

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

Heli C. Wang , Jinyu He, Joseph T. Mahoney

First published: 01 July 2009

<https://doi.org/10.1002/smj.787>



## 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.

## REFERENCES

Alchian AA, Demsetz H. 1972. Production, information costs, and economic organization. *American Economic Review* 62: 777-795.

[Web of Science®](#) 

[Google Scholar](#) 

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

---

Barney JB. 2001. Is the resource-based 'view' a useful perspective for strategic management research? Yes. *Academy of Management Review* 26: 41–57.

[Web of Science®](#) [Google Scholar](#)

---

Barney JB, Hansen MH. 1994. Trustworthiness as a source of competitive advantage. *Strategic Management Journal*, Winter Special Section 15: 175–190.

[Web of Science®](#) [Google Scholar](#)

---

Barzel Y. 1989. *An Economic Analysis of Property Rights*. Cambridge University Press: Cambridge, UK.

[Google Scholar](#)

---

Becker GS. 1964. *Investment in Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education*. National Bureau of Economic Research: New York.

[Google Scholar](#)

---

Blair MM. 1995. *Ownership and Control: Rethinking Corporate Governance of the Twenty-First Century*. Brookings Institution: Washington, DC.

[Google Scholar](#)

---

Blasi J, Kruse D, Bernsterin A. 2003. *In the Company of Owners: The Truth about Stock Options (and Why Every Employee Should Have Them)*. Basic Books: New York.

[Google Scholar](#)

---

Blau P. 1964. *Exchange and Power in Social Life*. Wiley: New York.

[Web of Science®](#) [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

---

Brickley JA, Hevert KT. 1991. Direct employee stock ownership: an empirical investigation. *Financial Management* 20(2): 70-84.

[Web of Science®](#) | [Google Scholar](#)

---

Caramelli M, Briole A. 2007. Employee share ownership and job attitudes: does culture matter? *Human Resources Management Review* 17(3): 290-304.

[Google Scholar](#)

---

Carmichael L. 1983. Firm-specific human capital and promotion ladders. *Bell Journal of Economics* 14(1): 251-258.

[Web of Science®](#) | [Google Scholar](#)

---

Chen HL, Huang YS. 2006. Employee stock ownership and corporate R&D expenditures: evidence from Taiwan's information technology industry. *Asia Pacific Journal of Management* 23(3): 369-384.

[Google Scholar](#)

---

Chen MJ. 1996. Competitor analysis and interfirm rivalry: toward a theoretical integration. *Academy of Management Review* 21(1): 100-134.

[PubMed](#) | [Web of Science®](#) | [Google Scholar](#)

---

Coase RH. 1937. The nature of the firm. *Economica* 4: 386-405.

[Web of Science®](#) | [Google Scholar](#)

---

Coase RH 1960. The problem of social cost. *Journal of Law and Economics* 3: 1-44.

[Web of Science®](#) | [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Web of Science®](#) | [Google Scholar](#)

---

Cogan GV, Burgelman RA. 1989. Intel Corporation (A): The DRAM decision. Stanford Business School, Case 9-BP2-56A, Stanford, CA.

[Google Scholar](#)

---

Cohen WM, Levinthal DA. 1989. Innovation and learning: the two faces of R&D. *Economic Journal* 99: 569-596.

[Web of Science®](#) | [Google Scholar](#)

---

Collins CJ, Smith KG. 2006. Knowledge exchange and combination: the role of human resource practices in the performance of high-technology firms. *Academy of Management Journal* 49: 544-560.

[Web of Science®](#) | [Google Scholar](#)

---

Cornell B, Shapiro AC. 1987. Corporate stakeholders and corporate finance. *Financial Management* 16(1): 5-14.

[Web of Science®](#) | [Google Scholar](#)

---

Demsetz H. 1967. Toward a theory of property rights. *American Economic Review* 57: 347-359.

[Web of Science®](#) | [Google Scholar](#)

---

Dierickx I, Cool K. 1989. Asset stock accumulation and sustainability of competitive advantage. *Management Science* 35(12): 1504-1511.

