

## STRATEGIC MANAGEMENT

Prof. Joan E. Ricart  
Email: jericart@iese.edu

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### COURSE OUTLINE

#### Introduction

The field of Strategy studies the drivers of persistent performance differentials among firms. The course falls into two parts. In the first part, we will establish the "fact" that these persistent performance differentials exist and cover the different theories that have attempted to explain this fact from a historical perspective. In the second part, we cover research that highlights different strategic decisions that affect these performance differentials and their persistence.

#### Objectives

The objective of this first-year PhD course in Strategic Management is to familiarize the students with the key theories and research questions that the Strategic Management field deals with. The course will build on and leverage the methods developed in the Research Methods course to address these questions. By the end of the course, the students should have a clear map of the field of Strategic Management, understand how to develop an interesting research question and be able to structure a research paper to address that question.

#### Learning Outcomes

At the end of this course, you will:

- have knowledge of the different subfields in Strategic Management
- be familiar with a number of seminal works in each of these subfields
- be able to read Strategic Management papers and evaluate their contribution to the field
- be able to assess papers' strengths and weaknesses
- be able to develop a research question and structure a research paper to address that question

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### Competences

#### *General competencies*

CG1: Acquire knowledge, skills, abilities and attitudes required to conduct research on a global basis in the field of business management.

CG3: Conduct a critical analysis, evaluation and synthesis of new and complex ideas with the objective to produce general principles applicable to business situations.

CG6: Use appropriate tools and techniques for problem solving, correction contrasting and decision validation

#### *Basic competencies*

CB6: Demonstrate knowledge and understanding that provide a basis or opportunity for originality in developing and/or application of ideas, often related to a research context.

#### *Specific competencies*

CE1: Understand the concepts of social and human sciences relevant and necessary to carry out research projects of international level in the area of Business Management.

CE2: Profound knowledge of tools in the fields of mathematics, statistics, econometrics and multivariate analyzes in order to carry out relevant research projects on a global level.

CE3: Organization, planning and implementation of a research project related to social sciences.

CE4: Distinguishing of the different fields of management sciences and acknowledgement of the research methodologies related to them.

CE6: Ability to take current management and organizational problems and identify how different theories of organizations can help us understand them.

CE7: Ability to design research programs in the area of Business Management.

CE8: Analyze business phenomena formal analysis tools (logic and mathematics) in order to develop consistent structural theories.

CE17: Ability to critically establish the relevance and significance of the results obtained with respect to the proposed objectives, and prepare conclusions within the framework of current scientific knowledge on the topic in question.

### Methodology

#### **Overall Principle**

Students are expected to read ALL the required readings and be prepared to discuss the material in class on the schedule indicated in the syllabus. All students should come to class with questions, topics, and issues to be raised for discussion.

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We will structure each of our double sessions in two parts:

1. Discussion of the students' class memos (see below): Each student prepares 1(!) slide to present to the class his/her idea and how the idea connects to the papers of the session.
2. Discussion of the assigned papers: Although everybody should read ALL papers for each class session, we will have a **discussion leader** for each session. Each student will lead 1 session with the following Instructions: You should summarize each paper in MAX 2(!) slides (see below). I will briefly wrap up after each paper but expect you to contribute to the discussion through critically questioning the content and claims of the different assigned papers.

### Evaluation

Evaluation will be based on class participation, discussion leadership, and on the grade of your class memos and a final exam:

1. **Discussion Leader**: the discussion leader prepares all the papers of the session for discussion. Each paper is summarized in MAX 2 slides for discussion with the group. The slides should cover:
  - (a) A summary of the research question or problem the paper addresses
  - (b) The contribution the paper makes to the field, and what you find interesting
  - (c) The method/data used (you are not supposed to become an expert in the method)
  - (d) The paper's strengths and limitations; and some interesting observations for discussion

The discussion leader is responsible for generating discussion on the papers.

2. **Class Memo**: Before each class, you are asked to prepare brief memos (MAX 2 pages, double-spaced) relating to the readings of the class and summarize it in 1 slide. The memo could focus on specific ideas and concepts you found interesting; concerns you might have with some of the ideas/arguments, empirical settings that could be explored using a theory, and connections between different approaches and/or papers. I am looking for a creative memo on the connection or disconnection between the papers assigned for the session, **NOT** a simple summary of the papers. Memos are due the day of class and have to be uploaded to VC by 8am on the day of class.

