

RESOURCE STOCKS, INNOVATION & PERSISTENT HETEROGENEITY

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ABSTRACT

Many strategy scholars believe that variance in competitors' resources and capabilities largely determine differences in firm performance. Yet, the existing empirical work often investigates how resources and/or capabilities increase or decrease performance rather than how these factors contribute to enduring performance differences among close rivals. This paper provides empirical evidence regarding the association between specific resource stocks and persistent differences in the innovation activity and superior performance of firms competing in the global semiconductor industry between 1990 and 1999. We also compare the durability of different resource stocks. A key finding is that advantages associated with a firm's patent stock and with the experience held by a firm's partners erode at a faster rate than advantages associated with a firm's cumulative production experience.

Keywords: resource stocks, sustainability, capability accumulation, competitive heterogeneity, profit persistence

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