Strategy Reconsidered:
Harnessing the Power of Disability Inclusion for Competitive Advantage

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Abstract: We revisit fundamental theories of strategy that share the assumption that competitive advantage requires scarcity. Concretely, we examine a persistent paradox: a large, underutilized talent pool – people with disabilities (PWD) – could contribute meaningfully to firm-level competitive advantage, yet many firms do not hire or promote PWD. To explain this gap, we propose two demand-side labor-market mechanisms: systemic social bias and managerial forecasting errors regarding adjustment costs, legal liabilities, and benefits. These mechanisms are causally prior to the subsequent operation of some established labor-market frictions and isolating mechanisms and may also intensify some of those frictions once that talent is deployed. We therefore seek to extend strategy theory by showing how competitive advantage can arise from plentiful yet systematically underutilized resources.

Keywords: Competitive advantage; advantage without rarity; strategic human capital; people with disabilities; systemic social bias; managerial forecasting errors; labor-market frictions

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Introduction

A fundamental question in strategic management concerns how firms create and sustain competitive advantage.[1] Answers to this question have come from a variety of approaches, including the resource-based view, dynamic capabilities, the attention-based view, the neo-Carnegie view, transaction cost views of strategy, resource-allocation-focused approaches to strategy, the activity-based view, and the strategic human capital perspective.[2] One apparent area of agreement across most, if not all, of these disparate approaches is that competitive advantage often rests, at least in part, on unique access to scarcity, whether in terms of resources, capabilities, assets, or activity sets. But what if there is a distinct and economically meaningful class of strategy problems in which the challenge resides not in inherent scarcity, but in the under-recognition and under-deployment of a plentiful resource, and in which leveraging that resource can lead to competitive advantage over a prolonged, multi-year or even multi-decade period of economy-wide adjustment? Further, what if systemic social bias and/or managers' difficulty forecasting the likely costs and benefits of accessing and deploying that resource have, up to now, kept the economy in

[1] To address this question, scholars have developed multiple theoretical frameworks to explain its sources, mechanisms, and the strategic decisions that influence its sustainability. These frameworks include the resource-based view (Wernerfelt, 1984; Barney, 1991; Peteraf, 1993; Hall, 1992, 1993), the dynamic capabilities approach (Teece *et al*., 1997; Eisenhardt and Martin, 2000; Helfat *et al*., 2007; Teece, 2007), the attention-based view (Ocasio, 1997; Ocasio *et al*., 2018), the neo-Carnegie view of strategy (Gavetti *et al*., 2007; Gavetti and Lecuona Torras, 2021), transaction-cost views of strategy (Williamson, 1975, 1999; Nickerson, 2010), resource-allocation-focused approaches to strategy (Bower, 1970; Burgelman, 1991), the activity-based view (Porter 1980, 1985; Rivkin and Siggelkow, 2003), and the strategic human capital approach (Coff, 1997; Chadwick and Dabu, 2009; Coff and Kryscynski, 2011; Chadwick, 2017).

[2] Within the *Strategic Management Review*, a recent constructive debate has emerged regarding the definition of 'competitive advantage' and 'sustainable competitive advantage' (Lieberman, 2021, 2023; Barney *et al*., 2023). While we highly respect the perspectives put forward in that debate, we maintain the view that a sustainable competitive advantage is attainable, defining it here as the focal firm's ability to establish and preserve an economically significant wedge between cost and willingness-to-pay, one that competitors cannot effectively imitate or undermine, despite efforts to do so. The question then becomes how to continue advancing our collective theoretical knowledge of what enables (or disables) firms to create and sustain such an advantage that yields superior economic performance.

an equilibrium in which the plentiful resource is substantially underutilized, such that many firms have failed for decades to attain the associated competitive advantage? By examining people with disabilities (PWD)[3] as a systematically underutilized source of strategic human capital, we propose two demand-side labor-market mechanisms – *systemic social bias* and *managerial forecasting errors* regarding adjustment costs, legal liabilities, and benefits – which in turn affect firms' recognition, evaluation, and pursuit of PWD talent across labor-market entry, within-firm advancement, and interfirm mobility, and that help explain why this class of strategy problem persists and how firms may move from this suboptimal equilibrium to a better one.

Our immediate contribution is to the strategic human capital perspective in strategy, which is rooted in the resource-based view and focuses on how firms create and sustain competitive advantage by identifying, acquiring, leveraging, and retaining human capital that is valuable, rare, inimitable, and effectively deployed (Becker, 1964; Barney, 1991, 1995; Coff, 1997; Coff and Kryscynski, 2011; Campbell *et al.*, 2012). From this perspective, human capital resources can be defined as employees' knowledge, skills, (dis)abilities, and other characteristics that are economically relevant to the firm's operations and accessible to the firm (Ployhart and Moliterno, 2011; Ployhart *et al.*, 2014). The core insight is that employees generate value for firms, but that value can contribute to competitive advantage only when firms recognize it, gain access to it, and deploy it organizationally. We extend this perspective by shifting attention to demand-side labor-market mechanisms that affect firms' recognition, evaluation, and pursuit of undervalued talent. Whereas existing strategic human capital research has focused primarily on how talent-based advantage is sustained once valuable human capital is recognized and acquired (Coff, 1997; Coff

[3] Under the Americans with Disabilities Act (ADA), "an individual with a disability is … a person who has a physical or mental impairment that substantially limits one or more major life activities, a person who has a history or record of such an impairment, or a person who is perceived by others as having such an impairment." (https://www.ada.gov/resources/disability-rights-guide/)

and Kryscynski, 2011; Campbell *et al.*, 2012, 2017), we ask the complementary question of why firms often fail to recognize, evaluate, and pursue (including through hiring, promotion, and efforts to attract talent across firms) undervalued talent in the first place.

PWD provide a theoretically revealing context for addressing that question. We show that PWD are an economically meaningful source of strategic human capital and maintain that this potential remains systematically under-recognized and under-deployed across firms and labor markets. The issue, then, is not only whether PWD-based human capital can create value, but also why firms often fail to identify, hire, promote, and fully deploy that talent. This shift in emphasis matters because it redirects our attention from scarcity in the resource itself to scarcity in firms' willingness and ability to recognize, evaluate, and act on a resource whose strategic potential exceeds current market outcomes.

To explain this pattern, we introduce two demand-side labor-market mechanisms. The first is systemic social bias, a demand-side mechanism rooted in social and institutional processes that affect who is seen as capable, legitimate, employable, and promotable. The second mechanism is managerial forecasting errors regarding adjustment costs, legal liabilities, and benefits, a demand-side mechanism rooted in bounded rationality that affects managers' forward-looking judgments about the likely costs and benefits of hiring, promoting, or seeking to attract PWD talent across firms before acting. In the context of PWD, these mechanisms help explain why talent may be screened out, underestimated, or misvalued at labor-market entry, during interfirm mobility, and in promotion decisions within firms. These mechanisms are causally prior to the subsequent operation of some established labor-market frictions and isolating mechanisms and may also intensify some of those frictions once that talent is deployed.

This framing also clarifies the relationship between our argument and existing research on strategic human capital labor-market frictions (Campbell *et al*., 2017; Chadwick, 2017). They are typically understood as market imperfections that impede the efficient allocation of labor to firms and the reallocation of labor across firms (Stigler, 1962; Mahoney and Qian, 2013). Prior strategic human capital research has identified several mechanisms through which human capital-based advantage can be sustained, including firm specificity and complementary assets, social complexity, information asymmetry and causal ambiguity, thin markets, mobility costs, future opportunities with the employer, heterogeneous employee ability, and related isolating mechanisms that make human capital difficult to imitate, transfer, or compete away (Coff, 1997; Coff and Kryscynski, 2011; Campbell *et al*., 2012, 2017). These mechanisms are important in our account because they help explain why advantages based on human capital may persist once firms have recognized and begun to deploy such talent, including for PWD. Our contribution differs in causal focus. We theorize mechanisms that help explain why many firms fail to recognize, evaluate, and pursue that human capital in the first place. In this sense, systemic social bias and managerial forecasting errors are not substitutes for the existing friction logic. Rather, they help explain why PWD-based human capital remains underused across firms before the subsequent operation of some established labor-market frictions, and they may also intensify those frictions once firms recognize and deploy that talent.

This framework allows us to state our central logic more systematically: First, PWD-based human capital can create value for firms. Second, because many firms under-recognize or undervalue that talent due to systemic social bias and managerial forecasting errors, PWD talent remains underused across firms, making it relatively rare in strategic use despite the substantial size of the available talent pool. Third, once firms begin to recognize, hire, promote, and deploy

PWD talent effectively, established frictions/isolating mechanisms such as firm specificity, social complexity, causal ambiguity, thin markets, and mobility costs may make the resulting advantages difficult for rivals to imitate (Coff and Kryscynski, 2011; Campbell *et al*., 2017). Finally, firms realize these gains only when they organize effectively to deploy, support, and advance PWD. Thus, the contribution of our framework is not only to call attention to a plentiful yet underutilized source of human capital, but also to specify a fuller causal sequence through which PWD-based human capital can become a source of competitive advantage: value-creation potential; under-recognition and under-deployment across firms driven by systemic social bias and managerial forecasting errors; persistence of advantage through labor-market frictions and isolating mechanisms; and effective organization to capture value.