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For the final grade, I will compute the average grade across the memos, dropping the grade of the worst one. Late submissions will not be considered and receive a "0" grade.

3. **Final Exam:** Write the introduction of a new paper (3/4 pages maximum) that potentially deals with a research question that Interest you and has been identified in the readings covered in the course.

### Grading:

Class participation, Discussion leadership and Class memos: 50%

Final Exam: 50%

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### Course Outline: Topics and Articles

#### Part I: Persistent Performance Heterogeneity

##### Session 1. March 30, 14:30-17:15h.

#### 1. Introduction: Persistent Performance Heterogeneity

##### Required readings:

- Schmalensee, Richard. 1985. "Do Markets Differ Much?" American Economic Review 75 (3):341-351.
- Rumelt, R. P. (1991). "How much does industry matter?". Strategic Management Journal, 12(3), 167-185.
- McGahan, A. M., & Porter, M. E. (1997). "How much does industry matter, really?". Strategic Management Journal, 15-30.

##### Session 2. April 6, 14:30-17:15h.

#### 2. Theories explaining Persistent Performance Heterogeneity

##### Market Structure and Positioning

##### Required readings:

- Porter, M.E., 1981, "The contributions of industrial organization to strategic management", *Academy of Management Review*, 6(4): 609-620 (2017: 1753\*)
- Sutton, J. 1991. "Sunk Costs and Market Structure: Price Competition, Advertising, and the Evolution of Concentration". Cambridge, MA: MIT Press. Chapter 2, 3 (before subsection 3.5), and 5.
- Lieberman, M and C. Montgomery. 1988. "First Mover Advantages"
- Bronnenberg, B., Dhar, S., and Dub, J. 2009. "Brand History, Geography, and the Persistence of Brand Shares." *Journal of Political Economy*, 117(1): 87-115.
- Casadesus, R. and F. Zhu. 2013. "Business Model Innovation and Competitive Imitation: The Case of Sponsor-based Business Models." *Strategic Management Journal* 34: 464-482.

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### Session 3. April 20, 14:30-17:15h.

#### Resources and Capabilities I: Static

##### Required readings:

- Wernerfelt, B. (1984). "A resource - based view of the firm". *Strategic Management Journal*, 5(2), 171-180.
- Barney, J.B., 1986, "Types of competition and the theory of strategy: Toward an integrative framework", *Academy of Management Review*, 11(4): 791-800 (2017: 954\*)
- Peteraf, M. A. 1993. "The Cornerstones of Competitive Advantage: A Resource-Based View." *Strategic Management Journal*, 14(3): 179-191.

##### Paper seen In Research Design class:

- Barney, J. (1991). "Firm resources and sustained competitive advantage". *Journal of Management*, 17(1), 99-120.

#### Resources and Capabilities II: Dynamic

##### Required readings:

- Dierickx, I., & Cool, K. (1989). "Asset stock accumulation and sustainability of competitive advantage". *Management Science*, 35(12): 1504-1511.
- Teece, David J., Gary Pisano, and Amy Shuen, "Dynamic Capabilities and Strategic Management", *Strategic Management Journal*, Vol 18:7, 1997: 509-533.
- Pisano, G. 2017. "Toward a prescriptive theory of dynamic capabilities: connecting strategic choice, learning, and competition". *Industrial and Corporate Change*. 26(5): 747-762.

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### Session 4. April 27, 14:30-17:15h.

#### Theories of the firm

##### Required readings:

- Williamson, "Economics and Organization: A Primer", California Management Review, Vol 38, n.2, winter 1996.
- Williamson, Oliver E (2002), "The Theory of the Firm as Governance Structure: from Choice to Contract," Journal of Economic Perspectives, Vol. 16, No. 3, Summer 2002, pp. 171-195.
- Tadelis, S. and O.E. Williamson. 2012. "Transaction Cost Economics" The Handbook of Organizational Economics. Eds R. Gibbons and J. Roberts.
- Mahoney, JT, *Economic Foundations of Strategy*, Sage Publications, 2005, Chapter 3 and 4.

