of regulation (Pfeffer & Salancik, 1978), the scope of the firm (Peng, Seung-Hyun, & Wang, 2005) and the potential for negative impacts from best practice benchmarking (DiMaggio & Powell, 1983). We believe that the IBV can also contribute to competitor analysis. As there may be room for competitor or entrepreneurial attack when a firm is engaging in routinized activities that have become uncoupled from economic justifications.

With respect to IO, the IBV is best used to analyze and explain the boundary conditions under which IO and PFF is applicable, western market based economies. The IBV can also draw attention to the importance of institutional conditions in emerging markets that do not operate like western markets (Peng et al., 2008). Two useful readings that highlight these difference include 'Strategies that fit emerging markets' Khanna, Palepu, and Sinha (2005) and 'Distance still matters' Ghemawat (2001, pp. 137–147). The IBV is especially salient in discussions of globalization that can include ideas of competition (Peng et al., 2008), firm entry (Meyer, Estrin, Bhaumik, & Peng, 2009) and firm growth in non-western markets (Peng & Heath, 1996).

In addition to contextualizing IO, RBV and Dynamic Capabilities, the IBV can shed light on a common topic in Strategic Management text books, namely Corporate Social Responsibility. There are two common approaches to CSR justifications, both of which insufficiently contextualize these firm actions. The first approach is an economic justification and focuses on the functionalist, instrumental and business case for CSR actions (Margolis & Walsh, 2003). However, the link between firm performance and CSR actions is not strongly proven (Orlitzky, Schmidt, & Rynes, 2003) and the belief that managers only engage in CSR actions as a way of enhancing firm performance is a very narrow view of managerial motivation. Further, this perspective tends to isolate the firm conceptually from the social environment it operates within and minimize the action/reaction effect of firm choices that extend beyond the corporate sphere (Brammer, Jackson, & Matten, 2012).

The second approach sees CSR actions as moving beyond regulatory requirements but grounded in the voluntary actions of the managers (Kinderman, 2011). However, understanding of the evolution of these voluntary actions, their growth, geographic distribution, prevalence, and endurance are left without grounding (Brammer et al., 2012). The IBV adds explanatory power as it focuses on the influence of institutional structures on the corporation and its actions, including CSR. Through the IBV students can more clearly understand the corporation as an intersubjective legal fiction granted limited liability by society in order to take long term value creating actions that are not limited by the lifespan of any individual. Further, the IBV can help frame the role of corporations in influencing the society which has created them. Given corporate influence on issues of employment, the environment and social inequality as well as the impact of corporate scandals on financial systems and stability, the role of limited liability of corporations on society is a profound topic (Brammer et al., 2012). The IBV is well placed to frame these discussions.

2.4. Introducing the IBV using an experiential exercise

2.4.1. Learning objectives

The learning objectives of this exercise are to help students develop an:

- understanding that institutional expectations (rules) govern socio-economic transactions,
- understanding that these expectations can differ between parties and between settings,
- appreciation of the boundary conditions where institutional expectations can differ, and
- an appreciation of the IBV in relationship to the other dominant strategy theories; IO and the RBV.

2.4.2. Class and instructor preparation

The exercise is very effective as a review activity prior to a midterm or other test, which is how we present it here. We have effectively run this exercise in classes as small as 15, using smaller teams, and as large as 85. With larger classes, it is useful to have a helper for playing card distribution, usually a student volunteer. Since the exercise is based upon the card game 'Poker' it is important, prior to running the activity, that the instructor inform the students that they will be playing a game of Poker in the coming class to liven up the review. By indicating to the students that Poker will be played in a coming class, the instructor is setting forth a set of implied but unstated rules, importantly the ranking of poker hands (See [Appendix 1](#)). While some students will be familiar with the ranking of Poker hands, many will not. Further, while some students will take it upon themselves to research the ranking without prompting, many will not. This variation in familiarity with the rules underlying 'who wins' provides an opportunity for the instructor in the debriefing to bridge conceptually to the IBV.

To motivate interest and participation, we let students bet up to 2 points, out of 100 points, of their final grade. Students bet in $\frac{1}{4}$ point increments which means that they have up to 8 tokens to bet with over 5 rounds. In order to accommodate these points in the course grading, we build into the overall grading scheme an extra two points that the entire class earns two weeks before the exercise. This allows us to praise the class for their group efforts that won the entire class the extra two points and increases student interest and willingness to bet with their grade in the exercise. While there are other methods to engage students in the activity, we find that grade based betting provides good opportunity in the debrief to discuss risk preferences ([Kahneman & Tversky, 1979](#)), slack resources ([March & Shapira, 1987](#)) and rivalry ([Porter, 1980](#)).