Our analysis also contributes to core strategy conversations about how competitive advantage originates and persists. Scarcity is central to many explanations of competitive advantage. We suggest, however, that strategy theory should also account for a distinct class of opportunities in which competitive advantage arises from the earlier recognition and more effective deployment of plentiful yet systematically underutilized resources. In such cases, what is scarce at the outset is not necessarily the resource itself, but firms' willingness and ability to recognize, evaluate, and act on its value. This perspective also has implications for dynamic capabilities, defined as the firm's "capacity to sense and shape opportunities and threats, seize opportunities, and maintain competitiveness by enhancing, combining, protecting, and, when necessary, reconfiguring its intangible and tangible assets" (Teece, 2007, p. 1319). If dynamic capabilities refer to the firm's capacity to do so, then the under-recognition of PWD as a source of strategic human capital has direct implications for sensing, seizing, and reconfiguring. Systemic social bias may impede sensing; weak forecasting may impede seizing; and undervaluation of

PWD contributions may impede reconfiguring routines, structures, and supports in ways that allow such talent to contribute fully. By linking the strategic human capital perspective to dynamic capabilities in this way, we show how biased recognition of human capital opportunities could undermine not only hiring and promotion decisions, but also firms' adaptive capacity and long-run competitiveness.

Our examination of PWD and competitive advantage also responds to calls for strategy research that embraces interesting research questions, even when they do not map neatly onto canonical empirical designs or ideal identification strategies (Leiblein and Reuer, 2020, p. 13), as well as to their call for fostering earlier-stage exploration in the formation of new ideas (2020, p. 25). To our knowledge, as of 2025, there had not previously been a single published study, either theory-focused or empirical, on the hiring and promotion of PWD and their relationship to, or implications for, the competitive advantage of firms in leading strategy journals, such as the *Strategic Management Journal*, *Management Science*, *Strategy Science*, or *Strategic Management Review*.[4] We seek to begin addressing that gap by theorizing about how PWD can serve as a source of strategic human capital, why many firms fail to realize this opportunity, and why the resulting gains may persist once firms do. In doing so, we revisit assumptions and some boundary conditions in strategic human capital theory and offer a complementary lens on competitive advantage grounded in the underutilization of abundant yet undervalued talent.

We proceed in a sequence consistent with VRIO (i.e., whether PWD-based human capital is valuable, rare in strategic use, difficult to imitate, and effectively organized and deployed by the firm). We first develop the theoretical foundations linking strategic human capital, competitive

[4] In 2025, however, there was finally one related study in *Administrative Science Quarterly* showing evidence from the employees of a German car manufacturer that PWD in the workplace made their fellow employees have a more open mindset and achieve higher creativity (Dwertmann *et al*., 2025).

advantage, and disability inclusion. We then examine the value-creation potential of PWD-based human capital, explain why it remains underused across firms by elaborating systemic social bias and managerial forecasting errors, and show how established labor-market frictions and isolating mechanisms may help sustain advantage once firms begin to deploy such talent. Finally, we discuss how firms can organize to capture value from PWD-based human capital, the hazards associated with building such a strategy, and the implications of our framework for future research.

Theoretical Foundations: Strategic Human Capital, Competitive Advantage, and Disability Inclusion

Strategy scholars have long proposed that firms can build a long-term competitive advantage through creative approaches to the labor market (Siegel and Larson, 2009; Coff and Kryscynski, 2011; Chadwick, 2017; Allen *et al*., 2022). The strategic human capital view of strategy posits that employees are often a unique and inimitable source of competitive advantage that can be mispriced in the factor market (Coff, 1997; Coff and Kryscynski, 2011; Campbell *et al*., 2012). Strategic human capital can create value by lowering costs, increasing willingness-to-pay in the product market, or creating and sustaining a productivity-enhancing organizational culture that drives long-term performance, with each pathway generating substantial value-added for the employer. Despite these well-documented insights and empirical regularities, the hiring and promotion of PWD remain among the most significant yet largely untapped long-term opportunities for creating value-added, and they have received little attention from strategic management scholars. Applying the earlier definition of human capital resources from Ployhart and colleagues (2014), we define a PWD-based human capital resource as the knowledge, skills, abilities, and other economically relevant characteristics embodied in PWD and accessible to the firm, which can contribute to firm value when effectively recognized, advanced, and deployed.

Within the strategic human capital view of strategy, Coff and Kryscynski (2011, p. 1431) submit that firms can achieve competitive advantage by attracting, retaining, and incentivizing

human capital at a discount relative to competitors. They further conceptualize (2011, pp. 1431–1432) that such advantage is sustained through three key mechanisms that also align with the labor-market frictions perspective (Mahoney and Qian, 2013; Campbell *et al*., 2017): firm specificity (firm-specific skills), social systems (complex teamwork and organizational culture), and causal ambiguity (uncertain drivers of success). While these mechanisms are undoubtedly important and foundational in explaining how valuable human assets contribute to sustained advantage, the theory leaves room for expansion, particularly in light of behavioral and institutional forces that influence how firms recognize and deploy talent over time.

To ground this discussion in empirical realities, it is important to highlight both the demographic significance of PWD and the persistent barriers they face in employment. According to the World Health Organization (2023), approximately 1.3 billion people, about 16 percent of the global population, live with significant disabilities, a figure that continues to rise due to aging populations and the increasing prevalence of noncommunicable diseases.[5] In the U.S. alone, the Centers for Disease Control and Prevention (CDC) reported in 2024 that over 70 million adults, or more than one in four, self-identified as having a disability in 2022.[6] Our calculation, based on U.S. Bureau of Labor Statistics (hereafter BLS, 2025) indicating that PWD in the U.S. accounted for approximately 13 percent of the population in 2024, and a total U.S. population of about 341 million as of January 1, 2025 (U.S. Census Bureau),[7] yields an estimated 44 million PWD in the U.S. These figures, together with insights from the U.S. BLS (2025), *Persons with a Disability: Labor Force Characteristics*, demonstrate that PWD represent a substantial, yet underutilized

[5] https://www.who.int/health-topics/disability#tab=tab_1. The Return on Disability Group (2024, p.2), a Toronto-based strategy firm that turns disability insights into competitive business advantage, estimates that 1.6 billion people worldwide currently have a disability.

[6] https://www.cdc.gov/media/releases/2024/s0716-Adult-disability.html

[7] https://www.census.gov/newsroom/stories/new-years-day.html

human capital resource in the U.S. This economic potential is further underscored by the *2024 Global Economics of Disability* (Return on Disability Group, 2024, p. 2), which shows that PWD also represent a vast, underserved consumer market with more than $2.6 trillion in disposable income in North America and Europe alone, and an estimated $18 trillion global disability market when including their networks (friends and family).

This disconnect between economic potential and workforce participation highlights a major missed opportunity: firms are not only overlooking a plentiful labor pool but also losing out on insights into a globally influential consumer segment. Despite a substantial proportion of PWD expressing a desire to work, many remain unemployed or out of the labor force due to systemic issues, including structural barriers, occupational under-representation, and accessibility challenges (Kruse *et al.,* 2010; Rodgers and Chalise, 2023; U.S. BLS, 2025). In the U.S., surveys indicate that a majority of non-employed PWD would prefer to be working (Ali *et al*., 2011; Hyseni *et al*., 2025). Yet, employment rates remain significantly lower than those of their non-disabled counterparts. As of 2015, only 34.9 percent of working-age (18–64) PWD in the U.S. were employed, compared to 76 percent of non-disabled individuals (Lauer and Houtenville, 2017, pp. 21–22). More recent figures suggest modest improvement, with the U.S. BLS (2025) [8] reporting an employment-to-population ratio of 37.5 percent for PWD, still far below the 74.9 percent employment rate for people without disabilities in the comparable working-age group (16–64) as of 2024.

Bonaccio and colleagues (2020) summarize a rich body of literature documenting that most unemployed PWD are fully capable of being highly productive workers. Even the most conservative estimate in the literature we've seen for the percentage/number of currently

[8] See 'Disability Labor Force Statistics' at https://www.dol.gov/agencies/odep/research-evaluation/statistics

unemployed PWD examined Canada and found 740,000 working-age unemployed Canadian PWD fully capable of being productive workers (Hébert *et al*., 2024). Extrapolated to the U.S., which would represent 3.3 percent of the total American workforce, or 6.3 million American PWD who are unemployed and yet would be productive employees. This estimate is conservative, given that in Canada, 49 percent of PWD work, whereas in the U.S., only 35 percent do (Bonaccio *et al*., 2020). Also, the U.S. has a working-age population of 212.1 million people in 2025, of which approximately 13 percent have a disability, approximately 37.5 percent, as referenced in the above paragraph, are employed, and approximately 80 percent have frequently stated in surveys (e.g., Ali *et al*., 2011) that they want to work. This suggests that there are potentially 11.7 million PWD on the sidelines of the job market in the U.S. alone, who could be highly productive employees if given the opportunity.[9] In part because of hidden disabilities that sometimes preclude PWD from entering the labor market due to stigma, some estimates of PWD in the working-age population could potentially reach 16 percent (Bonaccio *et al.*, 2020), and if that were the case, the estimate of unemployed PWD who would be productive employees if given the opportunity in the U.S. would exceed 15 million people. Of course, that would also be a small fraction of the corresponding figure for the global labor market. In summary, there is a large pool of talent on the sidelines of the labor market that could help firms attain a competitive advantage.

