

# More Advanced Economies and Greater Social Progression: Firm Resources, Strategic Investment Decisions and Using Female Talent Optimally

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By

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## ABSTRACT

As well as demonstrating that firm performance can be explained by a combination of phenomena – how a firm is positioned against its competitors and the unique resources it possesses (or not) – it is also possible to use the resource-based view (RBV) of the firm to explain the determinants of institutional change, including how firms contribute to advanced and progressive forms of social or economic development. This paper elaborates upon this statement and clarifies how a resource-investment conceptualization of the firm in particular is able to be applied in this way, especially if used to focus attention on more contemporaneously relevant strategic management problems.

To this end, this paper explains how the resource-investment decisions of managers and owners need to be much more global in their outlook, and how by understanding their effects it is possible to learn more about the consequences of gender equity or inequity in the workforce, including the consequences of not getting women off the poverty treadmill when this is possible or not using the most talented women in a country optimally either as seniors managers or as board members. The paper concludes that it is important to find ways to link firms' resource-investment strategies to gender in the workforce problems, and it could be very important to define 'work' in gender-specific resource-capital-payments parity terms in the future. These outcomes identify the need for urgent action and more astute policy-making, which is essential as we already know that economies cannot grow and societies cannot really progress if the gender equity gap remains frustratingly wide.

## **INTRODUCTION: STRATEGIC MANAGEMENT IS CHANGING AND TIME TO GET ON BOARD**

The 'resource-based view' (RBV) is a term that strategic management specialists use when they want to analyze how the resources<sup>1</sup> of a firm, including its assets, capabilities and people's talents contribute to its performance. These resources specifically explain why it is that the firm is able to consistently outperform its competitors (or sustain a competitive advantage). The idea that it is good for firms to be well-run and have resources that give it an advantage is not new (Penrose, 1959; Richardson, 1997). Since 1984, when Wernerfelt first coined the term in 'A resource-based view of the firm', researchers have established through hundreds of studies that firm performance can be attributed to the resources that the firm possesses (Barney & Arikan, 2001; Barney, Ketchen & Wright, 2011; Leiblein, 2011). Industry position was no longer the only or the most effective way to explain firm performance (Rumelt, 1991; McGahan & Porter, 1997; Porter, 1990). Firm performance is positively affected by resources that are rare, valuable, inimitable and/or non-substitutable or which are a positive outcome of resource-market imperfections (Barney, 1991; Peteraf, 1993).

The consequence of this is that managers and, indeed, anyone interested in understanding what makes one firm a better investment proposition than another, now have even more insight into the different types of resources that can give a firm an advantage in the marketplace. For instance, it is now commonly understood that although it is good to possess valuable assets, such assets are of limited use over the longer-term if the firm does not have capabilities to make effective use of them (Makadok, 2001; Peteraf, 1994; Schulze, 1994; Teece, Pisano, & Shuen, 1997). Additionally, if the firm does not have managers who can make good ongoing investment decisions on behalf of the firm or accumulate, apply and exploit potentially beneficial forms of knowledge (Black & Boal, 1994; Bowman & Hurry, 1993; Brews & Hunt, 1999; Crossan & Berdrow, 2003; Ghoshal & Bartlett, 1994; Lei, Hitt, & Bettis, 1996; McGrath, 2001; Pisano, 1994; Sanchez, 1993), this can be detrimental to the firm's performance.

Notwithstanding these findings to date, the RBV is at a crossroads (Barney, Ketchen & Wright, 2011). Even though it can explain why some firms are high performing to a very large extent, which is very important for managers and, logically, for society and the economy more generally, as it stands it does not have the capacity to explain how firms contribute to institutional change, including social and economic development (Peng, Sun, Pinkham & Chen, 2009). To do

this, the RBV would have to explain why firms exist and why some firms grow large; while others cannot increase scope and, further, why a great many fail (Asher, Mahoney & Mahoney, 2005; Coase, 1937; Cyert & March, 1963; Hart, 1988; Loasby, 1999). In short, the RBV would have to evolve to become a theory of the firm (in its totality) rather than be just a basis for a theory of firm performance.

In an effort to bring about such an evolution, Zubac, Hubbard and Johnson (2010) argued that resource-based logic could be extended - it could become a theory of the firm - if firms were conceptualized or defined in resource-investment terms. By considering the firm to be made up of the sum total of resource-investments made by its managers over time, not only is it possible to take into account that firms are a composite of both the resources that make it up, but one can also factor in that firms play a substantial role in the greater, economy-wide investment process. This links the business processes and strategies of the firm to the institutional environment and allows one to understand what firms (collectively or not) are required to achieve for their owners. In addition, we can begin to understand the contributions firms make to changing society and the way the economy works, including the specific contributions made at any one time by their managers, workers (types of resource owners) and/or other stakeholders.

The benefit of a resource-investment approach to the firm is that one can examine in detail the full raft of decisions that allow firms to gain access to capital and for their managers to gain access to potentially useful resources. Moreover, by examining how all the firms in a particular business environment are able to access capital and, ultimately, access resources to engage in business activities, one can better understand how firms contribute to the institutional environment in which they operate.

The corollary of this is that the resource-investment conceptualization can also help one better understand why one environment has been able to develop socially and economically more than another. This is particularly important if one wants to learn more about what promotes and what constrains the institutional change process or a particular institutional change trajectory or stimulates different forms of social and economic development. For instance, if one wanted to learn more about how gender equity or inequity in the workforce affects a society, including how significantly lower levels of gender equity in one industry affects its development or, for that matter, the economy more broadly, one could use a resource-investment approach to do so. The same principle applies when comparing institutional environments, for example, if attempting to

better understand why one institutional environment or a particular country has been able to develop a wider range of beneficial social and economic institutions than another.

The paper defines a *resource-investment* from the perspective of managers and owners, and bilaterally to be, respectively, as (1) *the combination of resources that the firm's managers acquired or developed and deployed to produce and deliver products and services, and/or grow or contract the firm to be an increasingly market sensitive and/or efficient institution; and (2) the capital that the firm's owners invested in the firm to allow its managers to implement strategies able to achieve owners' future payment demands* (Zubac, et al. 2010: 1). The resource-investment concept supports the idea that owners and managers are equally important, particularly in regard to the investment decisions they make that concern the firm. Thus, from their respective perspectives managers and owners both make resource-investments. The definition also supports the idea that firms must perform because they are dependent on capital, and that capital becomes structured to reflect the structural characteristics of the broader institutional environment.<sup>2</sup>

In the first section, key concepts from the strategic management and related economics literature are described. The object here is to demonstrate why it can be said firms' resource investment processes are a part of an inherently bilateral, greater resource-investment system involving managers and owners. Furthermore, it illustrates how firm performance is dependent on managers' decision-making capabilities and the resource-investments they realize (Foss & Garzarelli, 2007; Lippman & Rumelt, 2003). Zubac, et al.'s (2010) resource-investment frameworks are used to graphically demonstrate these concepts. In the second section, the implications of managers needing to implement resource allocation strategies that correspond with the interest of owners, specifically, those of capital holders are discussed. This includes a consideration of the various types of capital. It is also argued that capital should not just be thought of in financial (monetary) terms but as having non-financial forms when applied operationally. That is, capital can be conceptualized as human capital, risk capital or resource capital. In the third section, the paper then explains how the various resource-investment decisions of managers and owners lead to new forms of value and institutional structures to emerge. This provides insight into the institutional change process and the determinants of development. In the fourth section, the paper explains how one might then use the paper's thesis to conduct intra- and inter-institutional research, specifically to focus on how gender equity and inequity affects both the firm and, more broadly, institutional development. The paper concludes

with a discussion of the implications of these ideas, including the implications for advanced research on the effects of gender equity or inequity in different institutional environments at the meso- or macro-level, as well as how it could be appropriate to define ‘work’ in the future.

