## **Contents**

List of Contributors	xiii
List of Illustrations	xv
Foreword Birger Wernerfelt	xvii
I. INTRODUCTION	
1. Resources and Strategy: A Brief Overview of Themes and Contributions	2
Nicolai J. Foss	3
II. THE HISTORICAL ORIGINS	
<ul> <li>2. Leadership in Administration: A Sociological Interpretation         Philip Selznick              \( \text{Selznick introduces the concept of a firm's 'distinctive competence'} \)             in the context of a rich, sociological analysis of leadership.     </li> </ul>	21
3. The Theory of the Growth of the Firm  Edith T. Penrose  In this book, Penrose proposes and elaborates a basic resource-based  conceptualization of the firm, according to which the firm is a bundle of hetereogeneous resources and particularly the services these resources may yield. She applies this conceptualization to the related issues of the growth of the firm and its diversification.	27
4. Strategy and Structure  Alfred D. Chandler  Chandler describes how resources are organized in an administrative framework, and argues that firm structure follows strategy; for example, diversification normally requires M-form organization.	40
5. The Concept of Corporate Strategy Kenneth Andrews	52

## Contents

key strengths (resources) of the organization with the opportunities of the environment at an acceptable level of risk.	S
6. The Organisation of Industry  George B. Richardson  Richardson coins the concept of 'capabilities', and demonstrates how it provides insights into the organization of economic activities in inter-firm relations.	60 es
7. Industry Structure, Market Rivalry, and Public Policy Harold Demsetz Demsetz sketches an efficiency-based theory of firm growth that in important dimensions anticipates later resource-based thought, for example, the concept of strategic factor markets.	73
8. An Evolutionary Theory of Economic Change Richard R. Nelson and Sidney G. Winter Provides a unique analysis of firm routines and the implications of routinization for firm behaviour.	82 of
III. THE RESOURCE-BASED APPROACH	
9. Economies of Scope and the Scope of the Enterprise  David J. Teece  Teece combines transaction cost economics and the concept of economies of scope to update Penrose's ideas on diversification.	103
10. A Resource-Based View of the Firm  Birger Wernerfelt  Often taken to be the founding contribution to the modern resource-based perspective, Wernerfelt advances a resource-based perspective both on competitive advantage and on growth.	117
11. Towards a Strategic Theory of the Firm  Richard P. Rumelt  This paper was published simultaneously with Wernerfelt's and is equally important. Here Rumelt coins the important concept of the 'isolating mechansim'.	131
12. Strategic Factor Markets: Expectations, Luck, and Business Strategy  Jay B. Barney	146

The classical statement of strategy as a matter of aligning the

	advantage is imperfect strategic factor markets, that is, factor markets where there is a discrepancy between the price of resources and their value to the acquiring firm and explores the implication of this idea for strategic management.	
13.	Asset Stock Accumulation and Sustainability of Competitive Advantage Ingemar Dierickx and Karel Cool A reaction to Barney's paper, this paper constructs a stock-flow framework for analysing sustained competitive advantage and details mechanisms that may help sustaining competitive advantage.	161
14.	Diversification, Ricardian Rents and Tobin's q Cynthia A. Montgomery and Birger Wernerfelt This paper extends the resource-based theory of diversification and provides a test on American data.	173
<b>15.</b>	The Cornerstones of Competitive Advantage: A Resource-Based View  Margaret A. Peteraf  Probably the best summation of the resource-based perspective, Peteraf demonstrates that the key resource-based insights may be represented by four basic building blocks.	187
16.	The Resource-Based View Within the Conversation of Strategic Management  Joseph T. Mahoney and J. Rajendran Pandian  The authors argue that the resource-based perspective is uniquely situated to further conversation within strategic management.  For example, the perspective links up with industrial organization economics and with transaction cost economics.	204
IV.	THE DYNAMIC CAPABILITIES/CORE COMPETENCIES APPROACH	
17.	The Core Competence of the Corporation  C. K. Prahalad and Gary Hamel  In this seminal contribution, Prahalad and Hamel argue that the firm's central asset is its 'core competence'.	235
18.	Why Do Firms Differ, and How Does it Matter? Richard R. Nelson	257

Barney demonstrates that a necessary condition for competitive

## Contents

Based on reasoning from evolutionary economics, this paper explores the sources of firm heterogeneity.	
19. Dynamic Capabilities and Strategic Management David J. Teece, Gary Pisano, and Amy Shuen In this innovative contribution, the authors combine ideas from evolutionary economics and the resource-based perspective to arrive at a more dynamic perspective on strategy, the 'dynamic capabilities perspective'.	268
20. Transaction-Cost Economics in Real Time Richard N. Langlois By relying on resource-based reasoning, Langlois introduces a dynamic context to transaction cost economics.	286
21. Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology  Bruce Kogut and Udo Zander  This paper introduces new dimensions to characterize and analyse organizational knowledge and applies this to the analysis of innovation and technology transfer.	306
22. Related Diversification, Core Competences, and Corporate Performance  Constantinos C. Markides and Peter J. Williamson  This paper builds on Prahalad and Hamel's contribution, extends their framework and constructs an elaborate analysis of the dynamics of diversification.	327
V. RETROSPECT AND PROSPECT	
23. Resources and Strategy: Problems, Open Issues,	
and Ways Ahead	345
Nicolai J. Foss Index	367