Bonaccio and colleagues (2020) carefully delineate widely cited employer objections to the idea that PWD constitute a large, untapped resource and systematically debunk each such claim using findings from a rich literature of rigorously designed empirical studies on disability and work. Included in this literature are repeated findings that most PWD actually have superior skills or

[9] Percentage of PWD who are unemployed and want to work = (80 percent of PWD who state a preference for employment in Ali and colleagues (2011)) – (37.5 percent who are employed as referenced in the prior paragraph). Applying this to the estimated PWD population (13 percent of 212.2 million) means approximately 11.7 million unemployed PWD who would be highly productive employees.

capabilities on the dimensions that actually matter to occupational job requirements for a vast number of jobs (Cowen, 2011), that an impairment on one or more dimensions can typically be made immaterial to job performance through a low-cost or zero-cost accommodation, that the overwhelming majority of accommodations in the labor market to enable a PWD to be productive at work either cost nothing at all or otherwise have a one-time cost of less than $500, and that accommodations typically have a high return on investment (Schur *et al*., 2013, p. 76; Bonaccio *et al.*, 2020).

Despite the economic and social potential of integrating PWD into the workforce, many firms neither actively hire PWD nor implement internal policies that enable PWD to contribute their high-value-added potential (e.g., Meacham *et al*., 2017). Most organizations surveyed have been found to cite erroneous assumptions driven by negative stereotypes and disproven by research when explaining why they have hired few if any PWD (Schur *et al.*, 2017, p. 485), and most organizations have been found in surveys to systemically overestimate with large error the actual costs of employing PWD (Bonaccio *et al.*, 2020). While some organizations have implemented notable inclusion initiatives (e.g., Microsoft's Neurodiversity Hiring Program [10]), these organizations tend to be the exception rather than the norm, with workplace stereotypes and managerial hesitance continuing to impede broader adoption of inclusive employment strategies. By shedding light on the economic and organizational barriers that have self-reinforced this decades-long equilibrium, we hope to contribute to a deeper understanding of the underpinning mechanisms that limit the employment of PWD and to inform strategies that foster a more inclusive, equitable, and productive labor market. This disconnect also motivates our next focus on the value-creation potential of PWD-based human capital.

[10] https://www.informationweek.com/it-leadership/neurodiversity-hiring-will-be-a-competitive-advantage

The Value Creation Potential of PWD-Based Human Capital

Through the lens of strategic management, a particularly intriguing and testable implication of hiring and promoting PWD is that prior research indicates that PWD-based human capital may create value through at least three broad pathways: increasing customers' willingness to pay, lowering labor costs, and helping generate a corporate culture of greater mutual sacrifice based on an increased sense of fairness equilibrium. Notably, prior strategy research has not systematically analyzed whether a single resource can contingently contribute, through multiple causal pathways, to all three primary mechanisms that create a wedge between cost and customers' willingness to pay. When firms hire and promote PWD amid pervasive social bias and widespread forecasting errors, often arising from bounded rationality (Simon, 1955, 1957), inclusive hiring may be a strategic move that challenges conventional trade-off assumptions in strategy. We therefore suggest a theory-driven and empirically oriented inquiry to identify which segments of PWD, under what conditions, might contribute to, or potentially undermine, long-term competitive advantage, and through which causal pathways.

What we do know from existing research is that a large percentage of PWD want to work (Ali *et al*., 2011; Hyseni *et al*., 2025), and many are actively striving to do so (Sundar *et al*., 2018). Ali and colleagues (2011, p. 202) show that, in their nationally representative survey, 80 percent of non-employed working-age PWD desire employment, similar to people without disabilities. Moreover, the reported desire to work is relatively high among those with severe and mild disabilities (Ali *et al*., 2011). A considerable body of evidence further shows that those with what are termed mild and moderate disabilities, as well as many with severe disabilities, are often limited in one area of their activities but are more than proficient, and often highly talented and productive, in numerous other work activities, including but not limited to tasks that require focus

and concentration and those that utilize technology (Cowen, 2011, p. 17; Schur *et al*., 2013, p. 48). Consistent with these findings, prior literature has shown that workplace accommodations costing less than $500 are often effective in enabling PWD to thrive at work (Schur *et al*., 2013, p. 76; Bonaccio *et al.*, 2020). A U.S. BLS study matching 2008–2018 job growth to occupational ability requirements concludes that PWD could productively perform a large share of the jobs projected to grow (Kruse *et al*., 2010).

We also know that employed PWD often face a wage discount despite their high productivity at work (e.g., Alemany and Vermeulen, 2023). A large number of studies also show that the type of workplace accommodation that is most effective for PWD's high productivity, namely flexibility in number of hours and removal of a rigid start-and-stop schedule, is also the same accommodation that has often been shown to be conducive to higher productivity, higher morale, and higher company reputation in the labor market for all employees (Schur *et al*., 2013, p. 51; Phillips *et al*., 2019, p. 349).

Prior research has also proposed an intriguing hypothesis that organizations that adopt inclusive hiring of PWD can experience superior organizational performance (e.g., Alemany and Vermeulen, 2023). This theory, however, requires further elaboration, which is part of the goal of this work. Empirical tests of the business case for hiring PWD have been relatively limited in number and have not employed frontier methods to establish fundamental causality and identify causal mechanisms. As for the mechanisms, prior research maintains that proactively hiring large numbers of workers with disabilities fosters a culture of perceived fairness, which in turn leads to greater effort and long-term commitment (e.g., Alemany and Vermeulen, 2023). It has also been argued that inclusive hiring optimally matches people's skills with job needs, as individuals with various disabilities may possess unique strengths (Austin and Pisano, 2017; Carrero *et al*., 2019;

Krzeminska *et al*., 2019). Inclusive hiring of PWD may also lead to lower turnover (Lengnick-Hall, 2007, p. 91) and higher profitability for firms, in part because such inclusive hiring directly generates a broad-based sense of a fairness equilibrium within the organization and a resulting higher generalized commitment level (Kalargyrou, 2014; Lindsay *et al*., 2018; Miethlich and Oldenburg, 2019).

This body of research on PWD and performance, however, has undergone only limited empirical testing, with Jurado-Caraballo and Quintana-García (2025) being a notable large-sample exception. Alemany and Vermeulen (2023) is largely a think piece that uses anecdotes and a few experiments to argue for a performance boost from hiring PWD. Therefore, it does not include any large-sample econometric analysis or introduce techniques for assessing causality and controlling for unobserved heterogeneity and endogeneity. Jurado-Caraballo and Quintana-García (2025), in contrast, use a large sample of European companies and rely on self-reported measures of hiring PWD. Two features merit note: their dependent variable of earnings before interest, taxes, depreciation, and amortization (EBITDA) is not typically a meaningful dependent variable by itself in strategy research, and their dependent variable proxy for corporate reputation is useful but faces documented measurement challenges, including imprecision and lack of agreement with competing indicators (Berg *et al*., 2022). It is also unclear whether their large sample is affected by sample selection bias; the sample consists specifically of firms covered by Refinitiv's environmental, social, and governance (ESG) rating. In addition, their statistical models appear relatively parsimonious; the specifications omit common strategic management controls such as R&D intensity, marketing intensity, diversification, and slack, and the design does not clearly address potential reverse causality, endogeneity, and unobserved heterogeneity. Yet the existence of value-creation potential does not ensure that firms will recognize, pursue, and deploy PWD

talent. We therefore next turn to the demand-side labor-market mechanisms that help explain why this opportunity remains under-recognized and under-deployed across firms.

Why PWD-Based Human Capital Remains Under-recognized and Under-deployed Across Firms

We propose two demand-side labor-market mechanisms that help explain why PWD-based human capital remains under-recognized and under-deployed across firms. The first is an external, institutional mechanism: pervasive, often unexamined systemic social bias against certain talent pools, such as PWD, embedded in societal institutions (formal rules and informal norms; North, 1990; Ostrom, 1990). The second is an internal behavioral mechanism: managerial forecasting errors regarding the likely costs and benefits of hiring, promoting, and attracting PWD talent before taking action. These limitations are shaped by bounded rationality (Simon, 1955, 1957), which constrains managers' ability to process complex and uncertain information and to form credible forward-looking judgments. These mechanisms are mutually reinforcing, distorting firms' recognition of plentiful yet undervalued human capital such as PWD, and explaining why under-recognition and under-deployment persist. Systemic social bias and managerial forecasting errors can raise search, screening, and evaluation costs, thereby intensifying some established labor-market frictions, including information asymmetry and thin markets, and further limiting firms' recognition and pursuit of qualified PWD talent. In this way, they can obscure strategic value even when the human capital is mobile, plentiful, and potentially valuable because they affect whether that value is recognized in the first place. We discuss each mechanism further below.

Systemic social bias as a demand-side labor-market mechanism

Systemic social bias refers to socially and institutionally embedded beliefs and norms that distort judgments about who is capable, legitimate, employable, and promotable. In our framework, this mechanism affects employers' screening, evaluation, and promotion judgments across labor-market entry, within-firm advancement, and interfirm mobility. Analogous patterns of systemic

bias have been documented by Siegel and colleagues (2019) for female managers in South Korea, where they showed that most domestic South Korean firms had never hired or promoted a single female manager despite the widespread increase in access to MBA and graduate engineer education by women in that labor market dating back three decades. Foreign multinational firms have been shown to leapfrog their domestic competitors in profitability and productivity by actively hiring and promoting female managers. Qualitative case analyses showed that this was due to the female managers' fresh differentiation-focused ideas that emerged when those with different life experiences (in this case, women) were treated as first-class citizens within the organization and felt empowered to share their ideas for both new and enhanced products.