### **THE FUNDAMENTALS BEHIND THE SHIFT IN STRATEGIC MANAGEMENT**

The RBV has established that a firm can have an advantage over its competitors by possessing resources that are valuable, highly differentiated and/or by having the capacity to use them in ways that are particularly beneficial (Barney, 1991; Lippman & Rumelt, 1982; Wernerfelt, 1984; Makadok, 2001; Teece, et al. 1997). Logically, one cannot have one without the other unless the firm has managers who know how to use the firm’s resources effectively and to exploit opportunities (Black & Boal, 1994; Bowman & Hurry, 1993; Ghoshal & Bartlett, 1994; McGrath, 2001; Sanchez, 1993). This involves the use of appropriate resource allocation processes (Bower & Gilbert, 2005; Peteraf, 2005) and of useful or privileged forms of knowledge (Brews & Hunt, 1999; Crossan & Berdrow, 2003; Lei, et al. 1996; Pisano, 1994). Likewise, the RBV has demonstrated that a firm’s performance is also affected by whether it has the capabilities and strategies in place to cope with institutional change (Lawrence 1999; Oliver, 1997). Thus, the RBV has shown that firms must have managers who are knowledgeable and can make good resource-investment decisions if the firm is to succeed (Kor & Mahoney, 2004; Lockett & Thompson, 2001; Penrose, 1959). In other words, managers must be able to use the firm’s resources to achieve a superior return on capital (Amit & Schoemaker, 1993: 33) and be able to appreciate when a resource is no longer of benefit (Collis, 1994: 143; Helfat & Peteraf, 2003).

Inspired by the work of Penrose, Schumpeter and the Austrian economists, among many, the relatively new strategic entrepreneurship literature also confirms that it is the resource-investment that should be the focus of investment and not the opportunities themselves, if one wants to understand how entrepreneurial initiatives come into being and lead to an innovation that can affect whole markets (Klein, 2008; Foss et al. 2008). The implication here is that managers are essentially entrepreneurs because they have to constantly find new ways to invest in and use resources (Smith & Cao, 2007). These entrepreneurial activities will lead to new markets forming within the capitalist system (Klein, 2008; Schumpeter, 1947 & 2000). According to Schumpeter, an entrepreneurial act occurs when firms find ways to combine resources differently. For example, when the credit system is used as part of the process it is inevitable that economic

growth will occur (Ingham, 2008), which demonstrates that capital holders also have the potential to be entrepreneurs but in regard to the firms they opt to invest their money (Foss, et al. 2008).

In a similar vein, the neo-institutional economics literature establishes that managers' resource-investment decisions affect the workings of the economy (Moran & Ghoshal, 1999; Hodgson, 1998 & 1999; Rutherford, 2001; Stiglitz, 1991). It asserts that human economic behavior is much more complex than neo-classical economists suggest; essentially, that it is much more important to examine *how and why* markets equilibrate rather than focus on *how and if* they achieved equilibrium (Samuels, 1995). It also makes clear that information costs cannot be ignored (Demsetz, 1988) and that institutions are established to moderate or normalize human investment behavior, as well as achieve other objectives for society (Moran & Ghoshal, 1999; North, 1994). Moreover, it establishes that capital is structured to reflect society's needs and commitment to ensure they are met (Foss & Garzarelli, 2007; Lachmann, 1978[1956]).

### **Everyone Associated with a Firm is an Investor One Way or the Other**

Thus, the resource-based view, strategic entrepreneurship and neo-institutional economics literatures establish that resource-investments are *the result of a bilateral process* that involves both managers and the owners of capital, including decisions both these investor types make in an ex ante and ex post context (Foss & Garzarelli, 2007; Lippman & Rumelt, 2003). Importantly, these literatures establish that although it is important for firms to differentiate themselves to a large extent to be able to compete, they must also be able to conform well in order to do well (Lawrence 1999; Oliver, 1997). The implication is that *resource heterogeneity* and *resource homogeneity* are equally as important as each other if one is to explain the mechanisms by which firms contribute to institutional change. In other words, a tension clearly exists between the two imperatives. The implication here is that a 'resource-investment', as defined in this paper, is a most suitable unit of analysis to use if conducting research into the role of firms in development.

### **Some Assets, Capabilities, People Talents are More Important Than Others**

One of the more important contributions of the RBV is that it establishes that some resources are more important for a firm to develop than others, notably higher-order or dynamic capabilities Barney & Arikan, 2001; Helfat, et al. 2007; Lei, et al. 1996; Mahoney, 2005; Prahalad & Hamel, 1990; Teece et al. 1997; Winter, 2003). These allow the firm to be transformed and respond to change in the marketplace. In the ideal, they allow the firm to be persistently high performing.

Thus, from a manager's point-of-view, a resource-investment that is relevant can be defined as *the combination of resources that the firm's managers acquired or developed and deployed to produce and deliver products and services, and/or grow or contract the firm to be an increasingly market sensitive and/or efficient institution* (Zubac, et al. 2010).