[Web of Science®](#) | [Google Scholar](#)

---

Dosi G. 1988. Sources, procedures, and microeconomic effects of innovation. *Journal of Economic Literature* 26: 1120-1171.

[Web of Science®](#) | [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Web of Science®](#) | [Google Scholar](#)

---

Etzioni A. 1961. *A Comparative Analysis of Complex Organizations*. Free Press: New York.

[Google Scholar](#)

---

Gimeno J. 1999. Reciprocal threats in multimarket rivalry: staking out 'spheres of influence' in the U.S. airline industry. *Strategic Management Journal* 20(2): 101-128.

[Web of Science®](#) | [Google Scholar](#)

---

Glick HA, Feuer MJ. 1984. Employer-sponsored training and the governance of specific human capital investments. *Quarterly Review of Economics and Business* 24(2): 91-104.

[Web of Science®](#) | [Google Scholar](#)

---

Gomez-Mejia LR, Larraza-Kintana M, Makri M. 2003. The determinants of executive compensation in family-controlled public corporations. *Academy of Management Journal* 46(2): 226-237.

[Web of Science®](#) | [Google Scholar](#)

---

Gottschalg O, Zollo M. 2007. Interest alignment and competitive advantage. *Academy of Management Review* 32(2): 418-437.

[Web of Science®](#) | [Google Scholar](#)

---

Gouldner A. 1960. The norm of reciprocity. *American Sociological Review* 25(2): 161-178.

[Web of Science®](#) | [Google Scholar](#)

---

Grant RM. 1996. Toward a knowledge-based theory of the firm. *Strategic Management Journal*, Winter Special Issue 17: 109-122.

[Web of Science®](#) | [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

---

Griliches Z. 1961. Hedonic prices for automobiles: an econometric analysis of quality change. Reprinted in *Price Indexes and Quality Change: Studies in New Methods of Measurement*, Z Griliches (ed). Harvard University Press: Cambridge, MA; 55–87.

[Google Scholar](#)

---

Griliches Z. 1981. Market value, R&D and patents. *Economic Letters* 7: 183–187.

[Web of Science®](#) | [Google Scholar](#)

---

Grossman SJ, Hart OD. 1986. The costs and benefits of ownership: a theory of vertical integration. *Journal of Political Economy* 94: 109–122.

[Web of Science®](#) | [Google Scholar](#)

---

Hall BH. 2000. Innovation and market value. In *Productivity, Innovation and Economic Performance*, R Barrell, G Mason, M O'Mahony (eds). Cambridge University Press: Cambridge, UK; 177–198.

[Google Scholar](#)

---

Hall BH, Jaffe AB, Trajtenberg M. 2001. The NBER patent citation data file: lessons, insights and methodological tools. NBER Working paper No. 8498, National Bureau of Economic Research: Cambridge, MA.

[Google Scholar](#)

---

Hall BH, Jaffe AB, Trajtenberg M. 2005. Market value and patent citations. *Rand Journal of Economics* 36: 16–38.

[Web of Science®](#) | [Google Scholar](#)

---

Hamilton B, Nickerson J. 2003. Correcting for endogeneity in strategic management research. *Strategic Organization* 1: 53–80.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Web of Science®](#) | [Google Scholar](#)

---

Hausman JA. 1978. Specification tests in econometrics. *Econometrica* 46: 1251–1272.

[Web of Science®](#) | [Google Scholar](#)

---

Helfat CE. 1994. Firm specificity in corporate applied R&D. *Organization Science* 5(2): 173–184.

[Web of Science®](#) | [Google Scholar](#)

---

Hillman AJ, Keim GD. 2001. Shareholder value: stakeholder management, and social issues: what's the bottom line? *Strategic Management Journal* 22(2): 125–139.

[Web of Science®](#) | [Google Scholar](#)

---

Holmstrom B. 1982. Moral hazard in teams. *Bell Journal of Economics* 13(2): 324–340.

[Web of Science®](#) | [Google Scholar](#)

---

Jaffe AB, Lerner J. 1999. Privatizing R&D: patent policy and the commercialization of national laboratory technologies. NBER Working paper No. 7064. National Bureau of Economic Research: Cambridge, MA.