Similarly, Siegel and colleagues (2014) showed that, in Japan, most firms had never hired a single female manager. In that context, their study examined individual-level data on salary, demography, and education. By doing so, they found that Japanese companies that hired female managers and paid them markedly discounted wages actually saw a subsequent fall in productivity and profitability. That was because, according to interviews, female managers in such companies felt like third-class citizens. In contrast, those Japanese firms that paid their female managers an above-market efficiency wage were the ones that empowered them to view themselves as first-class citizens of their organization and to contribute their ideas fully. These Japanese firms that paid their female managers an above-market efficiency wage subsequently saw large increases in their productivity and profitability. The results were highly robust in the matching analysis comparing female managers with male counterparts who were identical on the observable variables within the same local labor market.

These studies indicate that systemic social bias should be treated as a demand-side labor-market mechanism in strategic human capital research. In the PWD context, this mechanism can

contribute to the under-recognition and undervaluation of qualified talent and can operate in conjunction with managerial forecasting errors regarding likely costs and benefits.

Managerial forecasting errors as a demand-side labor-market mechanism

Managerial forecasting errors arise when bounded rationality, limited benchmarks, limited prior experience, and limited evaluative confidence lead managers to make inflated forward-looking judgments about likely adjustment costs and legal liabilities and/or discounted judgments about the likely benefits of hiring, promoting, or seeking to attract PWD talent before acting. In our framework, this mechanism operates across labor-market entry, within-firm advancement, and interfirm mobility by affecting managers' hiring, promotion, and pursuit decisions before acting. Two recurring barriers relevant to this mechanism are especially important in the PWD context. First, executives and hiring managers perceive widespread uncertainty about the costs of hiring and employing PWD (cost misjudgment). This arises from bounded rationality and limited prior experience, which can lead managers to make erroneous forward-looking judgments about the likely adjustment costs, legal liabilities, and benefits of hiring, promoting, and attracting PWD talent before acting. Second, there is widespread uncertainty perceived among executives and hiring managers regarding the potential increase in willingness to pay and/or the productivity-enhancing organizational culture that PWD might help generate (uncertainty about PWD's value-added).

It is also important to differentiate this mechanism from Coff and Kryscynski's (2011) isolation mechanism of information asymmetry/causal ambiguity. Whereas the isolation mechanism of information asymmetry/causal ambiguity is focused on the difficulty of a third-party competing firm assessing whether the current employer derives value from a given worker's unique individual contribution to a team effort, in contrast, managerial forecasting errors are

primarily about managers' cognitive and behavioral limitations in taking each PWD's unique features of both value creation and disability and predicting what that manager's net benefit from hiring and/or promoting PWDs in their firm will be after forecasting the adjustment costs, potential legal liabilities, and value-creation benefits inside their firm. Because of forecasting errors that inflate estimated costs and underestimate estimated benefits, PWDs end up not being hired at all. Therefore, the question of assessing how much a different company is currently benefiting from that worker is typically distant from the firm's own calculations, both because PWDs are often being hired for their first position instead of from another firm, and also because even a cross-firm hiring decision is affected less by an assessment of individual contribution to team effort inside another firm than by a focal-firm-specific assessment of adjustment costs, potential legal liabilities, and individual value creation.

Uncertainty about the costs and benefits of corporate actions has "essential effects" on corporate decision-making (Bower, 1970, p. 12). Past research studies have shown that negative stereotyping against PWD remains pervasive (e.g., Nelissen *et al*., 2016). As a result, widespread but unfounded perceived uncertainty about the benefits of hiring PWD, together with biased or inflated costs of hiring PWD (e.g., Schur *et al*., 2014) and the often unfounded fear of biased customers (e.g., Dwertmann *et al*., 2023), creates a large and long-term competitive opportunity for those firms that do hire PWD to attain a competitive advantage through inclusion. This reinforces our claim that the strategic human capital perspective can be enriched by closer conceptual attention to how firms evaluate and act on opportunities associated with the hiring and promotion of PWD.

In Figure 1, we visually summarize the causal logic of our framework. It begins with the premise that PWD-based human capital is plentiful in supply yet under-recognized and under-

deployed across firms and shows how systemic social bias and managerial forecasting errors, as mutually reinforcing demand-side labor-market mechanisms, contribute to that pattern. The Figure then shows that once some firms recognize and deploy PWD talent earlier and more effectively, established labor-market frictions and isolating mechanisms may help sustain the resulting advantage (as detailed in Table 1, Panel B below). Finally, it shows that the resulting competitive advantage depends on value capture through effective deployment, support, advancement, and retention. Figure 1 thus clarifies the overall logic of our framework, while Table 1 unpacks the underpinning mechanisms in greater detail.

[Insert Figure 1 Here]

Table 1 complements Figure 1 by separating the causal sequence into two analytically distinct parts: (1) why PWD talent remains under-recognized and under-deployed across firms, and (2) why advantage may persist once some firms begin deploying PWD-based human capital effectively. Panel A summarizes the two distinct demand-side labor-market mechanisms and contrasts their baseline implications with their PWD-specific implications across labor-market entry, within-firm advancement, and interfirm mobility. Panel B then distinguishes these mechanisms from established isolating mechanisms and labor-market frictions that become especially relevant once firms begin deploying PWD-based human capital effectively.

[Insert Table 1 Here]

Read together, Figure 1 and Table 1 clarify that systemic social bias, and managerial forecasting errors are demand-side labor-market mechanisms that affect firms' recognition, evaluation, and pursuit of PWD talent across labor-market entry, within-firm advancement, and interfirm mobility. These mechanisms are causally prior to the subsequent operation of some

established labor-market frictions and may also intensify some of those frictions once that talent is deployed. Together, they help explain why inclusive hiring remains rare.

Strategic significance of systemic social bias and managerial forecasting errors

Our proposed mechanisms are strategically significant because they affect whether and how firms recognize, evaluate, and pursue undervalued sources of human capital. When systemic bias and managerial forecasting errors obscure the strategic value of PWD, they can make some established labor-market frictions and isolating mechanisms more consequential because rivals may recognize, invest in, and compete for that talent more slowly. As a result, once one firm begins to deploy PWD talent effectively, existing frictions/isolating mechanisms such as thin markets, information asymmetry, mobility costs, firm specificity, and social complexity may do more to slow imitation. Competitors influenced by similar distortions may therefore fail to recognize, evaluate, and pursue the potential of such talent. These distortions may also persist because they become embedded in path-dependent organizational routines (Nelson and Winter, 1982; Teece *et al*., 1997), such as long-standing hiring practices, recruitment pipelines, or evaluation criteria that have historically excluded or overlooked certain talent pools. These organizational rigidities make adaptation more difficult, even for firms that begin to recognize the strategic value of inclusion. Firms that overcome these limitations through learning, experimentation, and internal capability development can access abundant yet overlooked talent and develop distinctive organizational routines that are difficult for others to replicate. In this way, overcoming path-dependent constraints on adaptation can itself become a source of durable strategic differentiation.

Why Advantage May Persist: Labor-Market Frictions and Isolating Mechanisms

This section clarifies how our proposed mechanisms relate to established labor-market frictions (Campbell *et al*., 2017; Chadwick, 2017) and isolating mechanisms (Rumelt, 1984; Coff and

Kryscynski, 2011) in strategic human capital research. We treat labor-market frictions as mechanisms that affect employee mobility generally and examine how they may make advantages based on PWD talent difficult for rivals to copy, poach, or compete away once firms begin deploying that talent effectively. Labor-market frictions are typically understood as market imperfections that impede the efficient allocation of labor to firms and the reallocation of labor across firms (Stigler, 1962; Mahoney and Qian, 2013). Prior strategic human capital research has identified several mechanisms through which human capital-based advantage can be sustained, including firm specificity and complementary assets, social complexity, information asymmetry and causal ambiguity, thin markets, mobility costs, future opportunities with the employer, heterogeneous employee ability, and related isolating mechanisms that make human capital difficult to imitate, transfer, or compete away (Coff, 1997; Coff and Kryscynski, 2011; Campbell *et al*., 2012, 2017). In our account, these mechanisms matter because they help explain why advantages based on PWD talent may persist once firms have recognized and begun to deploy that talent effectively.

Market frictions have been operationalized in Mahoney and Qian (2013, p. 1021) as all costs that lead to inefficiency (or worse than inefficiency) in market formation and operation. These market frictions have been delineated and reviewed by Campbell and colleagues (2017, pp. 347–348) as consisting of the following types: firm specificity and complementary assets, social complexity, information asymmetry/causal ambiguity, thin markets/collusion, intellectual property and non-competes, future opportunities with the employer, mobility costs, and heterogeneous employee ability. While these market frictions illuminate some barriers facing PWD and help explain why certain firms might gain an advantage, they are most useful here for explaining why such advantages may persist once they begin deploying PWD talent effectively. Below, we

consider how established isolating mechanisms and labor market frictions may help sustain advantage or slow imitation in the PWD context. As Table 1 Panel B indicates, the effects of some established isolating mechanisms and labor-market frictions may become amplified in the PWD context because systemic social bias and managerial forecasting errors can exacerbate them. In particular, thin markets, information asymmetry/causal ambiguity, future opportunities with the employer, mobility costs, and heterogeneous employee ability become more relevant in the PWD context, whereas intellectual property and non-competes matter less.