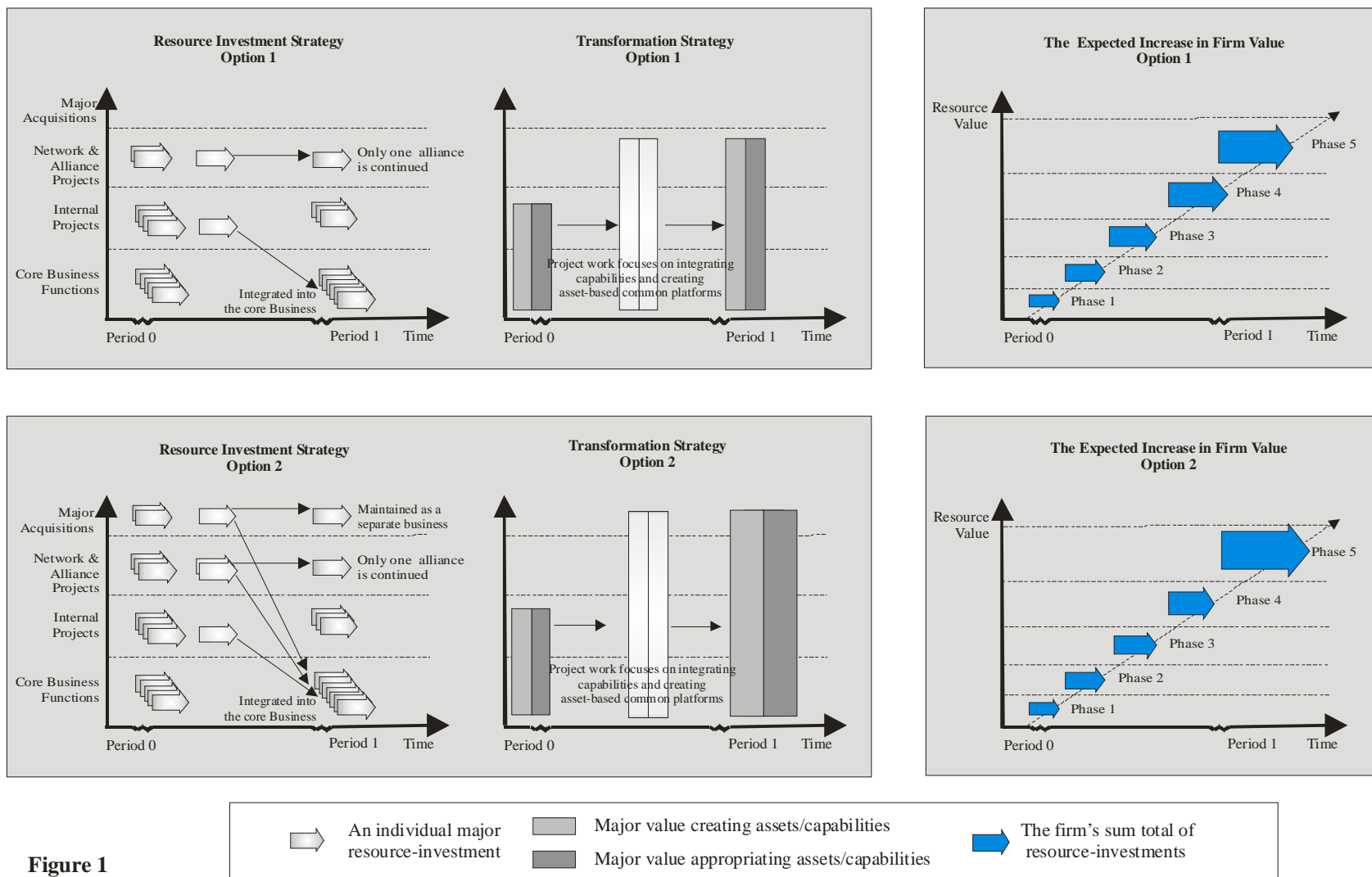
As illustrated in **Figure 1**, which describes a hypothetical firm, managers are almost invariably required to choose from more than one strategy, in this case, from two potential strategies. The left side of **Figure 1** describes the major resource-investments a firm needs to make to pursue these strategies.<sup>3</sup> The strategies necessarily make possible for the firm to function and engage in its day-to-day business operations, as well as implement its strategies via a range of projects. As the top and bottom halves of **Figure 1** illustrates in a hypothetical context, it is usual for a firm's managers to have more than one potential resource-investment strategy to choose from on behalf of the firm. These strategies normally require an investment in capabilities that enable the firm; but could also potentially differentiate it from its competitors in some critical way.

In line with the RBV literature, the resource-investment concept makes clear that in the long-term it is resource configurations that are important and not just the ability to gain access to and be able to effectively use a particular resource (Eisenhardt & Martin, 2000; Galunic & Rodan, 1998). Managers must continually reconfigure the firm's resources, requiring them to make resource-investment decisions continually (Bower & Gilbert, 2005; Peteraf, 2005; Stein, 1997).<sup>4</sup>

## **FIRMS, OTHER IMPORTANT INSTITUTIONS AND MAKING THE INVESTMENT SYSTEM WORK FOR EVERYBODY**

In the neo-institutional economics literature, institutions are generally defined as 'systems of established and embedded social rules that structure social interactions' (Hodgson, 2006: 17). According to the Nobel Laureate North (1994), individual institutions, such as firms, are players within these systems. It follows that if the institutional environment changes this is because players within the system, firms in the case of this paper, have done something to change it or responded to some pressure exerted on them in some way that likewise has had the effect of changing the institutional environment. As discussed in the previous section, the resource-investment processes that managers use are very important. Significantly, they also explain how the firm gains access to capital.

### A Hypothetical Firm's Transformation Strategy: Option 1 and Option 2: Period 0 to Period 1



According to Foss and Ishikawa (2007: 765), this is in line with the RBVs ‘emphasis on heterogeneous resources.’ As an extension of this point, Foss and Ishikawa in the same paper also advocate a structural approach to capital (Lachmann, 1978[1956]). This is because the capital invested in the firm must be applied and must reflect the needs of owners and, by implication, the needs of society (Foss & Garzarelli, 2007). Accordingly, resource-investments are also made by capital holders, which means a *resource-investment* is definable from the perspective of an owner too, that is, as *the capital that the firm’s owners invest in the firm to allow its managers to implement strategies able to achieve owners’ future payment demands* (Zubac, et al. 2010). This second part of the definition of a resource-investment demonstrates that in order for managers to make resource-investments they must gain access to capital, which they subsequently convert, using the firm as an organizing instrument.<sup>5</sup>

### **Creating Wealth by Investing in Firms: Building a Country’s Capital Base**

Thus, owners make it possible for managers to exploit the potential inherent in the firm to be productive and profitable. They allow managers to gain access to resources and recombine them as required and as seen fit. As Schumpeter (2004[1934]) demonstrated, stocks of money accessed through the credit system are used by managers and entrepreneurs to establish firms and stimulate economic growth. Essentially, when financial capital is applied it is transformed. In other words, in its most fungible form capital is money stock or *financial capital* but when it is used by managers it becomes *applied capital*. According to Lewin (2005: 145), to be able to understand business in an institutional and change context, it is more useful to take ‘a structural, as opposed to a stock approach to capital.’ But what could this involve? The literatures described above suggest there are fundamentally three ways in which capital becomes structured to reflect society’s needs, that is, as human capital, risk capital or resource capital. As a form of applied capital, these capital sub-types meet the three criteria to be classed as capital as Arrow (2000) required – it has the capacity to be increased over time, it is possible to associate benefits with building it up over time, and it is potentially transferable.

#### ***Human Capital***

In line with Zubac, et al. (2010) human capital is defined as *the benefits that people can contribute to a firm or, more broadly from a societal perspective, people can contribute to society or the economy*. There are two human capital sub-types - *social capital* and *knowledge capital*.

*Social capital* involves the ability to develop relationships with other people that can advance one's economic objectives. Thus, in a firm context, it is defined as *the capacity for people to lever their social connections to advantageously gain access to resources or better use the firm's own resources*. The other aspect that makes up human capital is *knowledge capital*. This involves the ability to identify different and potentially beneficial ways to gain access to resources and use them. In a firm context, it is defined as *the ability of the firm's people to identify different and potentially beneficial ways to gain access to resources and use them*. In the most essential sense, firms benefit if their managers invest in human capital; it allows them to access people's social networks and knowledge, whatever forms these take.

