

# Resource based view of the firm

Finance



Design/methodology,'approach - The paper proposes a link between value theory and accountability using a Resource Value-Resource Risk perspective as an alternative to the Capital Asset Pricing Model. The link operates first from the labor process, where value is created but is imperfectly observable by intra-firm mechanisms of organizational control and outside governance arrangements without incurring monitoring costs. Second, it operates through contractual arrangements which impose fixed cost structures on activities with variable revenues.

Findings - The paper thereby explains how value originates in risky and difficult to monitor productive processes and is transmitted as rents to organizational and capital market constituents. It then reviews recent contributions to the RUB, arguing that the proposed new approach overcomes gaps inherent in the alternatives, and thus offers a more complete and integrated view of firm behavior. Originality/value - The RUB can become a coherent theory of firm behavior. If it adopts and can integrate the labor theory of value. Associated measures of risk arising from the labor process and mechanisms of accountability.

Keywords Resources, Risk management, Labor, Competitive advantage

Paper type Research paper Value, profit and risk 1 . Introduction To what extent is strategy framed in accounting terms and what role do accounting numbers and techniques play in setting strategy? In both cases the answer is probably not enough, in view of the potential contribution on offer from accounting generally, and from critical accounting in particular. In recent years, the resource-based view (RUB) of the firm, has achieved widespread

dissemination in academic literature and management practice (Acedo et al., 2006).

It explains nominative advantage, or delivery of sustained above-normal returns (Aghion, 1993) or economic profit (Barney, 2001), in terms of firms' bundles of resources (Amit and Shoemaker, 1993; Rumble, 1984), which are valuable, rare, inimitable and non-substitutable (FRI.) (Barney, 2001, emphasis added). A theory linking asset value and abnormal returns is therefore The author would like to thank participants at the European critical Accounting studies conference, multiversity AT York, 2 Institute of Chartered Accountants in Scotland, whose financial support helped develop the ideas in this paper.