To facilitate the exercise, the instructor will need to prepare introductory slides followed by a series of paired slides with the first paired slide containing five multiple choice questions, that review the test material, followed by a second paired answer slide, see [Appendix 2](#) for our slides that explain the game. The amount of material covered by the exercise will vary depending upon how many rounds of poker the instructor wishes to conduct. We have found that five rounds is effective in a 75 min class. In order for the student to keep track of their right and wrong answers as well as their tokens bet and won, the instructor can provide a tracking sheet for each student, the one we use is included in [Appendix 1](#).

In order to play Poker, each team will need a deck of playing cards and betting tokens. Importantly, the instructions included in new decks of cards should be removed before use in the class as they usually include the ranking of poker hands. The jokers can also be removed. We use pennies for tokens but have also printed out funny fake dollar bills to add excitement. Since students have eight $\frac{1}{4}$ points to bet, they will need eight tokens. It is useful to prepare the tokens ahead of time. For example, if teams generally have six members then we will prepare bags with 48 tokens apiece. This makes it easy to adjust the number of tokens for teams with more or less than six members. After the exercise, it is useful to have the groups put the same number of tokens back into the bag so the tokens are ready to go the next time you want to run the exercise. A summary of the preparation materials follows:

- One deck of cards for each team (instruction cards and jokers removed)
- 8 betting tokens per student collected into bags for each group
- Slides that explain the game
- Question slides and answer slides
- Individual tally sheet for answers

2.4.3. Setting up the exercise

In order to run the exercise, the class needs to be divided into groups of approximately 5–7. However, groups as small as three are appropriate for smaller classes. Given the use of team based simulations and team presentations in many strategy classes, existing teams are often the most effective way to group students. However, if there are not existing teams, groups can quickly be formed using a count off method.

Once teams are established, have each team to designate a 'player/dealer' who will be responsible for dealing and shuffling the cards. To each play/dealer, distribute a deck of cards, a bag of tokens and enough tally sheets for each player. Make adjustments to the tokens for teams with more/less members and have the player/dealer distribute the tokens and the tally sheets and shuffle the cards.

2.4.4. Explaining the exercise, conducting the rounds

Once the cards and tokens are distributed, explain the initial part of the exercise along the following lines, using supporting slides:

“To review for the test we are going to play poker. To earn cards, you have to correctly answer multiple-choice questions. There are five questions per slide, so you can earn five cards. Mark your answers on Tally Sheet. When I post the answers, mark what you had correct and ask the player/dealer to give you that number of cards.

Once everyone has his or her cards, you can bet. The person to the left of the dealer bets first, in this round. However, the first person to bet moves to the next person each round. After everyone has bet or folded, determine who had the winning hand.”

We intentionally leave the process of betting vague as it opens opportunity in the debriefing to point out how informal institutions are important when formal institutions are weak (Peng et al., 2009). However, you will receive questions about how the students should bet including the ante, re raises, all in, etc ... We leave it up to each team to determine their rules.

After explaining the initial rules, play a practice round using real review questions.

- Put up the question slide but limit the amount of time the students have to answer the multiple choice questions to 90 s. Remind them to mark their answers on the Tally Sheet.
- Reveal the answer slide.
- Have the students mark the correct answers on their Tally sheet and determine how many cards to collect from the ‘player/dealer’
- Tell the students to make their best hand from their cards, bet and determine who won within their team.

During the practice round, you will get students asking you to explain who won in their group because they don’t know the ranking of poker hands. We use this as an opportunity to query the class to see how many students don’t have a clear understanding of the ranking of poker hands (the rules about who wins) and use this to set up the debriefing by briefly probing along the following lines:

- Why would they want to compete in an environment where they don’t know the underlying rules of competition?
- How do they think not understanding the rules would impact their ability to succeed?
- Can they rely on the people that know the rules to not take advantage of them?
- How should they learn the rules?
- How should they proceed operating in an environment where they don’t know the rules?

Since, understanding the ranking of poker hands is important to sensitizing the students to the ‘rules of the game’ we don’t reveal the ranking of poker hands but let the teams themselves determine who ‘won’.

