

Contents

<i>List of figures</i>	<i>page xi</i>
<i>List of tables</i>	<i>xii</i>
<i>Preface</i>	<i>xiii</i>
 <b>Part I Theories of the firm</b>	
1 Introduction	3
The emergence of strategic management	3
The scope of the field	7
The multidisciplinary basis of business strategy	8
The concept of firm	11
The firm as a production unit	11
The firm as a decision-making process	13
The firm as a contracting solution	16
The firm as a collection of resources	17
The theory of the firm for strategic management	19
A value approach to the analysis of firm strategy	21
Structure of the book	22
2 The contracting view of the firm	27
Coase and the nature of the firm	27
Williamson and transaction costs economics	31
Property rights and incomplete contracts	35
Agency theory	39
Limitations of the contracting view as a theory of the firm	41
The role of opportunism, hold up, and trust in the emergence of firms	42
Comprehensiveness of the contracting view	45
Usefulness for strategic management and its practice	49
Contributions of the contracting view to a theory of the firm for strategy	51
Contractual analysis in a make-or-buy decision and its limitations	53
Example of an in-house cafeteria	53
	 vii

viii	<i>Contents</i>
3	The nature of the firm in strategy 56
	The resource-based view of the firm 56
	Firm growth 57
	Competence building 59
	Firm heterogeneity and differences in performance 60
	Questions about the resource-based view 64
	Does it provide tautological explanations about performance? 64
	Is it a useful theory? 66
	Does it explain why firms exist? 68
	The firm in strategic management 70
	A value-based model of firm strategy 71
	The effect of firm boundaries on the value created by internal resources 76
	Internal effects 77
	External effects 79
	Why do different firm strategies exist? 80
4	Creating economic value 85
	What is economic value? 85
	Value in economics 86
	Value in marketing 88
	Value in finance 90
	Value in strategy 91
	Sources of customer value creation 92
	Value creation through enhancing customer benefits 95
	Greater utility in existing product or service features 96
	Different combinations of product or service features 97
	New products and services 98
	Value creation through reducing customers' costs 99
	Reducing monetary costs (price) 99
	Reducing nonmonetary costs 100
	Value creation through reducing firms' costs 103
	The influence of externalities 104
	Innovation, entrepreneurs, and new value creation 106
	The role of entrepreneurs in value creation 108
	Value analysis versus transaction costs economics (TCE) as drivers of firm boundaries 109
	Williamson's example of mines and houses 109
5	The appropriation of value by firms 114
	Where do profits come from? 114
	Profits as a residual income in neoclassical economics 115

<i>Contents</i>	ix
Profits as implicit compensation to factors of production	117
Profits as retribution to the entrepreneur	118
Contextual conditions for profits	120
Uncertainty	121
Innovation	122
Specificity	124
Profit generation through resource combinations	127
The sustainability of profits through barriers to competition	129
Barriers with perfect replicability	131
Barriers with asymmetric replicability	132
Barriers with limited substitutability	132
Value analysis, profits, and competitive barriers	134
Profit sustainability of a new restaurant	134
 <b>Part II Firm strategies</b>	
<b>6 Business strategy</b>	<b>141</b>
Elements of business-level strategy	141
Managing resources to create value for customers	143
Value created by products	145
Value created by professional services	147
Value created by networks	148
Market positioning	152
Segmentation	153
Differentiation	156
Competitive dynamics	160
The interaction among the different elements of strategy	164
The influence of the industry and the top managers on business strategy	165
Value analysis at the business level	168
Why do schools exist, but not firms for long-term secretarial services?	169
 <b>7 Corporate strategy</b>	<b>174</b>
Value creation at the corporate level	174
Horizontal diversification into new businesses	177
The benefits of diversification	177
The costs of diversification	181
The effect of diversification on performance	184
Vertical integration	186
Mergers and acquisitions	189
Strategic alliances and cooperation	192

x	<i>Contents</i>
	Value analysis at the corporate level 195
	The integration of channel and content in Vivendi 195
8	International strategy 198
	The theory of the multinational 198
	A value approach to the MNE 203
	International presence 207
	Global strategy 209
	Value analysis in internationalization 213
	The internationalization of retailers Wal-Mart and Ikea 213
9	Strategy and social value 216
	Markets and social value 216
	Market imperfections 217
	Monopoly 218
	Externalities 221
	Other market imperfections 223
	Wealth distribution 225
	Corporate social responsibility 226
	Value creation and CSR 231
	A dual standard for business and CSR activities 236
	Ethics and social strategy 237
	Value analysis in corporate social responsibility 242
	CSR in The Body Shop 242
10	Value analysis in strategy 246
	Economic value and the theory of the firm 246
	What is a firm? 246
	Why do firms exist? 248
	What determines firms' boundaries? 249
	What causes performance differences across firms? 250
	Implications for strategy research and practice 252
	The strategic definition of firm boundaries 252
	Focus on the customer's perspective 255
	Sources of differentiation 257
	Industry change and replacement 259
	Towards a value theory of the firm in strategic management 260
	Areas for future research 261
	Limitations of value analysis 264
	<i>Further reading</i> 267
	<i>References</i> 272
	<i>Index</i> 293