### Sessions 5. May 4, 14:30-17:15h.

#### Value-Based Strategy

##### Required readings:

- Brandenburger, A. M., & Stuart, H. W. (1996). "Value - based business strategy". Journal of Economics & Management Strategy, 5(1), 5-24.
- Gans, J. and M. Ryall. 2016. "Value Capture Theory: A Strategic Management Review". Strategic Management Journal 38: 17-41.
- Adner, R., and P. Zemsky, 2006, "A demand-based perspective on sustainable competitive advantage", Strategic Management Journal, 27: 215-239 (2017: 376\*).
- Stoelhorst, J.W., 2021, "Value, rent, and profit: A Stakeholder resource-based theory", Strategic Management Journal, Special Issue article: 1-21

## Part II: Strategic Topics and Decisions

### Sessions 6. May 11, 14:30-17:15h.

What is a Strategic Decision?

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### Required readings:

- Porter, M. 1996. "What is strategy?", Harvard Business Review, Nov.-Dec. 3-20.
- Casadesus-Masanell, R., and Ricart, J.E. (2010) "From strategy to business models and to tactics", Long Range Planning, 43, pp. 195-215
- Van den Steen, E. 2017, "A Formal Theory of Strategy", Management Science, 63(8):2616-2636.
- Leiblein, M., J. Reuer and T. Zenger, 2019 "What makes a Decision Strategic?" Strategy Science, 3(4): 558-573.

### **Sessions 7. May 18, 14:30-17:15h.**

#### Competitive Dynamics and Game Theory

### Required readings:

- Camerer, C.F., 1991, "Does strategy research need game theory?", Strategic Management Journal, 12: 137-152 (2017: 285\*).
- Saloner, G., 1991. "Modeling, game theory, and strategic management", Strategic Management Journal, 12 (Special Issue, Winter): 119-136 (2017: 189\*).
- Chen, M-J., 1996, "Competitor analysis and interfirm rivalry: Toward a theoretical integration", *Academy of Management Review*, 21: 100-134 (2015: 1036\*).
- Barnett, W.P., 1997, "The dynamics of competitive intensity", *Administrative Science Quarterly*, 42: 128-160 (2017: 385\*).
- Ghemawat, P. and P. del Sol, 1998, "Commitment versus Flexibility?", California Management Review, 40(4): 26-42 (2017: 270\*).
- Vroom, G., and J. Gimeno, 2007, "Ownership form, managerial incentives, and the intensity of rivalry", *Academy of Management Journal*, 50(4): 901-922 (2017: 57\*).
- Seamans, R and F. Zhu, 2014, "Responses to entry in multi-sided markets: The impact of Craigslist on local newspapers", Management Science, 60(2): 476-493 (2018: 125).

### **Sessions 8. May 25, 14:30-17:15h.**

#### Technological Competition, Knowledge

### Required readings:

- Kogut, B., and U. Zander, 1992, "Knowledge of the firm, combinative capabilities, and the replication of technology", Organization Science, 3: 383-397 (2017: 13964\*).



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- Subramanian, M., and M. Youndt, 2005, “The influence of intellectual capital on the types of innovative capabilities”, *Academy of Management Journal*, 48(3): 450-463 (2017: 2264\*).
  - Anand, N., H.K. Gardner, and T. Morris, 2007, “Knowledge-based innovation: Emergence and embedding of new practice areas in management consulting firms”, *Academy of Management Journal*, 50(2): 406-428 (2017: 464\*).
  - Anderson, P., and M.L. Tushman, 1990, “Technological discontinuities and dominant designs: A cyclical model of technological change”, *Administrative Science Quarterly*, 35: 604-633 (2017: 6876\*).

### Sessions 9. June 1, 14:30-17:30h.

#### International Strategy

##### Required readings:

- Ghoshal, S., "Global Strategy: An Organizing Framework", *Strategic Management Journal*, Vol 8, N.5, Sep.-Oct. 1987: 425-440.
- Dunning, J.H., 1980, “*Toward an eclectic theory of international production: Some empirical tests*”, *Journal of International Business Studies*, 11(1): 9-31 (2017: 3308).
- Gupta, A., and V. Govindarajan, 2000, “*Knowledge flows within multinational corporations*”, *Strategic Management Journal*, 21(4): 473-196 (2017: 4200\*).
- Zaheer, S., 1995, “*Overcoming the liability of foreignness*”, *Academy of Management Journal*, 38(2): 341-363 (2017: 3055\*).
- Ricart, Enright, Ghemawat, Hart, Khanna, “*New Frontiers in International Strategy*”, *Journal of International Business Studies*, 2004 (forthcoming)
- Hernandez, E. and M. Guillen (2018) What’s Theoretically Novel About Emerging Market Multinationals? *Journal of International Business Studies*, 49 (1):24-33.

