

The Behavioral theory of the firm: Foundations, Developments and A challenge to The New Perspective

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This paper examines recent developments of the behavioral theories of the firm with aims of consistent understanding of how the firm emerges and acts. In particular, it is argued that the progress in the behavioral theories of the firm cannot proceed simply by an extrapolation of current development and must make some additional and fundamental change in its presuppositions and outlook; what we need is what we called *Austrian perspective*. Through this highly subjective Austrian lens, it becomes clear that firm's strategic behavior is fully rooted in *entrepreneurial judgment*. This paper consists largely of three parts: first, comprehensive survey of the behavioral theories of the firm, placing particular focuses on two fundamental works *Transaction-Cost Approach* initiated by Coase's seminal work and *Evolutionally Approach* by Nelson and Winter's; second, organizing the landscape of behavioral theories of the firm recently influenced by Strategic management literature in order to capture its *status quo*; third, arguments relating to the significance of exploiting the Austrian perspective, especially focusing on Austrian Capital and Entrepreneur theory to improve the behavioral theories of the firm and application of the Austrian perspective to the behavioral theories of the firm and the demonstration in which the source of competitive advantage is derived, not from the resource or organization capability *per se*, but rather from the entrepreneurial judgment. In applying this framework, possible future research direction for further development is suggested. It clarifies through this paper that firm's strategic behavior is mainly seen as the quest for *the entrepreneurial judgmental rent*. The major contribution of this paper is to reveal that taking the entrepreneur insight from the Austrian school of thought is the fruitful way to understand the behavioral theories of the firm.