[Google Scholar](#)

---

Jaffe AB, Trajtenberg M. 1999. International knowledge flows: evidence from patent citations. *Economics of Innovation and New Technology* 8: 105–136.

[Web of Science®](#) | [Google Scholar](#)

---

Jaffe AB, Trajtenberg M, Henderson R. 1993. Geographic localization of knowledge spillovers as evidenced by patent citations. *Quarterly Journal of Economics* 108(3): 577–598.

[Web of Science®](#) | [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

---

Kim J, Mahoney JT. 2005. Property rights theory, transaction costs theory, and agency theory: an organizational economics approach to strategic management. *Managerial and Decision Economics* 26(4): 223–242.

[Web of Science®](#) [Google Scholar](#)

---

Klein B. 1980. Transaction cost determinants of ‘unfair’ contractual arrangements. *American Economic Review* 70: 356–362.

[Web of Science®](#) [Google Scholar](#)

---

Klein B, Crawford RA, Alchian AA. 1978. Vertical integration, appropriable rents and the competitive contracting process. *Journal of Law and Economic* 21: 297–326.

[Web of Science®](#) [Google Scholar](#)

---

Klein KJ. 1987. Employee stock ownership and employee attitudes: a test of three models. *Journal of Applied Psychology* 72: 319–332.

[CAS](#) [PubMed](#) [Web of Science®](#) [Google Scholar](#)

---

Kogut B, Zander I. 1992. Knowledge of the firm, combinative capabilities and the replication of technology. *Organization Science* 3(3): 383–397.

[Web of Science®](#) [Google Scholar](#)

---

Kruse D. 1996. Why do firms adopt profit-sharing and employee ownership plans? *British Journal of Industrial Relations* 34(4): 515–538.

[Web of Science®](#) [Google Scholar](#)

---

Kruse D, Blasi J. 1997. Employee ownership, employee attitudes, and firm performance: a review of the evidence. In *The Human Resources Management Handbook*, D Lewin, DJB Mitchell, MA Zaidi (eds). JAI Press: Greenwich, CT; 113–151.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Web of Science®](#) [Google Scholar](#)

---

Libecap GD. 1989. *Contracting for Property Rights*. Cambridge University Press: Cambridge, UK.

[Google Scholar](#)

---

Lindenberg EB, Ross SA. 1981. Tobin's q ratio and industrial organization. *Journal of Business* **54**: 1–32.

[Web of Science®](#) [Google Scholar](#)

---

Mahoney JT. 2005. *Economic Foundations of Strategy*. Sage: Thousand Oaks, CA.

[Google Scholar](#)

---

Mahoney JT, Pandian JR. 1992. The resource-based view within the conversation of strategic management. *Strategic Management Journal* **13**(5): 363–380.

[Web of Science®](#) [Google Scholar](#)

---

Makadok R. 2003. Doing the right thing and knowing the right thing to do: why the whole is greater than the sum of the parts. *Strategic Management Journal*, October Special Issue **24**: 1043–1055.

[Web of Science®](#) [Google Scholar](#)

---

Milgrom P, Roberts J. 1992. *Economics, Organization and Management*. Prentice-Hall: Englewood Cliffs, NJ.

[Google Scholar](#)

---

Miller GJ. 1992. *Managerial Dilemmas: The Political Economy of Hierarchy*. Cambridge University Press: Cambridge, MA.

[Google Scholar](#)

---

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Google Scholar](#)

---

Ouchi WG. 1980. Markets, bureaucracies, and clans. *Administrative Science Quarterly* 25: 129-141.

[Web of Science®](#) | [Google Scholar](#)

---

Pavitt K. 1991. What makes basic research economically useful? *Research Policy* 20(2): 109-119.

[Web of Science®](#) | [Google Scholar](#)

---

Poole M, Jenkins G. 1990. *The Impact of Economic Democracy*. Routledge: London, UK.

[Google Scholar](#)

---

Priem RL, Butler JE. 2001. Is the resource-based theory a useful perspective for strategic management research? *Academy of Management Review* 26(1): 22-40.