### ***Risk Capital***

Although there is still much to learn about how firms approach risk management and are affected by risk, the reality is that to attract investors managers must demonstrate the use of risk mitigation methods and that they hold risk capital or can easily access liquid assets if urgently required (Chatterjee, Lubatkin, & Schulze, 1999; Demsetz, 1997; Ingham, 2008; Mahoney & Pandian, 1992; Reuefli, Collins, & Lacugna, 1999; Wernefelt & Montgomery, 1988). According to the finance literature, theoretically, risk capital is 'the smallest amount that can be invested to insure the value of the firm's net assets against a loss in value relative to the risk-free investment of those net assets' (Merton & Perold, 1993: 17). Essentially, risk capital is a buffer that insures the firm (Matten, 2001). Thus, in a firm context, it is defined as *the means by which firms mitigate and underwrite their risks, and protect their owners' ongoing interests* (Zubac, et al. 2010). One important aspect of risk capital is that it links entrepreneurial activities or resource-investment activities with the credit system, and makes it possible for entrepreneurs to start new business concerns (Ingham, 2008; Schumpeter, 2004[1934]).

### ***Resource Capital***

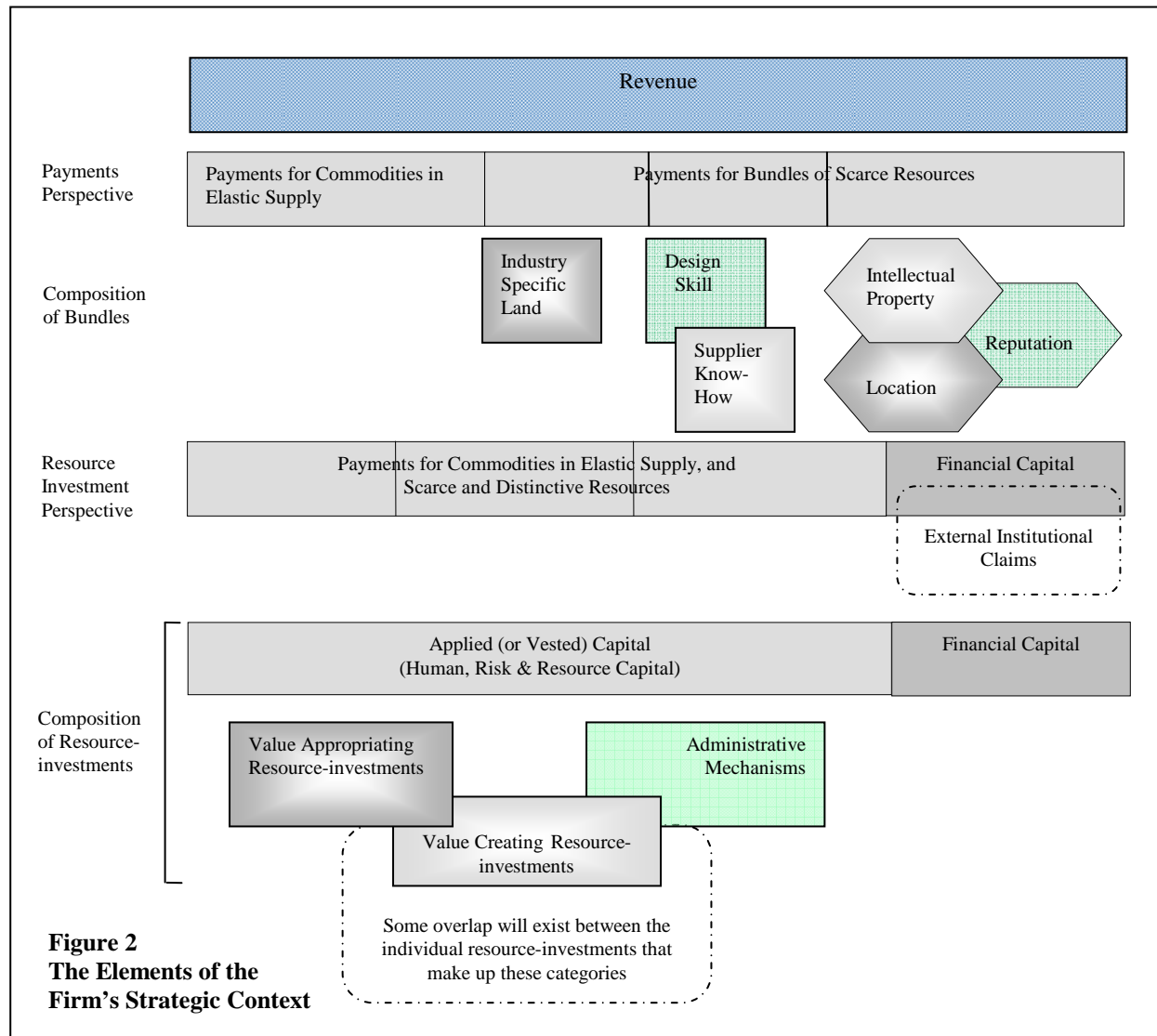
Lastly, as demonstrated by the RBV, firms cannot operate and strategies cannot be implemented unless resources are acquired and developed (Barney, 1991; Helfat, et al. 2007; Penrose, 1959; Rumelt, 1984). Thus, since the firm's owners invest in and enable the firm, it is necessary to have *resource capital*. In line with the RBV, it is defined as *all the tangible and intangible assets, capabilities and core competencies at the firm, and any knowledge captured by it which allows the firm to operate and its managers to implement strategies* (Zubac, et al. 2010).