Firm specificity and complementary assets function here as an established isolating mechanism when an employee's value depends on the focal firm's unique context and complementary resources. On the one hand, having a preexisting context, including corporate culture, which is friendly and fair to PWD, can enable greater value creation from employing PWD. But while it is true that there are likely some activities that fit better than others for PWD, the fact that the prior literature has shown that a diverse range of activities, including those that reward focus and concentration, are the "superpower" of a large percentage of PWD, and that many of the activities of today's and tomorrow's labor market rely less on physical labor and more on focus and concentration, suggests that firm specificity and complementary assets may become especially important once firms co-specialize work, routines, and supports around PWD talent (Cowen, 2011, p. 17; Schur *et al*., 2013, p. 48). Cowen (2011) documents, as one illustrative example, that autistic individuals are less prone than nonautistic individuals to a common form of framing bias, have greater command of details, and demonstrate superior cognitive skills in pattern recognition, the objective encoding of some types of memories, and pitch recognition. What stands out is that PWD are not less able to do work in general. Instead, they might have an impairment in one dimension (e.g., hearing) while demonstrating superior performance in other dimensions, such as command

of details, avoidance of framing bias, and pattern recognition. The issue, then, is not how much it would cost to raise the productivity of employees with disabilities to the median for comparable employees, but how to build enough flexibility into the environment so that the employee's impairment becomes immaterial and superior performance becomes more valuable within a particular firm context.

Regarding social complexity, this isolating mechanism operates when an employee's value stems from the positive innovations and efficiencies that arise within "socially complex teams" (Campbell *et al*., 2017, p. 347). In practice, prior accounts in the literature have discussed how support systems and helpful colleagues who take on a task or two that require physical labor can enable PWD to attain high productivity. But these prior accounts do not feature the need for complex interactions that can help PWD attain high productivity. Therefore, social complexity may matter less as an initial barrier than as a possible mechanism through which inclusive team routines become difficult for rivals to observe or replicate.

Regarding information asymmetry and causal ambiguity, this isolating mechanism operates when outside employers have difficulty assessing an individual's quality, which in turn leads to a "lemons problem" (Campbell *et al*., 2017, p. 347). In the PWD context, this friction may persist when outside firms struggle not only to observe performance but also to correctly interpret the supportive conditions under which that performance is produced and sustained.

In thin markets, the friction occurs because there are only a small number of alternative employers in the proximate labor market. In the PWD context, thin markets matter because employer reluctance and limited willingness to verify the benefits of hiring PWD can leave too few firms actively competing for that talent. But thin markets by themselves do not explain why PWD talent remains under-recognized; they become more informative once linked to the bias and

forecasting errors that narrow employer demand in the first place. Moreover, firms that hire and deploy PWD rarely publicize or educate other firms about their practices and experiences, which can limit visible success cases, slow rival learning, and help keep the market for PWD talent thin.

Intellectual property and non-competes arise from legal and contractual restrictions on labor mobility designed to protect the current employer's intellectual property. Although firms that develop especially effective supports for PWD could also rely on such protections, there is little evidence that this is a central friction in the disability-and-work literature. It may reinforce persistence in some cases, but it does not appear especially important in the PWD context.

As for future opportunities with the employer, this supply-side friction arises when credible internal opportunities for growth, development, and advancement reduce incentives to exit. In the PWD context, it may be especially consequential when inclusive employers provide credible advancement, support, and fair treatment that appear less available elsewhere, thereby making outside options less attractive and retention more likely. Although the disability-and-work literature has not treated this as a pervasive friction, it may nonetheless matter meaningfully where firms create credible internal career prospects for PWD.

The supply-side friction of mobility costs arises when there are prohibitively high costs associated with searching for, obtaining, and agreeing to a new job, together with the opportunity costs of leaving their current employer. This friction is particularly relevant for PWD because prior research identifies transportation access as a major barrier to employment (e.g., Schur, 2003). For many PWD, transportation routines often need to be intentionally scoped out, practiced, and institutionalized. Moving to a new employer entails initial labor market search and transition costs for any worker; for PWD, these costs can be amplified by transportation constraints and uncertainty about accommodations, thus, this may constitute a material mobility-related friction.

At the same time, the growing use of Zoom and similar technologies in interviews has expanded access to prospective employers and may reduce some initial search barriers. Even so, PWD may still face substantial opportunity costs if they have already institutionalized workable mobility arrangements at their current employer and reasonably fear that a new employer may not make adaptation as feasible. Survey evidence from both employers and workers indicates that cost- and mobility-related barriers, including transportation, are meaningful constraints on employment for PWD, but generally do not appear to be the most severe barriers and are not typically described as infeasible to address (e.g., Gasper *et al*., 2020; U.S. BLS, 2020). Nonetheless, this friction may become amplified for PWD when changing employers requires renegotiating accommodations, accessibility arrangements, transportation, healthcare routines, or support systems.

A final friction concerns heterogeneous employee ability, which arises when labor markets are thinner, and matching is more difficult for employees at the high and low ends of the ability distribution. In the PWD context, this friction may be exacerbated if stereotypes or limited employer experience distort assessments of underlying ability, thereby making high-value PWD talent more difficult to identify and match appropriately. At the same time, because an increasing share of tasks in today's labor market are ones for which many PWD are well suited, this does not appear to be among the most central frictions in the PWD context (Kruse *et al*., 2024).

What stands out is that the above-delineated market frictions in the literature are most useful here not as the primary explanation for the initial under-recognition of PWD talent, but as mechanisms that can help sustain advantage once some firms recognize, hire, promote, and deploy that talent effectively. If the prevailing evidence indicates that senior managers' taste- and/or fear-based judgments are a primary source of the under-recognition of PWD talent, then the above-noted frictions, while certainly helpful, do not fully explain why opportunities to hire PWD remain

largely unrealized in the labor market. A more immediate explanation for why opportunities remain unrealized across firms lies in systemic social bias and managerial forecasting errors, which affect how firms recognize, evaluate, and pursue PWD talent across labor-market entry, within-firm advancement, and interfirm mobility. We therefore treat systemic social bias and managerial forecasting errors as demand-side labor-market mechanisms that affect firms' recognition, evaluation, and pursuit of PWD talent. They operate before some established labor-market frictions and isolating mechanisms become more relevant in sustaining advantage, and may intensify some of those frictions in the PWD context.

Organizing to Capture Value from PWD-Based Human Capital

Having identified systemic social bias and managerial forecasting errors as demand-side labor-market mechanisms, and having discussed how established labor-market frictions may sustain advantage once PWD talent is effectively deployed, we now consider how Coff's (1997, pp. 380–381) coping strategies (retention, rent sharing, organizational design, and information) can address systemic social bias and managerial forecasting errors and where extensions are needed. We extend Coff (1997) by specifying where adaptations are needed when firms seek to recognize, evaluate, and pursue PWD talent: create options that expose managers to qualified PWD, build information systems that compare forecasted and realized accommodation costs and benefits, and revise recruitment interfaces, screening rules, and interview formats. Coff (1997, pp. 380–381) proposes four categories of coping strategies for dealing with the types of frictions discussed above. This also helps clarify why information and organizational design are especially important for improving firms' recognition, evaluation, and pursuit of PWD talent, whereas retention and rent sharing become more relevant once firms have begun to deploy that talent effectively. Retention strategies are constrained because systemic bias often means that PWD are not present

in the first place. Rent-sharing strategies could be similarly useful if PWD were already present, but they often are not. For PWD already in the firm, the first challenge is to address the pay gap that persists even after controlling for disability type (Kruse *et al*., 2018, p. 812).

And of all the available ways to capture value from PWD-based human capital, we submit that organizational design strategies are clearly needed to change cultures of systemic discrimination. We advocate a core agenda to identify organizational designs that transform recruitment, screening, and interviews for PWD. One possibility, given prior findings about systemic bias (Schur *et al*., 2017, p. 485), is to enable and encourage senior-level hiring managers, and eventually all employees, to gain experience working with PWD, starting with volunteer activities and then co-working activities. For information strategies, another core part of future research is to develop and test option-expanding (creating low-risk pilots and trials) and search-expanding (broadening sourcing and debiasing screening to increase discovery and reduce misclassification) exercises that help managers overcome their forecasting errors regarding the costs and benefits of hiring and promoting PWD. Part of this effort will be to encourage managers to visit and learn from peer firms that have already found productivity benefits from hiring PWD, including analyzing the actual accommodations.