After the practice round is over, have the player dealer collect the cards and shuffle them. Also, be sure that all bets are returned so each person is starting with the same number of tokens. We then conduct another one to two competitive rounds similar to the practice round but decrease the amount of time the students have to answer the questions each round. The decreasing amount of time each round can be used in the debriefing to discuss the relationship of time, speed of response, competitive cycles, geo-location (students in the back of a large class may be at a disadvantage) to strategy.

After the first or second competition round, we like to alter the rules of the game. The change in rules can be used in the debriefing to discuss 1) the evolving nature of institutional expectations and 2) the importance of governing bodies in establishing the underlying stated and unstated rules by which competition is conducted.

While there are many ways you can alter the rules of 5 card stud (i.e. wildcards), we alter the rules by adding shared cards. These are cards that any individual in the group can use to form their best hand. To do this, we have the player/dealer pull four cards off the top and reveal them to the team before the question slide is posted. The slides we use to describe the use of shared cards are shown in [Appendix 2](#). We like the addition of shared cards as our rule change as it opens an opportunity in the debriefing to discuss the relative value of common or shared resources in relationship to the firm’s unique resources (Lavie, 2006). The addition of shared cards is only one way that you can alter the rules of the game. For example, the use of wildcards could provide an interesting discussion of substitutes (Barney, 1991). We encourage your creativity.

At the end of the 5th round, we have each player complete their Tally Sheet, clearly indicating how many points they won or lost, and we collect the Tally Sheets so we can record the grade impact.

2.4.5. Debriefing the exercise

We have had the very good success debriefing the exercise when the comments are driven by student reflection on the specific elements of the exercise and overall activity. We suggest the following discussion questions to structure the debriefing. A white board plan we fit these ideas into is included in [Fig. 1](#):

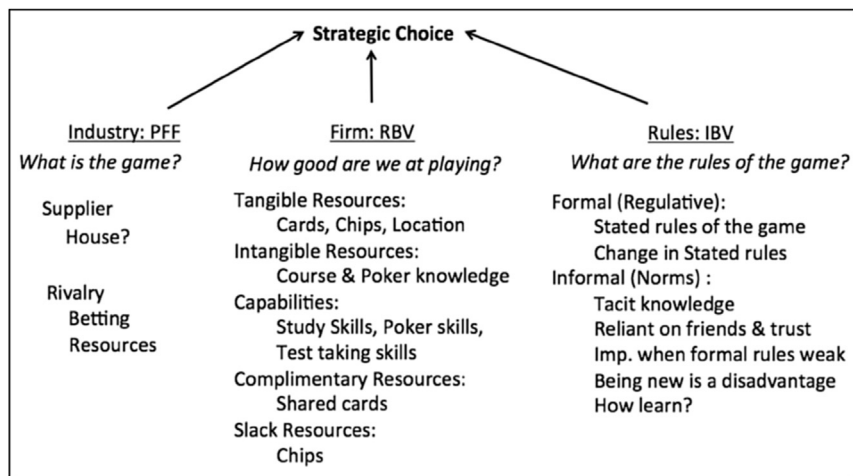


Fig. 1. Example White Board for Debriefing.

2.5. Discussion question: what was important to winning?

This question will facilitate a lot of interaction. Often students start jokingly with the idea that luck was instrumental in winning. There is a significant element of luck in the game intentionally and it is worth probing what the student who mentioned this means while linking their comments back to strategy. We like to follow the 'luck' answer with the question: "How was luck manifest in the game?". The student usually refers to the draw of the cards that they received. However, their probability of receiving a good hand was directly related to their preparation for the review/exercise. Students who knew the review material better were more likely to get questions correct and therefore receive more playing cards, improving their ability to make the best hand and win.

Highlighting this relationship allows us to discuss more deeply the strategy elements in the game. We like to emphasize this by asking the larger class "It was more than just luck that enabled you to receive five cards each round. What is the relationship between being prepared, luck and success?" This usually facilitates a good deal of discussion in the class within which we like to focus on how preparation was a combination of tangible resources (ex. text, slides, notes), intangible resources (course content knowledge) and capabilities engaged over time (study skills, test taking skills, note taking ability) and how these related to getting more opportunities to win (opportunity recognition) (Baron & Ensley, 2006). Through this focus, we begin to address the RBV and the question 'How good are we at playing?' (see Appendix 2).

2.6. Discussion question: why was coming to class with an understanding of the rules of the game important to your chance of winning?