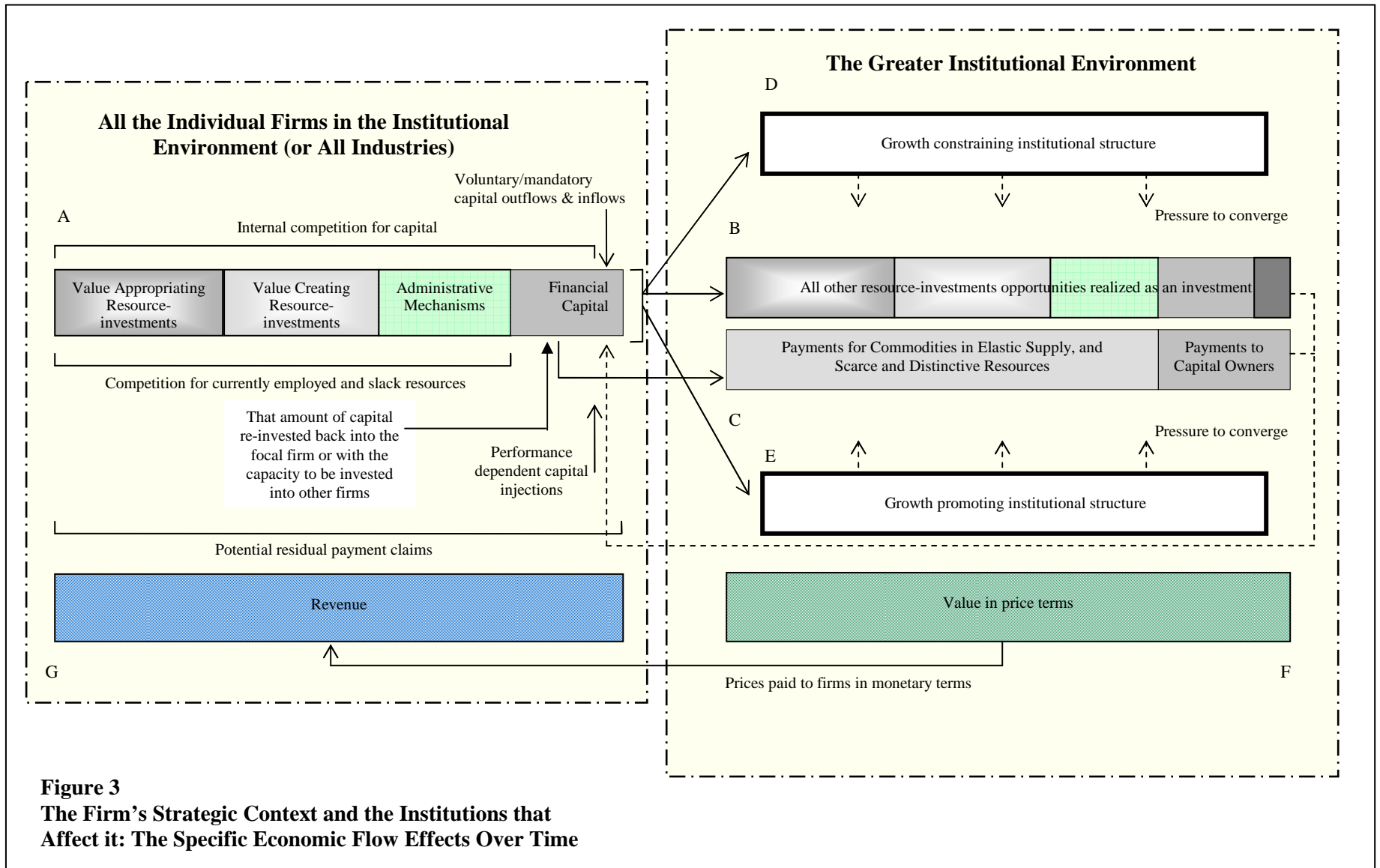
## **BUT WE ALL WANT TO GET PAID SOMETIME**

According to Lippman and Rumelt (2003), the problem of how value is able to accrue to a resource is explained more effectively by adopting a payments perspective. This perspective is particularly useful as it avoids any reference to the potentially confounding opportunity construct. They argue that  $\text{Payments} \equiv \text{Revenue} \equiv \text{Cost}$ , which implies the firm's revenues are fully imputable to a cost, and all costs can be matched to a payment made to an owner of a resource that the firm uses, including capital provided to the firm by the firm's owners.

This is consistent with the arguments provided already in this paper about the rationale for conceptualizing the firm in resource-investment terms. In fact, the arguments are identical if a payments perspective is adapted to reflect the bilateralness of the resource-investment process, namely, the necessity for both managers and owners to be involved in investing. As Zubac et al. (2010) established, and **Figure 2** illustrates, a payments perspective can be used to describe all of the resources that firms need to use, including the capabilities invested in and developed at the firm to create and appropriate value.<sup>6</sup> These resource-investments can be matched against the resource-investments owners make.

Most importantly, **Figure 2** shows that owners' payment demands will change in response to the transformation of resources into something that is more difficult or not commercially viable to separate from the firm as a whole or a critical part of it. Of course, it is necessary for them to realize that a transformation has taken place and it may have become much more difficult to extricate oneself from the investment made in the firm. In the latter situation, the only way an owner can be assured of a payment is by ensuring: (1) the firm competes effectively; (2) the capital invested is applied to more realizable firm-based resources; (3) managers are required to avoid the capital investment eroding further; and/or (4) any option that exists to take one's capital investment elsewhere is taken, preferably before any more of a reduction in value occurs.





## **The System Needs a Variety of People and Organizations to Work Well**

As **Figure 3** shows, it is possible to focus in on the role firms play in the greater investment system, as well as how they help to perpetuate the system. It also demonstrates an appreciation of the fact that it is possible to aggregate all of the resource-investments made by managers and owners in a given institutional environment. In **Figure 3**, 'A' describes the resource-investments managers make, that is, all the resource-investments made to create value, appropriate value, administer the firm or give managers access to finance/funds. Clearly, managers must compete amongst themselves for the use of currently employed and slack resources, and to access financial capital, which is what essentially occurs through the resource allocation processes at firms and/or if an internal capital market is set up (Bower & Gilbert, 2005; Stein, 1997).

'B' represents all other possible resource-investments and 'C' represents the payments for commodities in elastic supply, scarce and distinctive resources (or hard to separate resources), and financial capital. Financial capital has the capacity to be reinjected into all or some of the firms in 'A' from 'B' and 'C', bearing in mind that it is not necessary to think in sales revenue terms, as the foci is payments made to the firm's owners and other resource owners. 'D' and 'E' are respectively the institutions that constrain and promote firm growth, and this includes markets, which are also institutions. Assuming it is not necessary for firms to be profit-maximisers, which reflects the reality that many firms do not perform optimally for all sorts of reasons, 'F' represents the sum total of all the resource exchanges that took place at a given time, whether or not the resources in question were used optimally or owners and managers were particularly limited by the knowledge they had or could access (Cyert & Kumar, 1996; Cyert & March, 1963). The current asking price for resources in the economy that firms could use can be seen as a result of the constant pressure exerted to converge and for firms to comply with other institutional demands. 'B' necessarily includes resources that may not presently be in active use in the economy but could be in demand in the future. It is an important fact that 'G' *at the beginning* of this bilateral and circular process represents different levels of value or resource accessing capacity as opposed to the total revenue amount that 'G' represents *after* the economy's firms have interacted with the institutions that affect them. It reflects how different ex post payment positions were achieved and what is involved when resource owners and capital owners attempt to: (1) extract value; (2) appropriate value; (3) recover a loss of value; or (4) or recover

value appropriated by others.

## **THE PART OF THE EQUATION THAT DOESN'T MAKE SENSE TO EXCLUDE: STUDYING GENDER WORKFORCE EQUITY AND INEQUITY**

As may have been gleaned by now, the ideas described in this paper so far encapsulate much and have many potential applications. A good example of how they could be applied is in gender equity and inequity in work research. A brief review of the literature from business and management, economics, labor and human resource management journals, to name but a few, as presented below, make clear that this is a vital area of research if one is to understand how firms' contributions can be made more productive, efficient, sustainable and fair in what they can achieve. However, the ability of women in particular to benefit from the firm as a work forum or a stimulus of work appears to be limited in many ways and dependent on the institutional environment in question as highlighted below.