More broadly, when considering organizational remedies to increase the inclusion of PWD talent, one essential lesson is that accommodations should be framed not as exceptional concessions for a narrow group, but as part of a broader organizational approach to helping employees succeed in their jobs and fit within the organization. Bonaccio and colleagues (2020, pp. 149–150) further submit:

> Indeed, equating accommodations solely with disabilities in an organization may contribute to the view of workers with disabilities as "different" or "difficult" (Kaye et al., 2011). Instead, organizations that support the needs of all employees, regardless of disability status, may fare better (Goetzel et al., 2016; Travis, 2008 [sic]; see also Schur et

> al., 2014). By adopting a broader perspective on accommodation, more as a core organizational value, adjustments will, over time, be viewed as instrumental in achieving person–job/person–organization fit. Moreover, accommodating the diverse needs of all employees (due to disability or not) should help to change a negative organizational discourse on disabilities to one that recognizes that everyone benefits from inclusive workplace practices. A positive approach to this discussion is exemplified by a leading law firm in a major Canadian city, in which hiring managers ask of all candidates "What do you need to make yourself more successful in our firm?" (Fredeen et al., 2013, p.13). This approach sets the stage for an employment relationship focused on respect, open communication, and success predicated on abilities (rather than *dis*abilities).

As an illustrative example of the above statement from Bonaccio and colleagues (2020), consider the real-world case of an elementary school teacher who is in a wheelchair and cannot easily escort the children in her class to their next class down the stairs (the elevator at the school is slow and can only accommodate a few people at a time), but who, more importantly, is known to have an exceptional impact on helping students behind two grade levels in math to catch up through expert mathematical instruction. At one point, a principal at that teacher's school is accused of discrimination for dismissing that teacher because she could not escort her students to the next class. In her case, the simple solution is to set up a system in which a paraprofessional colleague escorts the children to their next class while they continue to benefit greatly from her superior math instruction.

Crafting interdependencies among management practices can create a culture of fairness. After all, strategic choices are ultimately identifiable by their high degree of intertemporal interdependence, both internally with the firm's other decisions and externally with other firm decisions (Leiblein *et al*., 2018). Hiring and promoting PWD also exhibit the kind of interdependencies highlighted by Leiblein and colleagues (2018). Internally, there is a strong interdependency with other internal policies that might together serve to foster a firm-level culture of fairness. That culture, in turn, can reduce the time and effort wasted on social comparison and perceived inequity. Externally, there are also clear interdependencies: the effectiveness of a firm's

hiring and promoting PWD can be notably enhanced when external stakeholders, such as customers, employees, or investors, support the firm's inclusion initiatives and related policies. Intertemporally, there are also interdependencies with future time periods, as we know analogously from the Lincoln Electric case (Siegel and Larson, 2009) that efforts to create a fairness equilibrium inside the firm in 1920 were critical to efforts to maintain a fairness equilibrium in the face of financial calamity during the recession of the early 1990s. Similarly, efforts to create a fairness equilibrium through hiring and promoting PWD today are interdependent with the firm's ability to maintain one in the decades ahead. These organizational choices matter not only for implementation, but also for whether firms can capture value from PWD-based human capital and realize the strategy implications of our logic, to which we now turn.

Discussion

Having developed the causal sequence linking under-recognition and under-deployment to later persistence of advantage, we can now restate its implications for strategy theory more directly. A contribution of this article is to explain how competitive advantage can arise not only from scarce resources, but also from earlier recognition and more effective deployment of a plentiful resource whose value remains systematically under-recognized due to systemic social bias and managerial forecasting errors. Through the lens of PWD-based human capital, this work highlights an advantage: *scarcity resides not in the human capital resource itself, but in firms' willingness and ability to recognize, evaluate, and deploy it*. The opportunity to gain a competitive advantage from earlier recognition and more effective deployment of PWD-based human capital persists because systemic social bias and managerial forecasting errors lead many firms to continue viewing PWD as too costly, too uncertain, or too difficult to deploy effectively. Consequently, many firms do not attempt to hire or promote PWD at scale, and those that do may encounter resistance from

customers, employees, or investors. The result is not a lack of talent, but a durable gap between available talent and its strategic use.

This logic also helps clarify how our account relates to Barney's (1991) criteria, Peteraf's (1993) criteria, and Barney's (1986, p. 1232) reasoning that the key to identifying undervalued factors in strategic factor markets is to be "better informed." For PWD, being better informed includes deconstructing systemic biases (e.g., Ali *et al*., 2011) and questioning consensus forecasts about adjustment costs. A field experiment by Ameri and colleagues (2018) found that identical resumes were most likely to be rejected when associated with a stigmatized disability. Therefore, stigma could be pinpointed as a cause of the PWD employment puzzle even after controlling for the type of disability. In fact, the type of disability was a total non-factor in explaining the size of the disability employment gap (Ameri *et al*., 2018, p. 331). Also, advanced credentials indicating productivity were more likely to be ignored in the field experiment if the applicant had a disability (Ameri *et al*., 2018, p. 357). PWD may also face a somewhat analogous challenge of immobility (Barney, 1991, p. 101), because systemic social bias and widespread forecasting errors among outside employers can limit credible outside options. Hiring PWD can therefore contribute to sustained competitive advantage not because other firms are actively trying to duplicate the strategy (Barney, 1991, p. 102), but because many rivals, due to systemic social bias and forecasting errors, are neither inclined nor positioned to pursue it effectively.

In this sense, what is proposed here would, if further corroborated by empirical studies, extend Barney's classic assertion that "However, valuable and rare organizational resources can only be sources of sustained competitive advantage if firms that do not possess these resources cannot obtain them" (1991, p. 107). In our setting, the point is neither that causal ambiguity or social complexity become irrelevant (Barney, 1991, p. 107), nor that firms necessarily lack

knowledge of the required actions (Barney, 1991, p. 109). Rather, the resource may be systemically undervalued because of managerial forecasting errors and/or systemic biases before those more familiar isolating mechanisms fully come into play. Relatedly, the logic of ex ante and ex post limits to competition (Peteraf, 1993) can be complemented by specifying the recognition-side causal logics that matter in this setting: managerial forecasting errors and systemic social bias help explain why many firms fail to pursue PWD talent before competition for it intensifies, while established labor-market frictions and isolating mechanisms help explain why advantage may persist after some firms do. Nowhere in Peteraf's (1993, p. 183) extensive analysis of isolating mechanisms is there an explicit discussion of forecasting error or systemic social bias, areas in which the current article adds explanatory power.

Moreover, firms that benefit from inclusive strategies may come to understand the sources of their success, as opposed to being ignorant of cause and effect (Barney, 1991, p. 109), through direct experience rather than through abstract theorizing alone. Schur and colleagues (2017, p. 485) document that the typical baseline is that corporate executives hold negative stereotypes about PWD that are "not consistent with research evidence," and that the only proven remedy is direct experience with PWD, which leads to positive beliefs and expectations about PWD. Therefore, because so many PWD are entirely excluded from the job market, few people in positions of power accumulate such co-working experience. As delineated in Dixon and colleagues (2003), survey evidence shows that only 40 percent of employers provide any type of training on accommodations or working with PWD, and that only 34 percent of the 70 percent of employers that are small businesses provide any such training. Cowen (2011, p. 27) provides a compelling, if provocative, explanation for why systemic bias against PWD is allowed to persist, namely that under the actual interpretation of the nation's laws, it is even harder for autistic individuals than for many protected

groups who experience discrimination to have much legal recourse. Taken together, these patterns help explain why the equilibrium can persist even when the underlying strategic opportunity is substantial.

This logic also returns us to a central resource-based question about human capital and scarcity. Barney (1991, p. 101) states that human-capital resources are one of the three core types of resources in the resource-based view of strategy. PWD-based human capital may not directly enable a firm to "conceive of" or "implement" a successful strategy (Barney, 1991, p. 102), but earlier recognition and more effective deployment of PWD talent may steer the firm toward lower costs, differentiation, and culture-enhanced productivity. Chadwick (2017, p. 501) maintains the fundamental importance of scarcity in creating human capital-based rents:

> More precisely, however, Ricardian rents in RBT are rooted in scarcity—that is, in inelasticities in the supply of a valuable resource on a strategic factor market (cf. Barney, 1991; Mackey, Molloy, & Morris, 2014; Peteraf, 1993). This is a crucial distinction since it acknowledges that supply inelasticity either can be an inherent characteristic of a resource or can be created by market circumstances. In other words, scarcity (inelastic supply on a strategic factor market) drives Ricardian rents, whether or not the resource is inherently rare. Even temporary inelasticity in the supply of a resource can lead to firm rents if it is to the advantage of a particular firm.

Our point, then, is not to reject Chadwick's (2017) emphasis on scarcity, but to suggest that in this context scarcity is better understood as rarity in strategic use rather than scarcity in the underlying labor pool. We also agree with Leiblein and colleagues (2017) in emphasizing that uncertainty about a resource's future value can create market frictions that enable some firms to acquire resources at below-market prices, thereby attaining a competitive advantage. Similarly, our approach to PWD and competitive advantage aligns with Posen and colleagues' (2018, p. 1131) finding that behavioral biases lead to errors in the use of real options as well as in the value of real options. Unlike cases where firms are "differentially effective at executing real options to acquire

assets in strategic factor markets" (Leiblein *et al*., 2017, p. 2588), we focus on the fact that many firms may struggle even to begin the experimentation needed to learn in the PWD context.