The prior discussion of 'preparation' focuses on the 'firm' using a resource based perspective. We widen the concept of 'preparation' to include understanding the rules of the game. This allows us to discuss the IBV and demonstrate how it creates boundary conditions for the RBV.

There are always a few students who come to the exercise not knowing the ranking of poker hands. Some of these students will be obvious to you during the practice round as they will be the ones asking how they know who has won in their group. Recalling these students, we can direct the following question to them: "I noticed that you did not know the ranking of poker hands when we got started. Did you feel you were at a disadvantage in that round?" As a yes/no question, we can probe further in either direction.

For students who answer 'yes' following up with 'Why did you feel disadvantaged?' which usually surfaces three issues: 1) Not understanding the value of their cards (demonstrating how the rules of the game create boundary conditions by defining the value of resources) (Oliver, 1997), 2) Feeling lost or not knowing what to do (demonstrating a liability of foreignness when you don't know the rules of the game) (Zaheer, 1995) and 3) Being dependent upon others who they are in competition with (demonstrating how information asymmetry from not understanding the rules of the game can create situations that disadvantage the firm) (Coase, 1937; Williamson, 1979).

For students who answer 'no' we gently tease them about how trusting they are and then recast the risk so it is more obvious, along the lines of: "You are a very trusting soul. Even though you don't think your friends would take advantage of your situation, I doubt you would recommend that as a good strategy for a firm starting to compete in a new and unfamiliar environment like entering a new market or a new county. What do you think the risks are to a firm such a situation?" Here we return to the three points made above: not understanding the value of your resources (the IBV as boundary condition for resource decisions), feeling lost (liability of foreignness) and dependency on others who may take advantage of you (transaction cost economics). This discussion clarifies the risks of operating in an environment where you don't understand the rules.

We like to return to our student who answered 'no' to highlight the importance of interpersonal relationships in weak institutional environments. "You trusted your friends not to take advantage of you because of the relationship you have with

them. In environments with few or weak established rules, interpersonal relationships are very important. For example, in China, interpersonal relationships and networks and their implied social obligations are called Guanxi. Interpersonal networks and their implied rules are as important in many countries as the rules established by the state. In our exercise, how was the state represented?"

Once the risks are clear of operating in an environment where you don't understand the rules, we like to have the students consider how a firm could go about learning the rules while minimizing risk: "How do you think firms go about learning the rules of competition in a new environment, like operating in a new country, before they lose their shirts?" This is often a useful discussion that can incorporate many strategy elements including international entry strategy (Hill, Hwang, & Kim, 1990) and environmental sensing (Ocasio, 1997).

2.7. Discussion question: what resources were available in the game that impacted the ability to win?

The earlier conversation is likely to have broached resource based topics but it is worth going into this in greater depth to clarify tangible resources, intangible resources and capabilities. We like to start with tangible resources, as they are easiest conceptually "What were the tangible resources at play in the game and what kind of advantage did they create?" The main tangible resources in the game are the playing cards. It will be obvious to the students the advantage was temporary. We like to point out that the temporary advantage of tangible resources is similar in real competition as the value of tangible resources are easily understood by competitors and imitated, competing away any advantage (Barney, 1986).

In addition to the cards held in individual hands were the shared cards which represent resources commonly available but vary in value based upon the firm's complimentary resources. "The shared cards were a tangible resource but everyone could use them, what did it take to win with the shared card?" It will be obvious to the students that the shared cards were more valuable when you held cards that could be effectively combined with them. This reflects the way some tangible resources can be more valuable to one firm than another based upon the availability of their complimentary resources (Barney et al., 2001; Lavie, 2006).

A tangible asset in the game that is less obvious is the student's physical location in the room. Students that are closer to the front are often advantaged due to their ability to see the multiple choice questions better than others further back. We like to broach this subject with "I saw some of you in the back straining to see the questions clearly, if location was an important resource, why didn't you move?" Students will often indicate that they did not think they could move or that they were afraid of getting in front of other students by moving. These and similar answers highlight the presence of unstated social obligation rules affecting the play of the game. A follow up question can be used to explore the issue "Earlier, you generated some ideas for how a firm could go about learning the rules in a new environment, which do you think are best for learning the unstated rules that also impact competition?"

Summarizing the class discussion of tangible resources, we like to ask the students about the relationship of tangible resources in the game to winning "So, which of the tangible resources contributes to long term winning?" Through the above discussion, the students begin to understand that the tangible resources have limited capacity to lead to long term winning in the game which allows us to begin exploring the role of intangible resources and capabilities.