### **More Women in Senior Roles and on Boards**

At one end of the argument of research centered on gender equity and inequity in the workforce, where gender inequity is examined from the perspective of why women are still unable to participate in corporations at a level on par with men as opposed to understanding the link between female work and poverty, not to say that the two are not related (Hausman, Tyson, & Zahidi, 2010; Zahidi. & Ibarra, 2010), there is an already large and growing body of management literature that explores why women seem unable to move into senior management or leadership positions to the same extent as men, including achieve critical mass. For instance, not only do women have to contend with the 'glass ceiling', which refers to the various hard to describe or discern or seemingly invisible barriers that make it difficult for women to break into the senior ranks of management or gain board positions (Arken, Bellar & Helms, 2004; Daily, Certo & Dalton, 1999; Hoobler, Wayne & Lemmon, 2009; Powell & Butterfield, 1994), they also have to contend with the 'glass cliff' (Haslam, Ryan, Kulich, Trojanowski & Atkins, 2010; Ryan & Haslam, 2005; Ryan & Haslam, 2007; Ryan & Haslam, 2009). This refers to the phenomenon where an inordinate proportion of women are promoted to extremely precarious leadership positions. For instance, it is arguable women are mostly appointed to a senior position only when it is clear the firm (or division), is failing or is the subject of scandal or some disadvantaging

reputational effect. As opposed to the ‘glass escalator’ (Maume, 1999; Williams, 1992), which refers to the forces that propel men from one promotion to another effortlessly and women not so, the ‘glass cliff’ is associated with women’s promotions harming their careers, if not ending them prematurely, and a combination of direct and indirect forms of systemic discrimination (Haslam, Ryan, Kulich, Trojanowski & Atkins, 2010; Ryan & Haslam, 2005; Ryan & Haslam, 2007).

Likewise, research that explores why women are not progressing to board membership positions at a rate and in numbers on par with men has found that the gains made by women so far could be too easily reversed if the talents of the most talented women in a country are not able to be fully tapped. Such women, with the capabilities to take on board work yet often unable to join boards, are limited in their ability to be advocates for change – change that could cascade down and benefit women not as advantaged, not to mention benefit society and the economy overall (Zahidi. & Ibarra, 2010). This is a particularly rich area of research, which has been variously analyzed from individual, board, firm and industry/environment perspectives or levels, including using human capital, status characteristics, gender self-schema, social identity, social network and cohesion, gendered trust, ingratiation, leadership, resource dependency, institutional, agency, and critical management theoretical lenses (Terjesen, Sealy and Singh, 2009).

Generally, the position taken is that in the long-run, the effects are more likely to be negative than positive if women remain unable to progress to board membership at a rate and in numbers on par with men. For instance, research indicates that not only are women associated with lower levels of board conflict but they are associated with more positive forms of board strategic control (Nielsen & Huse, 2010) and economic growth if their talents are fully exploited (Zahidi & Ibarra, 2010). But the evidence is that environmental or country-specific factors affect women board membership, such as the current ratio of women to men in senior management and ratio of male to female pay (Terjesen and Singh, 2008; Van der Vegt, Van de Vliert and Huang, 2005). Similarly, path dependent factors, such as the composition of the board at firm formation or listing stage, or at other critical stages of firm development can also affect its subsequent composition, including the gender ratio (Lynall, Golden and Hillman, 2003). This suggests the task of evening out the numbers is also similarly path dependent; urgent action may be required as opposed to waiting for rational economic forces to make their presence felt or for good sense to prevail.

## **Getting the Majority of Women Off of the Poverty Treadmill**

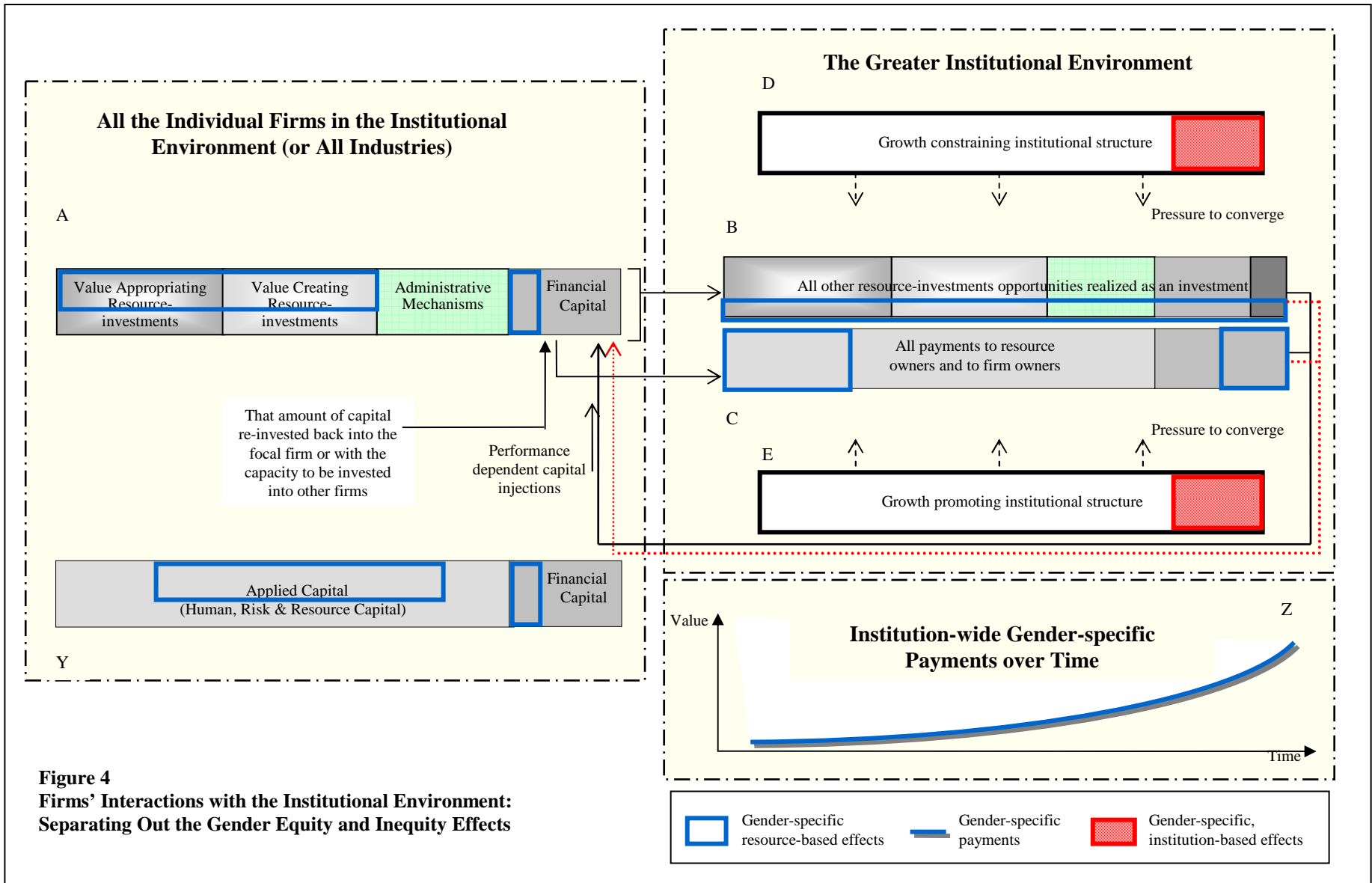
At the other end of the argument, where the link between persistent female poverty and disadvantage is the focus of gender equity and inequity research, much research continues to be conducted in this area by agencies and individual researchers with an interest (Chen, Vanek, Lund, Heintz, Jhabvala, & Bonner, 2005; Goetz, Cueva-Beteta, Sandler, Eddon, Doraid, Bhandarkar, Anwar, & Dayal, 2009; Turquet, Seck, Azcona, Menon, Boyce, Pierron, & Harbour, 2011). For instance, the link has been made between the propensity to overly associate women with home-based or non-paid caring roles with persistently lower earnings for women. The effect of this is lower levels of productivity in an economy than what otherwise could be (Chichilnisky, 2008). Despite associating gender equity with economic growth and gender inequities with inefficiencies that can profoundly affect whole economies, the problem of gender inequality continues to confound and evade a solution, even though much progress has been made in regard to identifying demonstrable causes, such as lack of property and capital rights, unequal access to credit markets and insurance markets, and non-freedom of movement or inadequate fertility rights. In part, these problems have been explained by the ‘stickiness’ of specific, often culturally embedded institutions (Braunstein, 2008), including the widespread belief many women have themselves that if they are justly rewarded for their efforts it is more likely to be the result of luck than anything else (Fisman and O’Neill, 2009). Systemic forms of discrimination have also long been associated with being an unintended consequence of globalization, including the result of disadvantaging global supply chains (Harris-White, 2003; Metcalf, 2008; Prieto-Carrón, 2008). Despite efforts to address female specific forms of gender inequity at a global level, the evidence is that economic growth and development is a highly gendered process; as old forms of gender inequity are weakened new forms of gender inequity emerge, not just in the poorest countries but also in the richest (Elson, 2009).