### Sessions 10. June 8, 14:30-17:30h.

#### Corporate Strategy

##### Required readings:

- Rumelt, R. P., 1982, “*Diversification Strategy and Profitability*”, *Strategic Management Journal*, 3: 359-369 (2017: 2201\*).
- Porter, M.E., 1987, “*From competitive advantage to corporate strategy*”, *Harvard Business Review*, May-June: 43-59 (2015: 3529\*).

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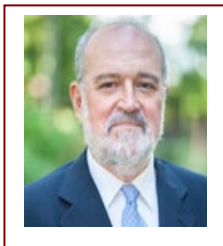
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- Campbell, Andrew, Michael Goold, and Marcus Alexander "Corporate Strategy: The Quest for Parenting Advantage", Harvard Business Review, March-April 1995: 120-132.
  - Collis, David J. and Cynthia A. Montgomery, "Creating Corporate Advantage", Harvard Business Review, May-June 1998: 71-83.
  - Prahalad, C.K. and Gary Hamel, "The Core Competence of the Corporation", Harvard Business Review, May-June 1990.
  - Campa, J.M. and S. Kedia, 2002, "Explaining the diversification discount", Journal of Finance, 57: 1731-1762 (2017: 1530\*).
  - Martin, J. and A. Sayrak (2003). "Corporate diversification and shareholder value: A survey of recent literature", Journal of Corporate Finance, 9: 37-57.

### Final reflection

- Oxley, J., J. Rivkin and M. Ryall, 2010 "The Strategy Research Initiative: Recognizing and encouraging high-quality research in strategy", *Strategic Organization*, 8:377.
- Critical Factors Affecting Strategy in Future (tbd)

### Professor's Biography



**Prof. Joan Enric Ricart**  
Professor of Strategic Management

*Joan E. Ricart is professor of economics and strategic management and head of IESE's Strategic Management Department. Prof. Ricart holds IESE's Carl Schroeder Chair of Strategic Management. He served as president of the Strategic Management Society, an international organization comprised of academics, business practitioners and consultants dedicated to expanding knowledge and exchanging ideas on the strategic management process. He is also founding president of the European Academy of Management (EURAM) and vice-president of the Iberoamerican Academy of Management. In addition, he is Fellow of SMS, Euram and IAM*

*Prof. Ricart received doctoral degrees in industrial engineering (1982 from the UPC), managerial economics (1984 from Northwestern University) and economics (1985 from the*

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*UAB). At IESE he has been Associate Director for Faculty and Research (2006-2014), Director of the Doctoral Program (1995-2006) and Associate Dean for Research (2001-2006).*

*As a visiting professor, Prof. Ricart has taught and conducted research in diverse settings including at IPADE (Mexico), INALDE (Colombia), IAE (Argentina), Universidad de Piura (Peru), IDE (Ecuador), UNISA (South Africa) and Università di Catania. During the academic year 1992-93 he was research fellow at Harvard Business School. He has also supervised a number of doctoral theses and research projects.*

*Prof. Ricart has published numerous books, with publishing houses such as Edward Elgar, J. Wiley and Sons, McGraw-Hill, NCC-Blackwell and Estudios y Ediciones IESE. He has also authored a number of articles in international and national: journals including *Econometrica*, *European Economic Review*, *Interfaces*, *Journal of Finance*, *Journal of**

*Information Systems*, *Knowledge Process Management*, *Quarterly Journal of Economics*, *Strategic Management Journal*, *Harvard Business Review*, *Long Range Planning*, *European Management Review*, *Management Research*, *Journal of International Business Studies*, *International Management Review*, *British Journal of Management*, *Harvard Deusto Business Review*, *Papeles de Economía*, and *Revista Española de Economía*. In addition, he has produced a wide range of teaching material (cases and technical and research notes).

*Prof. Ricart has been a member and director of the scientific committee of the European Institute for Advanced Studies in Management (EIASM) and he serves on the Harvard Business School-IESE Committee. He is also a member of the R&D Steering Committee of the EFMD. Prof. Ricart is the director of the Research Center on Globalization and Strategy, co-academic director of the research platform "IESE Cities in Motion Strategies" as well as academic director of the new center of excellence of United Nations "PPP for Cities".*