

Firm-specific knowledge resources and competitive advantage: the roles of economic- and relationship-based employee governance mechanisms

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Abstract

The resource-based view of the firm emphasizes the role of firm-specific resources, especially firm-specific knowledge resources, in helping a firm to achieve sustainable competitive advantage. However, the deployment of firm-specific knowledge often requires key employees to make specialized human capital investments that are not easily redeployable to other settings. Thus, in the absence of effective safeguards and trust building devices, employees with foresight may be reluctant to make such specialized investments. This study explores both economic- and relationship-based governance mechanisms that might mitigate this underinvestment problem. Effective use of these governance mechanisms enables a firm to obtain greater performance from its efforts to deploy firm-specific knowledge resources. Empirical results further support these key arguments. Copyright © 2009 John Wiley & Sons, Ltd.

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