"If the tangible resources in the game were not likely to lead to winning across the rounds, what about your personal intangible resources or capabilities, how did they come into play in the game?" The major intangible resources in the game are 1) the student's knowledge of the course material they bring to the exercise and 2) the knowledge they have about playing poker, including the rules of the game, how to read other players, how to bet, etc ... The major capabilities in the game are 1) the ability to effectively take tests under time pressure and 2) the ability to play a poker hand well. Once these intangible resources and capabilities are identified, we query the students about their relative ability to create a more sustained advantage. "What capability or intangible resource is best able to lead to winning across multiple rounds, why?" Through the discussion, we find it useful to demonstrate that the value of the intangible and tangible resources is in how they relate to and create the capabilities (Helfat & Peteraf, 2003) which must fit within the formal and informal rules of the game to offer the best possibility for winning across multiple rounds.

You may run into a student who sees no skill in poker, arguing that winning is just pure luck. You can address such a comment by first turning to any of your students who regularly play poker and asking them if there is any skill involved. We also find it useful to reference Levitt and Miles (2011), which analyzed the results of the 2010 World Series of Poker finding that highly skilled players generated an average return on investment of over 30% compared to a negative 15% for all other players. Poker playing capabilities matter.

2.8. Discussion question: how did the people you were competing with impact your ability to win?

Through this question we bring up industry conditions and rivalry, the main element of IO active in the exercise. Rivalry is evident through the betting behavior that varies from 'non betting' to 'all in'. We like to get a show of hands of those students who chose not to bet, and use that to begin exploring the impact of rivalry. "Why did you choose not to bet?" Most student answers can be linked back to the IBV (they did not understand the rules) or the RBV (they did not have the right resources or capabilities to feel they could play successfully). We have found that some students will mention that they do not want to risk the loss of the extra points they already earned on their grade. We have used such statements as an effective jumping off point to discuss the effect of slack resources (Singh, 1986) or risk taking under uncertainty (Kahneman & Tversky, 1979). For those students who 'bet the ranch', a similar approach can be taken. These students generally argue that they had better resources, a

better understanding of the game or a higher risk tolerance. Approaching either the non-betters or the 'all in' betters allows us to point out the relationships within the game derived from IO, the RBV and the IBV, reinforcing the larger learning objectives of the exercise. We often further explore variations in rivalry by asking "What conditions increased rivalry? What conditions reduced rivalry?" Answers along these lines can often be fit within the IO, RBV and IBV framework. However, we find that interpersonal issues can also drive rivalry within a team, such answers allow us to bring up CEO behavior and how it can impact firm performance (Chatterjee & Hambrick, 2007).

A second element of IO implied in poker but not active in the game is supplier power. Normally in poker, the house (the supplier) would take a cut of every pot, called the rake, reducing the economics available to all players. We like to point out how a house rake, say 10% of the pot, can dominate the economics of the game very quickly. For example if there are 6 players with 10 chips and a 10% house cut, by the 7th round, the house has taken 52% of the original 60 chips available to bet. This demonstrates very clearly the importance of understanding supplier power. While we have not integrated the 'rake' into the game, we encourage such experimentation.

2.9. *Were internal factors or external factors the primary determinate of who won any individual round? why?*

Addressing this question requires students to balance the relationship of the competing frameworks, IO (the conditions of competing), the RBV (our resources to compete) and the IBV (the rules of competing). We use this question to highlight these relationships by qualifying any student answer using elements from one of the other frameworks.

2.10. *What did you learn from this activity?*

This question asks the students to summarize the activity and link it to the primary frameworks used in the strategy class. Therefore, it provides the instructor feedback regarding the students understanding of the frameworks as well as the student's perception of the activity and its usefulness.

3. Conclusion

We use the game in our undergraduate sections with very good feedback. Student comments highlight the effectiveness of the game in introducing the students to the institution based view as well as deepening student understanding of firm resources/capabilities as well as industry conditions. Following are student responses to this unstructured question: "I think this exercise helped me ..."

"Great example! It might have helped if I knew the rules of Poker, but that was all part of the learning process."

"to see how it would be easy to take advantage of those who don't know the rules (who don't know how to play poker in this case)."