[Web of Science®](#) | [Google Scholar](#)

---

Rajan RG, Zingales L. 1998. Power in a theory of the firm. *Quarterly Journal of Economics* 113: 387-432.

[Web of Science®](#) | [Google Scholar](#)

---

Roberts J, Van den Steen E. 2000. Stakeholder interests, human capital investment and corporate governance. Stanford Graduate School of Business Working paper No. 1631, Stanford, CA.

[Google Scholar](#)

---

Rock EB, Wachter ML. 1999. Tailored claims and governance: the fit between employees and shareholders. In *Employee and Corporate Governance*, MM Blair, MJ Roe (eds). Brookings Institution Press: Washington, DC; 121-159.

[Google Scholar](#)

---

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

---

Rumelt RP. 1984. Toward a strategic theory of the firm. In *Competitive Strategic Management*, R Lamb (ed). Prentice-Hall: Englewood Cliffs, NJ; 556-570.

[Google Scholar](#) 

---

Ryan HE, Wiggins RA. 2002. The interactions between R&D investment decisions and compensation policy. *Financial Management* 31: 5-29.

[Web of Science®](#)  | [Google Scholar](#) 

---

Schelling TC. 1960. *The Strategy of Conflict*. Harvard University Press: Cambridge, MA.

[Google Scholar](#) 

---

Schulze WS, Lubatkin MH, Dino RN. 2003. Exploring the agency consequences of ownership dispersion among the directors of private family firms. *Academy of Management Journal* 46(2): 179-194.

[Web of Science®](#)  | [Google Scholar](#) 

---

Sharfman MP. 1996. The construct validity of the Kinder, Lydenberg, and Domini social performance ratings data. *Journal of Business Ethics* 15(3): 287-296.

[Web of Science®](#)  | [Google Scholar](#) 

---


Shleifer A, Summers LH. 1988. Breach of trust in hostile takeovers. In *Corporate Takeovers: Causes and Consequences*, AJ Auerbach (ed). University of Chicago Press: Chicago, IL; 33-56.

[Google Scholar](#) 

---

Shleifer A, Vishny R. 1997. A survey of corporate governance. *Journal of Finance* 52: 737-783.

[Web of Science®](#)  | [Google Scholar](#) 

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

Manage Preferences

Accept All

Reject Non-Essential

Tirole J. 1988. *The Theory of Industrial Organization*. MIT Press: Cambridge, MA.

[Google Scholar](#) 

---

Titman S. 1984. The effect of capital structure on a firm's liquidation decision. *Journal of Financial Economics* 13(1): 137-151.

[Web of Science®](#)  | [Google Scholar](#) 

---

Vandenbergh C, Bentein K, Michon R, Chebat J-C, Tremblay M, Fils J-F. 2007. An examination of the role of perceived support and employee commitment in employee-customer encounters. *Journal of Applied Psychology* 92(4): 1177-1187.

[PubMed](#)  | [Web of Science®](#)  | [Google Scholar](#) 

---

Waddock SA, Graves SB. 1997. The corporate social performance-financial performance link. *Strategic Management Journal* 18(4): 303-319.

[Web of Science®](#)  | [Google Scholar](#) 

---

Wang H, Barney JB. 2006. Employee incentives to make firm specific investment: implications for resource-based theories of corporate diversification. *Academy of Management Review* 31(2): 466-476.

[Web of Science®](#)  | [Google Scholar](#) 

---

Waugh FV. 1928. Quality factors influencing vegetable prices. *Journal of Farm Economics* 10: 185-196.

[Web of Science®](#)  | [Google Scholar](#) 

---

Williamson OE. 1975. *Markets and Hierarchies: Analysis and Antitrust Implications*. Free Press: New York.

[Google Scholar](#) 

---

Williamson OE. 1985. *The Economic Institutions of Capitalism: Firms, Markets and Relational*

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential



Download PDF



134 N LaSalle St  
Suite 1005, Chicago IL  
60602, USA  
+1 312 492 6224  
sms@strategicmanagement.net

© 2026 Strategic Management Society

### ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

### HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential

Copyright © 1999-2026 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

WILEY

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential