

The Theory of

THE GROWTH OF THE FIRM

Third Edition

EDITH PENROSE

With a new Foreword by the author (1995)



TABLE OF CONTENTS

ORE	WORD b	y Edith Per	nrose (1995))	•••		•••	page ix
REF	ACE							xxii
Chapt	er							
I		UCTION						1
		purpose of					ment	1
	1110	purpose or	the stady			i ino argo		_
II		RM IN THE						9
		erent ways				•••	•••	9
		firm in the			_	ction	•••	11
		mits to size			•••	•••	•••	12
		ne ' firm ' i		firm		•••	•••	13
		firm as an					•••	15
		ne function					•••	15
		ze and adm				•••	•••	18
		dustrial fir				•••	•••	19
		ontinuity in				•••	•••	22
		firm as a c				ıman reso	urces	24
		motivation			•••	•••	•••	26
		ne profit m			•••	•••	•••	27
	Lo	ong-run pro	ofits and gi	owth	•••	•••	•••	29
III		RODUCTIVE ' ENTREPRE	ENEUR '					31
		wth limited						31
		role of ente					ement	33
		ntrepreneur				etence		54
	The	quality of e	entrepreneu	ırial se	rvices			35
		ntrepreneur				•••		36
		ınd-raising						37
		itrepreneur						39
	Er	itrepreneur	ial judgme	nt				40
	The	role of exp	ectations in	n the pi	roductive	opportun	ity of	
		the firm						41
IV		SION WITH					IANA-	
		ERIAL LIMIT				•••	• • • •	43
		basic assu			•••			43
		nature of t	•		•		•••	44
		ne manager			•••	•••	•••	45
		elease of ma				•••	•••	49
		rowth of m						51
		ne receding						55
		effect of un			•••	•••	•••	56
		ncertainty a			•••	•••	•••	58
	Ri	isk and una	voidable u	ncertai	nty			60

TABLE OF CONTENTS

Chap	ter		P^{a}				
V	'INHERITED ' RESOURCES AND THE DIRECTIO	N OF E	XPAN-				
	Types of inducement to expand		(
	The continuing availability of unused produ						
	services						
	Indivisibility and the 'balance of process	es '					
	The specialized use of resources						
	Heterogeneity of resources Interaction between material and human resource						
	The creation of new productive services						
	' Demand ' and the productive resources of	m					
	What is the relevant demand?						
	The direction of expansion		8				
	r						
VI	THE ECONOMIES OF SIZE AND THE ECONOMIES	S OF GR					
	The economies of size	•••					
	Technological economies	•••					
	Managerial economies						
	Economies in operation and expansion	9					
	The economies of growth	!					
	Disappearing versus enduring economies	1					
VII	THE ECONOMICS OF DIVERSIFICATION		1				
V 11	Ecc. : ci :	•••	1				
	3.5	•••	1.				
		•••	1.				
	Areas of specialization						
	Specific opportunities for diversification						
	Importance of industrial research	1					
	The significance of selling efforts	•••	1				
	Importance of a technological base	•••	1				
	Some examples	•••	1				
	The role of acquisition		1				
	The role of competition	1					
	The necessity of continued investment in	fields 1					
	Full-line diversification	1					
	Competition and diversification into new	1					
	Diversification as a solution to specific prol	1					
	Temporary fluctuations in demand	1					
	Permanent adverse changes in demand	1					
	The direction of diversification	1					
	Diversification as a general policy for grow	1					
	Vertical integration	•••	1				
	The firm as a pool of resources		1				

TABLE OF CONTENTS	vii
Chapter	P^ag^e
VIII EXPANSION THROUGH ACQUISITION AND MERGER	153
The corporation and merger	153
TD1 ' 1 ' C ' ' ' '	156
Demonal sensidentians and sessial situations	158
Coldinate and the transfer of the contract of the contract of	161
TP1	164
3371 D. 11 1 1 1 1 CA1 1	168
Combination	172
	ms 173
	176
Effect on the manager of amounts	179
The annualistance of Joseph Continu	180
The male of enture meneral complete	182
Entrepreneurial temperament and the profit motive	
Emplies building and manage	186
The male of managemial compilers	189
The pagesity of administrative integration	190
Managaran data dancin ant Cina	194
Introduction Special assumptions	197 198 199 200 201 202 204 207 209 210
Competitive handicaps, especially finance The continued existence of small firms Opportunities for growth 'Interstices ' in a growing economy	NG 215 217 218 220 221 223 22)

Chapter					
XI GROWING FIRMS IN A GROWING ECONOMY: THE PROCESS OF INDUSTRIAL CONCENTRATION AND THE PATTERN					
OF DOMINANCE	229				
Barriers to entry	230				
General effect on investment in the economy as a whole	230				
The importance of Big Business ' competition	232				
Capital requirements and consumer loyalty	235				
Artificial barriers and the interstices	237				
	238				
Merger in a growing economy Merger in relation to indices of business activity	240				
The effect on the interstices of natural limitations on	240				
	242				
acquisition	242				
Interstices and the business cycle	243				
The process of industrial concentration	245				
Measurement of concentration	245				
Concentration and growing firms in a growing					
economy	247				
Some shaky evidence	250				
Concentration within industries	253				
Diversification and industry concentration	256				
Concentration and dominance	257				
The continued dominance of large firms	258				
Conclusion	260				