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ERRATA

In Volume 17-1, the article by Mitchell and Cohen had a significant error in that we inadvertently omitted a portion of a key table. That table is printed here. If you would like a complete copy of the article, please contact me at jsbs@bradley.edu. You may also find the article on the Journal of Small Business Strategy website, www.jsbs.org. We apologize for the error.

Theory	Purpose of Theory - The purpose of this theory is to:	Reason for Existence (⇒ I v. R) — Firms exist:	Scale & Scope (⇒ B v. N) - Scale & Scope are determined by:
A-Narrow/ Incremental			
Agency (Jensen & Meckling, 1976)	Develop a theory of the ownership structure of the firm (Jensen & Meckling, 1976: 305).	As a nexus for contracting relationships, which is also characterized by the existence of divisible residual claims on the assets and cash flows of the organization which can generally be sold without permission of the other contracting individuals (1976: 311)	The point at which the gross increment in (firm) value is just offset by the incremental loss involved in the consumption of additional fringe benefits due to (managers') declining fractional interest in the firm (1976: 323)
Customer Value (Slater, 1997)	Suggest that firms' customer value should be the focus of business activities and to propose a marketing based view of the theory of the firm (Slater:, 1997: 162)	To satisfy the customer (1997: 164; and Drucker, 1973)	The customer value strategy which dictates the size of the target market and the value proposition (1997: 164)
Evolutionary (Nelson & Winter, 1982)	Expand our understanding of economic change (Nelson & Winter, 1982)	Because a set of capabilities and decision rules combine and evolve based on the inheritance of acquired characteristics and the timely appearance of variation under the stimulus of adversity (Nelson & Winter, 1982).	The joint action of search and selection "routines" (Nelson & Winter, 1982)
Exchange (Boulding, 1950)	Construct a classical type of macroeconomic distribution theory to distinguish between exchange process contributions to wealth creation and the processes of production (Boulding, 1950; Canterbery, 1994, p. 1227)	To both exchange (where existing assets including money are circulated among various owners), and to produce (where assets are created, destroyed, and accumulated) (1994: 1227)	The personal income distribution (PID), where PID as a key determinant of output is effected by potentially volatile financial transfers item (T) (Boulding, 1950; 1994: 1227)
Industrial Organization (Caves, 1980: 88; Porter, 1980; Porter, 1984)	To explain how competitive forces within an industry shape the specific responses of firms within that industry to the small numbers bargaining power of rivals, suppliers, buyers, imitators, and substitutes (Porter, 1980)	Because they are portfolios of activities (Porter, 1984: 423) composed of the tangible or intangible semi-fixed assets or skills necessary for the conduct of these activities in the marketplace (Caves, 1980: 64).	Market structure: " . . . certain stable attributes of the market that influence the firm's conduct in the marketplace" including size (Caves 1980: 64)

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Institutional (DiMaggio & Powell, 1983; Meyer & Rowan, 1977)	Explain how institutional forces shape organizations (DiMaggio & Powell, 1983; Meyer & Rowan, 1977)	Because they are isomorphic with institutions and are therefore legitimate organizations (DiMaggio & Powell, 1983)	The extent of coercive, memetic, and/ or normative isomorphism (DiMaggio & Powell, 1983)
Population Ecology (Hannan & Freeman, 1989)	Explain the forces that shape the structures of organizations over long time spans, including how populations of firms forms arise and decline. Population ecology theory has specific implications for the nature of firms (Hannan & Freeman, 1989; Carroll & Hannan, 1989)	To produce and distribute resources (Hannan & Freeman, 1989: 5)	Inertial nature of firms, and the nature of the resource space, including the level of resource scarcity and the tightness of niche packing (Carroll & Hannan, 1989: 411)
Real Entity (Metzger & Dalton, 1996)	To compare and contrast firms with humans in an attempt to depict legal and philosophical firm models (2001: 494)	To represent the moral authority of its members. Firms, however, are seen as naturally occurring beings with characteristics beyond those of its members. (2001: 496)	The outcome of its organization and management and activities (2001: 496)
Resource-based (Barney, 1991; Penrose, 1959; Wernerfelt, 1984)	Analyze firms from the resource side rather than from the product side (Wernerfelt, 1984: 171)	Because the creation of new productive services requires the collection of resources that results in a firm (Penrose, 1959: 77, 85)	The indivisibility of the resource bundles that must be collected to satisfy relevant demand for heterogeneous productive services (1959: 67, 68, 75, 77, 83)
Strategic (Liebeskind, 1996)	To extend transaction-cost theory of the firm to incorporate knowledge in explaining the relationship between organization and competitive advantage (Liebeskind: 1996: 93).	To create isolating mechanisms (1996: 94). Firms are more capable of isolating and protecting knowledge (at lower transaction costs) than are markets.	The relative importance of knowledge components to a firm's strategy. If particular knowledge is critical, firms will expand their scope to bring the knowledge inside the firm, assuming the benefits exceed the costs (1996: 103).

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B-Broad/ Incremental			
Behavioral (Cyert & March, 1963)	Develop an empirically relevant, process-oriented, theory of economic decision making (Cyert & March, 1963: 3) which predicts firm behavior (1963: 19)	To form coalitions of individuals in order to attain collective objectives (p.28) through decision-making processes (1963: 290)	Temporal or functional coalitions of participants formed to make decisions (1963: 27)
Game Theory (Kogut & Zander, 1996)	To provide an alternative theory of the firm which accounts for ownership, incentives, and self-interest (Kogut & Zander, 1996: 502).	To reduce the costs of communication and coordination of embedded social knowledge (1996: 503)	Qualitative changes in the reservoir of social knowledge available to economic agents (1996: 503).
Resource dependence (Pfeffer & Salancik, 1978)	Include the role of external control of organizations in organization theory (Pfeffer & Salancik, 1978)	Because bridging and buffering mechanisms around a technological core create organization (Pfeffer & Salancik, 1978: 106, 108; Scott, 1987: 182-198).	The effectiveness of bridging and buffering mechanisms (Scott, 1987)
Stakeholder (Brenner & Cochran, 1991)	Describe how organizations operate and to help predict organizational behavior (Brenner & Cochran, 1991: 452)	To fulfill some set of their various stakeholders' needs (Brenner & Cochran, 1991: 453)	The structuring and choice processes of the firm's management (Brenner & Cochran, 1991: 455)
Transaction Cognition (Mitchell, 2001)	Generalize and extend transaction cost economic theory to demonstrate how entrepreneurial cognitions (planning, promise, and competition) create new value at multiple levels of analysis, through the reduction of cross-level transaction costs (Mitchell, 2001)	Because they are bundles of transactions which aggregate because together they minimize transaction costs (2001: 83)	The size of the cumulated value networks that must be assembled to serve stakeholders at minimum transaction cost (2001: 88)
Transaction Cost Economics (Coase, 1937)	Explain why firms form as an alternative to the market (Coase, 1937)	To economize on transaction costs through substitution at the margin (Coase, 1937; Williamson, 1985)	First-order economizing (Williamson, 1991)

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C-Narrow/ Revolutionary			
Entrepreneurial (Casson, 1996; Witt, 1998)	Set out a general framework within which all the key questions in the theory of the firm can be brought together at once (Casson, 1996: 55)	To improve coordination by structuring information flow, which requires that it be endowed with legal privileges, including indefinite life (1996: 56)	Factors supporting entrepreneurial insight, e.g., level of information synthesis (to make price and production decisions), necessary sunk costs to permit necessary customization, level of desire to appropriate the value of profit opportunities (Casson, 1996)
D-Broad/ Revolutionary	NONE	NONE	NONE
Non-Theories of the Firm			
Competence-based (Hodgson, 1998)	Set out a general form alternative to contractarian (e.g., Coase) theories of the firm (Hodgeson, 1998: 25). Competence-based theories are an omnibus grouping rather than a specific theory (Hodgeson, 1998)	N/A	N/A
Computational (Barr & Saraceno, 2002)	Present a framework for analyzing the information processing (learning) behavior of firms, where firms are viewed as artificial neural networks (Barr, 2002: 345).	N/A: This theory assumes the existence of firms.	A collection of information processing units (2002: 345). Optimal firm size changes as the environment changes (2002: 346).
Economic Development (Lamoreaux, 1998)	Use business history, in particular the contractual choices made by 19th-century entrepreneurs to organize their businesses, to reflect on the nature of the firm (1998: 66)	To bring together producers and investors in response to incomplete contracts and market power (1998: 70)	The attainment of sustained capabilities (1998: 70)

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Knowledge-Based (Kogut & Zander, 1992)	Explain knowledge creation, sharing and transfer within a firm (Kogut & Zander, 1992: 383)	Knowledge-based view does not explain why firms exist in lieu of opportunism or moral hazard (Foss, 1996)	What the firm makes and what it buys (1992: 385)
Managerial (Bartlett & Ghoshal, 1993)	Describe a "new" organizational form characterized by radical decentralization in the creation of self-contained units and frontline entrepreneurship (Bartlett & Ghoshal, 1993).	N/A: This theory assumes the existence of firms.	The clustering of roles amongst three distinct organizational groups (front-line, middle management, and top management) which work across decentralized units (1993: 41)
Neoinstitutional (Furubotn, 2001)	To provide an explanation of management decision making where profit maximization is not cost-effective given transaction costs and bounded rationality (Furubotn, 2001: 143)	To attain constrained profit maximization (2001: 151).	N/A: Does not address firm boundaries.
Neoclassical (Smith, 1937)	Justify laissez-faire economics (Lerner, 1937: viii) with respect to firm activity that is motivated by profit seeking and is guided by an invisible hand (Smith, 1937: 423).	It is only for the sake of profit that any man employs capital in the support of industry (Smith, 1937: 423). However, this is a theory of markets in which firms are important actors (Jensen & Meckling, 1976: 306); profit maximization is one of many goals or not a goal at all (Cyert & March, 1963: 8)	N/A: Neoclassical economics has no positive theory to determine the bounds of the firm (Coase, 1937; 1963: 15)
Political (Muller & Warneryd, 2001)	To define the role of outside ownership in minimizing the risk of opportunistic behavior arising from imperfect formal enforcement (Muller & Warneryd, 2001: 527)	N/A: This theory assumes the existence of firms (2001: 527)	N/A: Inside versus outside ownership is not associated with scale and scope.
Property Rights (Grossman & Hart, 1986)	To predict the acquisition of assets by one firm from another and to explain the costs and benefits of integration (1986: 695).	N/A: This theory assumes the existence of firms (1986: 692)	The assets owned by the firm (1986: 692)
Resource-learning (Mahoney, 1995)	To suggest a theory that integrates constructs from resource-based, dynamic capabilities, and learning theory (1995: 91).	N/A: This theory assumes the existence of firms.	Bundles of unique resources (Mahoney, 1995)