"I enjoyed seeing how changing the rules had an effect on my game play"

"By changing the rules – Situations change and we must be able to adapt. Also, I liked that preparation and knowing the material gave us better changes of winning."

"Having knowledge about the situation is very important. It also helped me to reconsider the fact that time is a big constraint in any competitive environment."

"understand that your obvious resources are not always your most important/valuable resources"

"This was a cool way to quickly apply the concept of tangible/intangible resources in an easy to grasp way. The competitive advantage show very clearly and this helps me remember."

"See that being prepared and knowledgeable can help in taking advantage of opportunities."

"It put business strategy in a fun way that made sense. Poker can be a simple example on how many things can affect success. Tangible and intangible resources, capabilities, time, unstated rules and competitors all affect a business and a poker game."

The IBV argues that there are sets of underlying rules governing social behavior. These rules define acceptable economic behavior that is generally taken for granted by persons embedded within the system governed by the rules. Due to their taken for granted nature, their operation and effect are generally unnoticed until they are violated. It is generally taken for granted that IO and the RBV are the main conceptual frameworks in the strategic management classroom. From an IBV perspective, the presentation of these theories has become institutionalized. The limitations of these theories in scholarship (Narayanan & Fahey, 2005; Oliver, 1997) points out the need to examine the institutionalized expectations embedded within the strategic management classroom. The IBV represents an important set of ideas in scholarship that are largely hidden in the classroom. In order for our students to have a fuller understanding of the major ideas in strategic management, the IBV needs to be added as a third leg to the strategic management classroom.

Appendix 1. The ranking of poker hands

Royal Flush	A straight from a ten to an ace with all five cards of the same suit. In poker all suits are ranked equally
Straight Flush	Any straight with all five cards of the same suit.
Four of a Kind	Any four cards of the same rank. If two players share the same Four of a Kind (on the board), the bigger fifth card (the “kicker”) decides who wins the pot.
Full House	Any three cards of the same rank together with any two cards of the same rank. Our example shows “Aces full of Kings” and it is a bigger full house than “Kings full of Aces.”
Flush	Any five cards of the same suit (not consecutive). The highest card of the five determines the rank of the flush. Our example shows an Ace-high flush, which is the highest possible.
Straight	Any five consecutive cards of different suits. Aces can count as either a high or a low card. Our example shows a five-high straight, which is the lowest possible straight.
Three of a Kind	Any three cards of the same rank.
Two Pair	Any two cards of the same rank together with another two cards of the same rank.
One Pair	Any two cards of the same rank.
High Card	Any hand not in the above-mentioned hands.

<http://www.pokerlistings.com/poker-hand-ranking>.

Appendix 2. Example slides


Poker: 5 Card Stud (straight up)

1. Answer the questions using the key page
2. Every right question, **earns** a card (up to 5)
 - Keep your earned cards face down until I say
3. Pick your best hand from your earned cards.
4. Bet
5. Determine who won

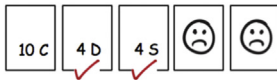
5 Card Stud (straight up)

You answered **three** questions right!

Therefore you earned **three** cards from the dealer!



Your best of 5



Paired 4s with 10 high!

Poker: 5 Card Stud (with a twist)

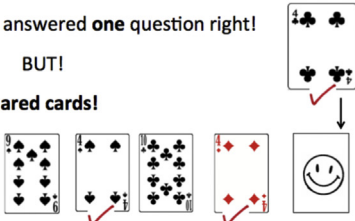
1. Answer the questions of the upcoming round
2. But, there are 4 **shared** cards.
3. Every right question, **earns** a card (up to 5)
4. Pick your 5 best of your earned and shared cards (up to 10 cards to select from!)
5. Bet
6. Determine who won in your group.
7. Write down you winnings!

Poker: 5 Card Stud (with a twist)

You answered **one** question right!

BUT!

Shared cards!



Your Best of 5: Three 4s with 10 high!