In contrast to firms' learning by gaining experience with a resource (Leiblein *et al*., 2017, p. 2589), what differs in the case of PWD is that many firms resist the opportunity to begin engaging with this resource, and therefore do not receive the feedback that could resolve uncertainty (Leiblein *et al*., 2017, p. 2593). This organizational learning problem is consistent with Wooten and James' (2005) study, which indicates that organizations often struggle to prevent discrimination against employees with disabilities and to create disability-friendly work environments. When there is little or no variation within or outside an organization (Burgelman, 1991, p. 240), opportunities to select and evaluate alternative approaches, such as best practices for hiring and promoting PWD, are effectively absent. Without deliberate experimentation or deviation from the status quo, managerial learning and selection processes cannot occur (Burgelman, 1991, p. 256). The exclusion of PWD from hiring and promotion processes, therefore, represents not only social harm but also strategic and economic inefficiency. Firms that proactively reduce structural barriers may improve adaptability, innovation, and cost efficiency, whereas persistent exclusion suppresses organizational learning and leaves valuable talent underused.

We also seek to extend the strategic human capital perspective by examining the largely overlooked role of PWD in attaining and maintaining competitive advantage. In doing so, we question long-standing assumptions about value and scarcity within strategic management theory and propose that competitive advantage can also stem from resources that are not inherently rare but are persistently undervalued due to managerial forecasting errors and systemic biases associated with demographic characteristics such as disability status. Our conceptual contribution resides in identifying and elaborating on two demand-side labor-market mechanisms, systemic

social bias and managerial forecasting errors, by defining them, specifying how they operate across labor-market entry, within-firm advancement, and interfirm mobility, and clarifying how they relate to established labor-market frictions and isolating mechanisms. These insights suggest the need to reconsider how firms 'sense and seize' undervalued human capital opportunities, particularly those obscured by institutional blind spots (e.g., legacy hiring practices, standardized talent evaluation metrics, or norms that implicitly devalue nontraditional labor market participants). Moreover, we maintain that inclusive employment practices, when thoughtfully designed and implemented, can generate multidimensional value, including cost efficiencies, stronger and more equitable organizational cultures, and improved alignment between internal operations and stakeholder expectations.

Boundary Conditions, Hazards, and Future Research

The preceding discussion also highlights boundary conditions, hazards, and future research. To connect theory to practice, it is important to empirically assess systemic social bias and managerial forecasting errors to establish causal relevance, specify boundary conditions, and prioritize high-return interventions. Doing so can guide strategic decisions about where search, design, and debiasing efforts are most valuable. Specifically, whether the theoretical pathways we identify lead to large and tangible organizational benefits remains an important empirical question – one that empirical research on PWD hiring has begun to examine but has yet to establish. Put differently, the organizational benefits we theorize are likely to depend on boundary conditions such as the degree of systemic exclusion facing PWD, the extent of managerial bias or forecasting error, the strength of rival underinvestment in this talent pool, and the firm's ability to implement effective recognition, evaluation, hiring, promotion, and retention practices. Addressing this gap requires closer links between theory and empirics, including work on firm outcomes, the barriers that

sustain underinvestment, and the conditions under which inclusion can create a durable advantage without exploitation.

Notably, there has not been a single peer-reviewed article on this topic in leading strategy journals. Most existing studies have focused on individual organization case studies (Kalargyrou and Volis, 2014; van den Bosch *et al*., 2019; Wright and Wright, 2023). As a result, we know relatively little about the rigorously measured outcomes and the mechanisms involved. This body of work also matters from both ethical and economic efficiency standpoints. Ethically, it is desirable to increase employment and career advancement opportunities for PWD. Economically, it is a source of potential economic efficiency and vitality for organizations to offer numerous jobs to those with disabilities. We know that there are tens of millions of people who are excluded from the job market because of disabilities (Lengnick-Hall, 2007; Lengnick-Hall *et al*., 2008), yet a large percentage of them express their desire to work. The exclusion of capable individuals who wish to work but lack opportunities to contribute their ideas, creativity, and experience represents a significant loss of efficiency and economic vitality at the national level. This underutilization of talent deprives firms, society, and the global economy of valuable contributions.

When firms do act to tap into this underutilized resource of PWD, it is also crucial that, as strategy scholars, we collectively examine the real possibility that some firms will act perversely to exploit this resource. Otteson (2019) explains that the "honorable business" is about profitably meeting unmet needs for others, including employees and customers, in ways that improve their lives, which they voluntarily choose over alternative opportunities. Because PWD have been shown to be systemically excluded from other private-sector opportunities, there may be a clear opportunity to offer career paths that also benefit their companies. Otteson (2019) is hopeful that this will not lead to worker exploitation, as workers will have multiple opportunities to leave the

company if necessary. However, this expectation itself suggests an important boundary condition: the prospects for mutual gain are likely to be weaker where PWD face constrained outside options, where mobility is limited, or where firms rely on discounted wages rather than shared gains to capture value from inclusion. We submit that strategy scholars would do well to acknowledge the real potential for exploitation, and therefore to test whether firms that pay efficiency wages (meaning above-market-average wages) instead of market-discounted wages advance further in both creating sustainable opportunities for PWD and attaining superior performance and competitive advantage, analogous to what Siegel and colleagues (2014) did for examining the excluded group of female managers in Japan. More generally, empirical evidence on these mechanisms remains limited, and much work is needed to validate and further develop the theoretical claims advanced here.

Future research would benefit from more rigorous empirical studies examining the causal pathways through which the hiring and promotion of PWD may influence firm-level performance. Understanding the boundary conditions and potential unintended consequences of these inclusive strategies is equally important. In particular, future research should identify when inclusion generates a durable advantage, for which firms and labor-market contexts are most likely to arise, and when the same conditions may instead create hazards of underpayment, immobility, or exploitation. We offer this work not as a definitive account, but as an invitation to revisit the foundational assumptions, implicit and explicit, that continue to underpin strategic management theory. By foregrounding demand-side labor-market mechanisms and aligning remedies with Coff (1997) (information and organizational design in recognition, evaluation, hiring, and promotion; retention and rent sharing once talent is deployed), and by extending the strategic human capital perspective to account for the systemic exclusion of PWD, who represent a large yet underutilized

segment of the labor market, strategy scholars and practitioners can better identify overlooked mechanisms of competitive advantage and open new pathways for innovation, adaptability, and long-run firm performance.

Conclusion

Our argument is that PWD-based human capital invites a reconsideration of how strategy scholars think about the origins and persistence of competitive advantage. The central issue is not that PWD talent is inherently scarce, but that it is systematically under-recognized and under-deployed because the two demand-side labor-market mechanisms of systemic social bias and managerial forecasting errors affect how firms recognize, evaluate, and pursue that talent. Once some firms recognize and effectively deploy PWD talent, established labor-market frictions and isolating mechanisms may help sustain the resulting advantage, while organizational design and information strategies remain essential for capturing value. In this way, our work shows how competitive advantage can arise from earlier recognition and more effective deployment of plentiful yet systematically underutilized resources, and it opens a distinctive research agenda for strategy research on bias, uncertainty, and human capital opportunities that firms and labor markets routinely miss.

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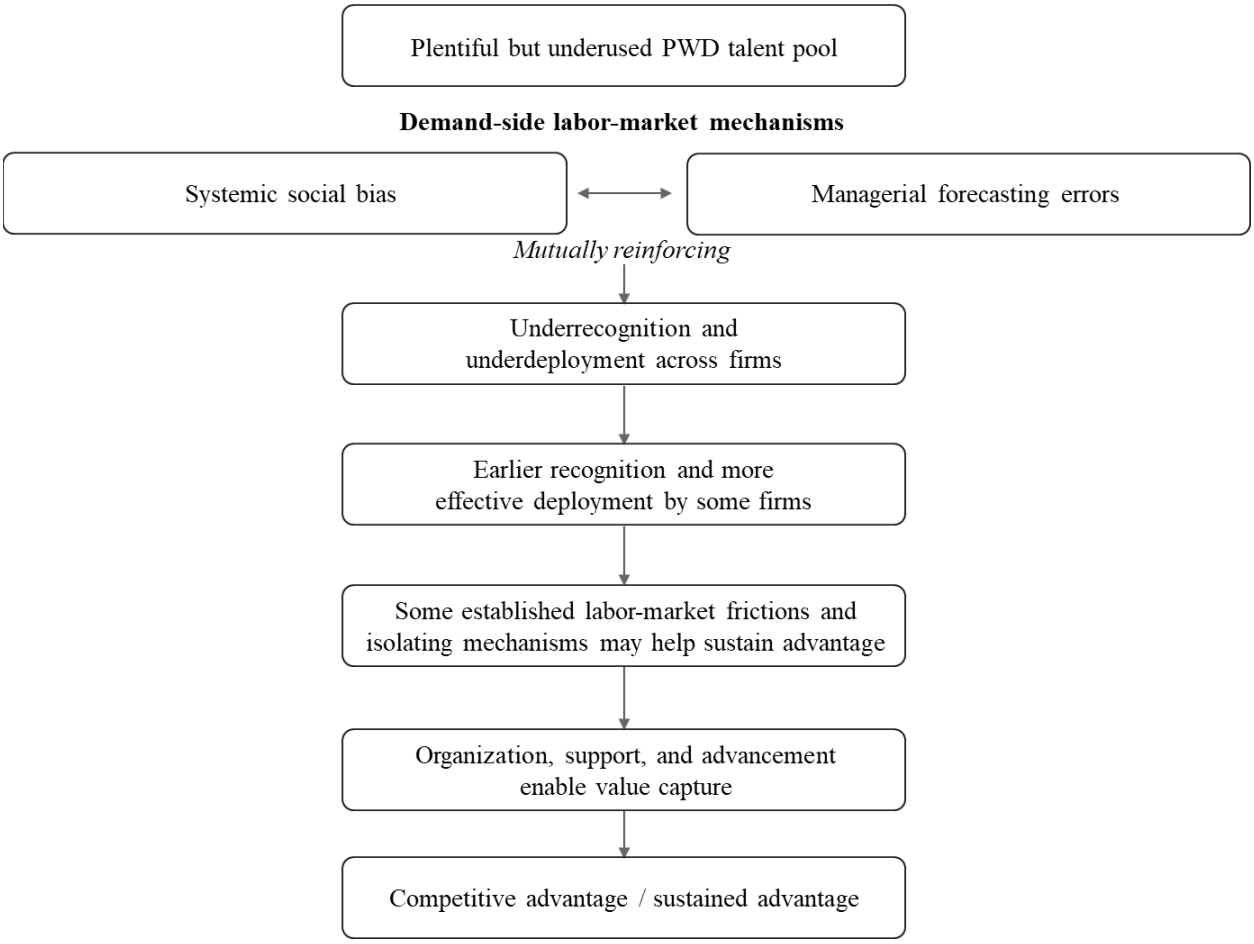
Figure 1. From under-recognition to competitive advantage: a conceptual pathway for PWD-based human capital