This brings us back to how the resource-investment frameworks described in this paper could be applied to gender equity and inequity research. Generally, because often the discrimination at work is pervasive (likely the result of a combination of institutional, cultural and political factors), and requires the application of a variety of models with the potential to ameliorate, including models of equality as procedural or individual justice, equality as social justice, and equality as diversity (Tomei, 2003), it is important to examine the specific role firms play in perpetuating different forms of gender inequity in the workforce and, more importantly, how they

can be used to bring about more equitable working situations for women.

How this could be done can be demonstrated by adapting **Figure 3**. As **Figure 4** demonstrates, one could adapt **Figure 3** to be able to focus on gender-specific effects as it applies to what ensues as a result of managers and owners investing on behalf of or in the firm. The left and right side of **Figure 4**, which describe how managers and owners make reciprocal resource-investments, have been adapted to separate out/identify those resource-investments that are gender-specific, in this case, those that involve women, as shown through the inclusion of the blue highlighted rectangles in 'A', 'B', 'C' and 'Y'. Likewise, **Figure 3** could be adapted to understand how gender-specific institutional effects are relevant, in this case, those that involve women, as shown through the inclusion of the red colored hatched highlighted triangles in the rectangles labeled 'D' and 'E' in **Figure 4**.

As shown, 'D' and 'E' represent the growth constraining and promoting institutional structures that affect the resource-investing behaviors of managers and owners, acknowledging that some will be gender-specific. The section labeled 'Z' in **Figure 4** demonstrates that it is possible to identify how gender-specific payments to resource owners and firm owners within the institutional environment, in this case, those that involve women, could be cumulated and plotted over time. In this particular representation, the upward slope suggests that payments to resource owners and firm owners who are women have increased in value over time. Of course, it is possible payments do not increase over time. If this were the case, then the slope would be either horizontal, if static, or downward trending, if declining. There are a number of benefits of separating out the gender-specific effects if wanting to apply the resource-investment concept to the problem of gender workplace inequity, in this case, those that specifically involve women at the meso- or macro-level. For instance, one could learn more about how gender-specific strategies at firms initiated and driven by managers (collectively or not), including investments in the development of particular skills in its female workforce, result in the firm gaining the capacity to exploit new resource-investment opportunities or avoid penalties imposed on it by Government for not investing in its female workforce. Likewise, one could learn more about how grants to women to start or develop businesses lead to more firms developing value appropriating and value creating resources. Also, how they lead to the build-up of applied capital levels, that is, human, risk and resource capital. It is assumed it is advantaging to build up applied capital; that building it up is a necessary precursor to a country's people becoming wealthier overall.



Although most likely much more difficult to do, one could learn more about the effects associated with women being used by firms to undertake significantly different value creating and value appropriating activities than men, which presumably would be the result of managers choosing to make resource-investments on the firm's behalf that involve women in ways that are different to men. If this were the focus of the study, it could be possible to better understand how as a result of globalization and during the (social and economic) development process, some forms of gender inequity were weakened but new forms of gender inequity were able to emerge (Elson, 2009).

In real-life and across the world, major initiatives and strategies are implemented to reduce the gender gap and ensure gains made are not reversed (Chen, et al. 2005; Goetz, et al. 2009; Turquet, et al. 2011). At a firm-level, managers do develop strategies that lead them to invest in their female workforce. Women are given grants to start or develop businesses. And women are utilized in the workforce in ways that are significantly different to the way men are utilized and this continues to be the case despite globalization and concerted efforts by Governments and aid agencies to render negligible the disadvantages between the work of women and men (Harriss-White, 2003). However, although much data has been gathered about progress to date for the world's women, the focus has not been on understanding equality or inequality as outcomes (Elsen, 2009). In regard to this paper, this is likely to include determining how certain (gendered or not) value creating or value appropriating resource-investments were made by firms in order to exploit opportunities or create new markets affected women and men differently. The assumption here is that benefits that are conferred upon a population by firms could be better evaluated and measured if they allowed for the fact that substantially different or more benefits are often conferred upon one gender and not the other.

The benefit of this is that Governments, aid agencies, managers, capital holders and other stakeholders could make even better decisions about the policies and strategies that they initiate. These decisions can then take into account the whole institutional environment and how firm can be used as vehicles for change. For instance, Governments and aid agencies continue to be frustrated by the fact that when there is a humanitarian disaster in some jurisdictions the population is unable to recover as fast as those in other jurisdictions. There appears to be substantial evidence that the organizational structures and capabilities that develop to deliver aid

and manage the affected people using individuals from the affected population itself and firms (or firm-like structures), diminish or disappear after the first few stages of the relief effort. The effect of this is that although lives have been saved, some people are never able to recover their former ability to earn a living and have even less hope of prospering in the future (Hughes & Zubac, 2010). The management and feminist literatures, as cited in this paper, indicate on various levels the inability to recover is likely to have strong gender related roots, including the problem of persistent female poverty. And as previously identified and which is at the other end of the argument upon which research is centered, the costs to a society not exploiting its female leadership (Zahidi & Ibarra, 2010) could also be more understood and more thoroughly addressed.