Individual Key Page

Practice round	Round 1	Round 2	Round 3	Round 4
Q1	Q1	Q1	Q1	Q1
Q2	Q2	Q2	Q2	Q2
Q3	Q3	Q3	Q3	Q3
Q4	Q4	Q4	Q4	Q4
Q5	Q5	Q5	Q5	Q5
# Right	# Right	# Right	# Right	# Right
# Bet				
# Lost				
# Won				

References

- Barney, J. B. (1986). Strategic factor markets: Expectations, luck, and business strategy. *Management Science*, 32(10), 1231–1242.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- Barney, J., Wright, M., & Ketchen, D. J., Jr. (2001). The resource-based view of the firm: Ten years after 1991. *Journal of Management*, 27(6), 625.
- Baron, R. A., & Ensley, M. D. (2006). Opportunity recognition as the detection of meaningful patterns: Evidence from comparisons of novice and experienced entrepreneurs. *Management Science*, 52(9), 1331.
- Brammer, S., Jackson, G., & Matten, D. (2012). Corporate social responsibility and institutional theory: New perspectives on private governance. *Socio-economic Review*, 10(1), 3–28.
- Coase, R. (1937). The nature of the firm. *Economica*, 4, 386–405.
- Chatterjee, A., & Hambrick, D. C. (2007). It's all about me: Narcissistic chief executive officers and their effects on company strategy and performance. 52(31), 351–386.
- Delmar, F., & Shane, S. (2004). Legitimizing first: Organizing activities and the survival of new ventures. *Journal of Business Venturing*, 19(3), 385–410.
- DiMaggio, P., & Powell, W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147–160.
- Eisenhardt, K. M., & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, 21(10/11), 1105–1121.
- Freeman, J., Carroll, G. R., & Hannan, M. T. (1983). The liability of newness: Age dependence in organizational death rates. *American Sociological Review*, 48(5), 692–710.
- Ghemawat, P. (2001). *Distance still matters*. Harvard Business Review (September).
- Hannan, M., & Freeman, J. (1984). Structural inertia and organizational change. *American Sociological Review*, 49(2), 149–164.
- Helfat, C. E., & Peteraf, M. A. (2003). The dynamic resource-based view: Capability lifecycles. *Strategic Management Journal*, 24(10), 997.
- Henderson, A. D. (1999). Firm strategy and age dependence: A contingent view of the liabilities of newness, adolescence, and obsolescence. *Administrative Science Quarterly*, 44(2), 281.
- Hill, C. W. L., Hwang, P., & Kim, W. C. (1990). An eclectic theory of the choice of international entry mode. *Strategic Management Journal*, 11(2), 117–128.
- Ingram, P., & Silverman, B. S. (2002). Introduction. In P. Ingram, & B. S. Silverman (Eds.), *The new institutionalism in strategic management* (pp. 1–30).
- Jarzabkowski, P. (2008). Shaping strategy as a structuration process. *Academy of Management Journal*, 51(4), 621–650.
- Jepperson, R. L. (1991). Institutions, institutional effects, and institutionalism. In W. W. Powell, & P. J. DiMaggio (Eds.), *The new institutionalism in organizational analysis* (pp. 143–163). Chicago and London: University of Chicago Press.
- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263.
- Karlssoon, T., & Honig, B. (2009). Judging a business by its cover: An institutional perspective on new ventures and the business plan. *Journal of Business Venturing*, 24(1), 27–45.
- Khanna, T., Palepu, K., & Sinha, J. (2005). Strategies that fit emerging markets. *Harvard Business Review*, 63–76. June.
- Kinderman, D. (2011). 'Free us up so we can be responsible!' the co-evolution of corporate social responsibility and neo-liberalism in the UK, 1977–2010. *Socio-economic Review*, 10(1), 29–57.
- Lavie, D. (2006). The competitive advantage of interconnected firms: An extension of the resource-based view. *The Academy of Management Review*, 31(3), 638.
- Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, 13, 111–125.
- Levitt, S. D., & Miles, T. J. (2011). The role of skill versus luck in poker: Evidence from the world series of poker. *NBER Working Paper*, 17023.
- Liedtka, J. M., & Rosenblum, J. W. (1998). Teaching strategy as design: A report from the field. *Journal of Management Education*, 22(3), 285.
- March, J. G., & Shapira, Z. (1987). Managerial perspectives on risk and risk taking. *Management Science*, 33(11), 1404–1418.
- Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48(2), 268–305.
- Marguerite, S., & Pamela, L. (2004). The challenges of teaching strategic management: Working toward successful inclusion of the resource-based view. *Journal of Management Education*, 28(2), 170.
- Meyer, K. E., Estrin, S., Bhaumik, S. K., & Peng, M. W. (2009). Institutions, resources, and entry strategies in emerging economies. *Strategic Management Journal*, 30(1), 61–80.