Note: Demand-side labor-market mechanisms affect firms' recognition, evaluation, and pursuit of PWD talent across labor-market entry, within-firm advancement, and interfirm mobility and help explain why PWD-based human capital remains under-recognized and under-deployed across firms. These mechanisms occur earlier in the causal sequence than some established labor-market frictions and may also intensify some of those frictions once that talent is deployed. Once some firms recognize and deploy that talent earlier and more effectively, established labor-market frictions and isolating mechanisms (refer to Table 1, Panel B) help explain why the resulting advantage may persist. Firms realize those gains only when they organize effectively to deploy, support, and advance PWD talent.

Table 1. Mechanisms affecting the under-recognition, under-deployment, and persistence of advantage from PWD-based human capital

Panel A. Demand-side labor-market mechanisms

Why do firms often fail to recognize, evaluate, and pursue PWD talent across labor-market entry, within-firm advancement, and interfirm mobility?

Mechanism	Description	Causal logic	Baseline implications	PWD-specific implications	Competitive-advantage implication
Systemic social bias	Demand-side mechanism rooted in socially and institutionally embedded beliefs and norms that distort judgments about who is seen as capable, legitimate, employable, and promotable.	Bias distorts recognition, evaluation, and pursuit across labor-market entry, within-firm advancement, and interfirm mobility.	Individuals may be screened out, undervalued, or passed over when social cues distort employers' judgments about capability, legitimacy, or fit across labor-market entry, within-firm advancement, and interfirm mobility.	May be amplified for PWD because disability-related cues can more strongly distort assessments of capability, legitimacy, and fit, making PWD more likely to be underestimated, stigmatized, or denied advancement and outside opportunities.	Helps explain why PWD-based human capital remains under-recognized and under-deployed across firms, thereby making it relatively rare in strategic use despite a large available talent pool.
Managerial forecasting errors	Demand-side mechanism arising when managers make inflated forward-looking judgments about the likely adjustment costs and legal liabilities and/or underestimate the likely benefits of hiring, promoting, or seeking to attract PWD talent before acting.	Bounded rationality, limited benchmarks, limited experience, and limited evaluative confidence can lead managers to make inflated forward-looking judgments about the likely adjustment costs and legal liabilities and/or underestimate the likely benefits of hiring, promoting, or seeking to attract PWD talent across labor-market entry, within-firm advancement, and interfirm mobility.	Individuals whose likely adjustment costs, legal liabilities, and benefits are harder for managers to forecast may be less likely to be hired, promoted, or actively recruited by outside firms, especially when decision-makers lack relevant benchmarks, experience, or evaluative confidence.	May be amplified for PWD when managers make inflated judgments about the likely adjustment costs and legal liabilities and/or underestimate the likely benefits of hiring, promoting, or attracting PWD talent, even when that talent may have substantial value-creation potential.	Helps explain why investment in PWD talent is delayed or uneven across firms, thereby slowing recognition and deployment of that talent.

Panel B. Established isolating mechanisms and labor-market frictions

Once a firm has already begun deploying PWD-based human capital effectively, what makes that advantage hard for rivals to copy, poach, or compete away?

Isolating mechanism/ Established friction	Description	Causal logic	Baseline implications	PWD-specific implications	Competitive-advantage implication
Firm specificity and complementary assets (Coff and Kryscynski, 2011)	Demand-side friction arising when worker value depends on co-specialization with firm-specific resources, routines, and complementary assets.	Value becomes harder to transfer when it is embedded in the focal firm's systems.	Competitors may discount external hires when the transferability of firm-specific human capital appears imperfect.	May be amplified when value depends on accommodations, assistive technologies, inclusive routines, or manager-team fit developed within the focal firm	Helps sustain advantage by tying PWD-based value to firm-specific systems and supports, making imitation harder.
Social complexity (Coff and Kryscynski, 2011)	Demand-side friction arising when worker value is embedded in socially complex relationships, routines, and coordination that rivals cannot easily observe, replicate, or transfer.	Relational and team-based value is difficult to observe, replicate, or move intact across firms.	Rivals may struggle to identify which employees to target or to reproduce the relational conditions supporting their value.	May be amplified when inclusive trust, team coordination, and shared routines take time to build and are difficult to transfer across firms.	Helps sustain advantage by embedding PWD-based value in hard-to-replicate social relationships and coordination
Information asymmetry / causal ambiguity (Coff and Kryscynski, 2011)	Demand-side friction arising when outside observers or rival firms cannot accurately observe worker quality or determine why value is created, making imitation, valuation, and poaching more difficult.	Imperfect information produces uncertainty about who is valuable and why.	Competitors may struggle to assess the value-creation potential of employees embedded within the firm.	May be amplified because prior exclusion, limited observable performance signals, and firm-specific supports can make it harder for outside firms to observe and correctly interpret the value of PWD talent.	Helps sustain advantage by making PWD-based value harder for rivals to recognize, evaluate, and imitate.
Thin markets / limited employer alternatives (Campbell *et al*., 2017)	Demand-side friction arising when few suitable employers exist, limiting matching opportunities and outside options.	Restricted alternatives reduce outside competition for talent.	Fewer alternative employers make retention easier, all else equal.	May be thinner because employer reluctance, accessibility barriers, and restricted matching opportunities can reduce the number of suitable alternative employers.	Helps sustain advantage by reducing outside competition for valuable PWD talent.

Isolating mechanism/ Established friction	Description	Causal logic	Baseline implications	PWD-specific implications	Competitive-advantage implication
Intellectual property and non-competes (Campbell *et al*., 2017)	Demand- and supply-side friction arising from legal protections and contractual restrictions that limit mobility and knowledge transfer.	Formal legal constraints can discourage movement and rival access.	Employee movement may trigger legal or contractual constraints that discourage hiring or poaching.	There is no strong reason to expect this mechanism to be systematically more pronounced for PWD employees than for other employees, although it can still reinforce persistence once valuable PWD talent is developed within the firm.	It can help sustain an advantage by constraining talent and knowledge transfer, although it does not appear particularly central in the PWD context.
Future opportunities with employer (Campbell *et al*., 2017)	Supply-side friction arising when credible internal opportunities for growth, development, and advancement reduce incentives to exit.	Attractive future prospects increase retention.	Employees are less likely to seek outside options when internal career paths are attractive and credible.	May be especially consequential when inclusive employers provide opportunities for credible advancement, support, and fair treatment that seem less available elsewhere.	Helps sustain advantage by retaining valuable PWD talent through credible internal career prospects.
Mobility costs (Campbell *et al*., 2017)	Supply-side friction arises when the financial, logistical, relational, or organizational costs of changing employers reduce employees' willingness to pursue outside options.	Higher switching costs reduce movement across firms.	Higher mobility costs reduce the likelihood that employees seek or accept outside options.	May be amplified when changing firms requires renegotiating accommodations, accessibility arrangements, transportation, healthcare routines, or support systems.	Helps sustain advantage by making valuable PWD talent harder for rivals to poach.
Heterogeneous employee ability (Campbell *et al*., 2017)	Demand-side friction arising when labor markets are thinner and matching is more difficult for employees at the high and low ends of the ability distribution.	Accurate matching and replacement become harder at the tails of the ability distribution.	The highest- and lowest-performing employees may have limited employment options or be difficult to replace.	May be amplified when stereotypes or limited employer experience distort assessments of underlying ability, making both high- and low-ability PWD employees more difficult to evaluate and match appropriately in labor markets.	Helps sustain advantage by making high-value PWD talent especially difficult for rivals to identify, assess, replace, or poach.

Note: Systemic social bias and managerial forecasting errors are theorized here as demand-side labor-market mechanisms that affect firms' recognition, evaluation, and pursuit of PWD talent across labor-market entry, within-firm advancement, and interfirm mobility. These mechanisms occur earlier in the causal sequence than some established labor-market frictions and may also intensify some of those frictions once that talent is deployed. Panel B summarizes the latter labor-market frictions and isolating mechanisms that may help sustain advantage once PWD talent is effectively deployed.