### **CONCLUSION: DIFFICULT TO IDENTIFY THE BEST WAY TO CHANGE THINGS BUT DO-ABLE**

This paper further develops the resource-investment concept from a payments perspective (Zubac, et al. 2010). It describes the logic used, including the view that the resource-investment process is a bilateral one and it involves both managers and the owners of capital. And investing necessarily occurs within the institutional superstructure but is also a reflection of it. Essentially, owners invest in firms, recognising that financial capital can be applied and transformed into human capital, risk capital and resource capital. The paper develops these ideas from a payments perspective because one can explore both the ex ante and ex post investment decisions that managers and owners make over time and in response to change as they perceive it.

Importantly, at the meso- or macro-level, the paper provides frameworks that can be used to examine how individual resource-investment decisions, in particular the strategies that managers devise and implement (see **Figure 1**), affect the institutional superstructure, including how they lead to very specific patterns of institutional change (see **Figures 2 and 3**). The implication is that the frameworks described in this paper could be used to identify typologies of resource-investment configurations that can define whole groups of firms in the economy (Doty & Glick, 1994). This is important if one wants to understand why firms in the same institutional environments come to resemble each other but firms do not resemble each other so much when compared across institutional environments (Peng et al. 2009).

## **Economic Growth and Development is a Gender Equity/Inequity Issue Too**

Of course, if the resource-investment concept can be used to examine how individual firm-level resource-investment decisions affect the institutional superstructure over time, and lead to very specific patterns of institutional change, then it could be very useful if wanting to learn more about the drivers and impediments to social and economic development, including those that make it more difficult to achieve outcomes for women at a pace and level of real benefit to them (see **Figure 4**). According to the endogenous growth theorists, growth can be explained as the result of injections of capital, savings and the level of labor (Agarwal, et al. 2007), exogenous technological advance (Solow 1956 & 1994), information effects (Arrow, 1962), endogenous investments in knowledge and knowledge spillovers (Romer, 1994), the level of physical capital, the roles of government and money (Cheng & Dinopoulos, 1992), the level of or rate of natural resource depletion, demographic change, the effects of improved communication and transportation (Brander, 1992), incentives, positive investment outcomes (as they relate to volume, efficiency and labor intensity, the propensity of returns to diminish over time (Scott, 1993), the size of financial institutions (King & Levine, 1993), and the role of entrepreneurship in creating new forms of knowledge (Agarwal, et al. 2007). However, growth as a highly gendered process is yet to be considered if evidence from the World Bank Development Report 2006 is a guide (Elsen, 2009).

The value of the frameworks developed in this paper is that it allows one to track the effects of *what firms do* over time (Zubac, et al. 2010). If across in an institutional environment:

$$\text{Payments (P)} = \text{Revenue (R)} = \text{Cost (C)}$$

and

$$\text{Payments} = \text{Financial Capital (FC)} + \text{Applied Capital (AC)}$$

and

$$\text{Applied Capital} = \text{Value Creating Resources (VCR)} + \text{Value Appropriating Resources (VAR)} + \text{Administrative Mechanisms (AM)},$$

then the outcomes of managers and owners investing should be capable of being thought of in gender terms, here as represented by  $f$  for female and  $m$  for male. That is,

$$f(P) + m(P) = f(R) + m(R) = f(C) + m(C)$$

and

$$f(P) + m(P) = f(FC) + m(FC) + f(AC) + m(AC)$$

and

$$f(AC) + m(AC) = f(VCR) + m(VCR) + f(VAR) + m(VAR) + f(AM) + m(AM).$$

It should then be possible to map out how firms grow but also contribute to growth, including how they specifically contribute to forms of social and economic development that advantage and disadvantage women.

This last point suggests one very, if not the most, important fact about the arguments developed in this paper. If we are to define ‘work’ in a firm-institutional context then it needs to be defined in gender terms, including in non-permanent/full-time or flexible or non-traditional employer-employee forms (Chen, et al. 2005; Goetz, et al. 2009; Handy, 1984; Turquet, et al. 2011). In regard to the frameworks developed and put forward in this paper as they relate to the potential uses of the resource-investment concept, particularly as a foundation for a resource-based theory of the firm, this could involve defining ‘work’ in gender-specific resource-capital-payments parity terms, as opposed to ‘human activities, paid or unpaid, that produce the goods and services in an economy, or supply the needs of a community, or to provide a person’s accustomed means of livelihood’ (ILO, 2011: np). For instance, ‘work’ could be defined *as the investment activities resource owners, managers and capital owners engage in to produce goods and services with the expectation of receiving a payment, which allows them to benefit from the economic system, as an individual or as part of a collective or organization, although not necessarily achieving parity between the investment engaged in and the payment received or subsequently being able to fully meet their own or specific groups of people’s or a specific gender’s or their community’s livelihood needs*. Such a definition is potentially extremely useful if the wanting to focus on a gender equity and inequity in work research agenda, or other like research agendas, from a firm and institutional superstructure perspective, including how the resource-investment decisions made by managers and owners could be improved.

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<sup>1</sup> As in Barney (1991), the term ‘resources’ describes both the unique assets and capabilities a firm possesses and which are used by the firm to implement its strategies and improve its overall performance.

<sup>2</sup> This paper differentiates capital from the firm’s other resource-investments by establishing that capital is solely owned by owners but that owners may not always own the firm’s other resources.

<sup>3</sup> The reference to a ‘major resource-investment’ acknowledges the fact that managers implement strategies by combining resources strategically, requiring one to consider major investments rather than single or ad hoc budget items.

<sup>4</sup> The RBV and resource allocation theory both assume that strategy originates with those managers who have the knowledge to *solve* the firm’s specific strategy and value creation-related problems (Peteraf, 2005).

<sup>5</sup> As highlighted in Zubac et al. (2011), the term *capital* is not interchangeable with the term *resource-investment*. But this should not be considered to be a contradictory statement. The bilateral process that both managers and owners take part in is referred to here. Owners’ investments in firms emanate from the broader institutional environment so the term *capital* is appropriate. In other words, from an institutional view, they allow managers to convert capital into new resource combinations. In this way, managers allow firms to benefit from society’s collective capital. From an institutional view, the capital that capital owners make available to the firm by investing in it makes it possible for capital owners to benefit from their share of society’s collective capital. Thus the terms *resource-investment* and *capital* are indeed distinct. The term *capital* is institution-specific. This is because it is rendered utilizable by the credit system while the term *resource-investment* refers to investments made possible by the existence of the firm.

<sup>6</sup> This paper uses Moran and Ghoshal’s (1999) definitions of value creation and value appropriation, where value creation refers to the firm using its resources to create new potential rent sources and value appropriation refers to the firm using its resources to sustain a competitive advantage and/or equitably distributing the wealth it creates to its owners.