- Meyer, K. E., & Peng, M. W. (2016). Theoretical foundations of emerging economy business research. *Journal of International Business Studies*, 47(1), 3–22.
- Narayanan, V. K., & Fahey, L. (2005). The relevance of the institutional underpinnings of porter's five forces framework to emerging economies: An epistemological analysis. *Journal of Management Studies*, 42(1), 207–223.
- North, D. (1990). *Institutions, institutional change and economic performance*. Cambridge, MA: Harvard University Press.
- Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, 18(Summer Special Issue), 187–206.
- Oliver, C. (1997). Sustainable competitive advantage: Combining institutional and resource based views. *Strategic Management Journal*, 19(9), 697–713.
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403–441.
- Peng, M. W. (2002). Towards an institution-based view of business strategy. *Asia Pacific Journal of Management*, 19(2,3), 251.
- Peng, M. W., & Heath, P. S. (1996). The growth of the firm in planned economies in transition: Institutions, organizations, and strategic choice. *Academy of Management Review*, 21(2), 492–528.
- Peng, M. W., Seung-Hyun, L., & Wang, D. Y. L. (2005). What determines the scope of the firm over time? A focus on institutional relatedness. *Academy of Management Review*, 30(3), 622–633.
- Peng, M. W., Sunny Li, S., Pinkham, B., & Hao, C. (2009). The institution-based view as a third leg for a strategy tripod. *Academy of Management Perspectives*, 23(3), 63–81.
- Peng, M., Wang, D., & Jiang, Y. (2008). An institution-based view of international business strategy: A focus on emerging economies. *Journal of International Business Studies*, 39(5), 920.
- Penrose, E. (1959). *The theory of the growth of the firm*. New York: Wiley.
- Pfeffer, J., & Salancik, G. R. (1978). *The external control of organizations: A resource dependence perspective*. New York, NY: Harper and Row.
- Porter, M. E. (1980). *Competitive strategy*. New York: Free Press.
- Porter, M. E. (1981). The contributions of industrial organization to strategic management. *Academy of Management Review*, 6(4), 609–620.
- Porter, M. (1992). Capital disadvantage America's failing capital investment system. *Harvard Business Review*, 70, 65–83.
- Porter, M. (1998). *On competition*. Boston, MA: Harvard University Press.
- Powell, W. W., & DiMaggio, P. (1991). *The new institutionalism in organizational analysis*. Chicago, IL: University of Chicago Press.
- Priem, R. L., & Butler, J. E. (2001). Is the resource-based "view" a useful perspective for strategic management research? *Academy of Management Review*, 26(1), 22.
- Rumelt, R. P. (1984). Towards a strategic theory of the firm. In R. B. Lamb (Ed.), *Competitive strategic management* (pp. 556–570). Englewood Cliffs, NJ: Prentice-Hall.
- Scott, W. (1981). *Organizations: Rational, natural and open systems*. Englewood Cliffs, NJ: Prentice Hall.
- Scott, W. (1995). *Institutions and organizations*. Thousand Oaks, CA: Sage.
- Singh, J. V. (1986). Performance, slack, and risk taking in organizational decision making. *Academy of Management Journal*, 29(3), 562–585.
- Su, Z., Peng, M. W., & Xie, E. (2016). A strategy tripod perspective on knowledge creation capability. *British Journal of Management*, 27(1), 58–76.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509–533.
- Thomas, A. S. (1998). The business policy course: Multiple methods for multiple goals. *Journal of Management Education*, 22(4), 484.

- Tornikoski, E. T., & Newbert, S. L. (2007). Exploring the determinants of organizational emergence: A legitimacy perspective. *Journal of Business Venturing*, 22(2), 311–335.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171.
- Williamson, O. E. (1979). Transaction-cost economics: The governance of contractual relations. *Journal of Law and Economics*, 22, 233–261.
- Williamson, O. E. (2000). The new institutional economics: Taking stock, looking ahead. *Journal of Economic Literature*, 38(3), 595.
- Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management Journal*, 38(2), 341–363.
- Zott, C., & Huy, Q. N. (2007). How entrepreneurs use symbolic management to acquire resources. *Administrative Science Quarterly*, 52(1), 70–105.
- Zucker, L. G. (1987). Institutional theories of organization. *Annual Review of Sociology*, 13(1), 443–464.
- Zukin, S., & DiMaggio, P. (1990). Introduction. In S. Zukin, & P. DiMaggio (Eds.), *Structures of capital: The social organization of the economy* (pp. 1–56). Cambridge, UK: Cambridge University Press.