

Index

- adaptation cost (AC) theory, 3, 16–26
 - academic literature on, 34–37
 - asset ownership and, 22–24
 - benefits of, 54
 - common law test in, 76
 - communication within/between firms and, 24–25, 33–34, 54
 - contractual adaptation costs, 4
 - delegation of decision rights in, 25–26
 - differentiation between firms and, 287
 - empirical tests for, 47–50, 54
 - employment mechanisms and, 17, 26, 33, 38–44, 146
 - extensions in, 41–43
 - motivation in, 38
 - static model for, 39–41
 - employment relationship in, 7, 46–53
 - between employer and employee, 301–2
 - incentive systems theory and, 46
 - legal definitions of, 46–47
 - PRT and, 46
 - evidence in, 44–53
 - ex ante bargaining mechanisms and, 146
 - firm heterogeneity and, 272
 - future research on, 221
 - incentive system theory and, 36
 - low-powered incentives in, 25
 - price lists and, 17–18, 54
 - productive adaptation costs, 4
 - PRT and, 16, 35–36
 - RBV and, 21–23
 - sales force organization in, 47
 - scope of firm and, 21–23, 27
 - sequential contracting mechanisms and, 17
 - specialization of firms and, 302
 - sub-additive bargaining costs and, 4, 54, 302
 - TCE and, 16
- adaptation costs, 19, 22–23, 33–34, 54, 58, 83, 85, 97, 205, 213–14
- adaptation frequency
 - in AC theory, 201–2
 - computational difficulties in, 202
 - data analysis, 205–8
 - economic research in, 207
 - integration studies, 206
 - Likert-type scales, 207
 - on production systems, 206–7, 224–25
 - data requirements and, 202
 - employment relationship and, 203–4
 - hypotheses for, 202–5
 - internalized, 212, 227
 - production systems and, 201–2, 204–5
 - cluster analysis of, 211
 - comparisons between, 217–19
 - data on, 206–7, 224–25
 - descriptive statistics by, 208, 226
 - estimation techniques for, 209–16
 - firm-level estimation, 217–19
 - optimization model for, 213–16
 - at pair-by-pair level, 209–11, 226
 - pooled models, 227
 - SSR by alternative models, 219–20, 228
 - testing of, 211–13
 - sequential contracting mechanisms and, 203–4
 - technology and, 204
 - time consumed during bargaining, 203–4
- aspirational bargaining model, 194–96
- asset ownership
 - AC theory and, 22–24
 - through asset-specific human capital investments, 234–35, 246
 - in carpentry trade, 231
 - efficiency gains from, 229, 236
 - empirical data on, 236–48
 - asset-specific human capital investments, 246
 - efficiency gains, 245–46
 - employees' incentives, 244

304 Index

- asset ownership (cont.)
 - employers' asset deployment strategies, 245–46
 - rank-order correlation, 245
 - risk sharing, 246
 - robustness checks, 247–48
- by employees, 45
 - through asset-sharing, 236, 245–46
 - empirical data on, 244–46
 - incentives for, 229, 233, 244
 - for multiple employees, 236
 - through risk sharing, 235–36
- by employers
 - deployment strategies for, 233–34, 245–46
 - empirical data on, 245–46
 - through risk sharing, 235–36
- evidence variables with, 122–24
- ex ante bargaining mechanisms, 24
- ex post bargaining mechanisms, 24
- externality argument for, 116–22, 125
 - depreciation variances in, 120–21
 - employee ownership and, 120–22
 - for risk-averse players, 121
- incentive system and, 36–37, 115
- manager surveys for, 123–24
- PRT and, 36–37, 44–46, 115, 125
- through risk sharing, 229, 235–36
- empirical data on, 246
 - for employers compared to employees, 235–36
- asset services, 43–44
- assets
 - economically divisible, 102
 - inalienability property and, 102
 - as resources, in RBV, 301
 - scope of firms and, 102
- asymmetric equilibria, 272
 - compatibility advantages of, 273
- asymmetric information, 25, 64, 150–51, 154–55, 157, 259
- authority, 25, 35–37, 43, 166, 175, 269
- Bain, Joe, 5
- bargaining bins, 64–65, 87–88
- bargaining costs. *See also* ex ante bargaining mechanisms; ex post bargaining mechanisms; sub-additive bargaining costs
 - bilateral mechanisms and, 61
 - Coasian, 14
 - communication costs as, 24–25, 33–34
 - communication within/between firms as, 24–25, 33–34, 128–30
 - in contracts, 254–55, 268–69
 - of decision-making, 165
 - employment mechanisms and, 62
 - fixed, 15
 - for fixed firms, 87–88
 - frictionless models, 14–15
 - frictions in, 14, 16
 - market mechanisms and, 61–62
 - pooling of, 15
 - pre-play information and, 61
 - scope of firms and, 85, 93–94
 - sequential contracting mechanisms and, 62
 - service specialization and, 60
 - trade and, 61
- bargaining efficiency effect, 129
- bargaining power effect, 131
- bilateral contracts, 253
 - renegotiation of, 253–54
- bilateral mechanisms
 - bargaining costs and, 61
 - market mechanisms and, 71
 - service specialization and, 58–59
- binding contracts, 64
- boundary of the firm, 12, 110
- business specialization, switching costs in, 60
- carpentry trade, 230–33
 - client contracts in, 231
 - productive assets in, 230–31
 - ownership of, 231
 - projects in, 232–33
 - wage contracts in, 231–32
- charitable organizations, decision-making in, 164
- client contracts, in carpentry trade, 231
- Coasian bargaining, 14
- common law test, 76
- Common Sequence of Events, 65, 73
- communication costs, 33–34, 37–38, 53, 175, 190, 269
- communication within/between firms. *See also* language theory
 - in AC theory, 24–25, 33–34, 54
 - as bargaining cost, 24–25, 33–34, 128–30
 - bargaining efficiency effect and, 129
 - bargaining power effect and, 131
 - in equilibrium models, 275–79
 - ex ante bargaining mechanisms, 129–30, 133–35
 - ex post bargaining mechanisms and, 129–30, 133–34, 135–40
 - efficiency of, 140
 - ex ante bargaining mechanisms compared to, 140

Index

305

- in heterogeneous firms, 281–82
- incentive transfer effect, 129, 131–32
- symmetric equilibrium models, 277–79
- competition, differentiation between firms
 - and, 284–85, 291–92
- competitive advantage, 281, 294
- competitive effects, in reporting rules, 288–89
- complementarity theories, 44–45
- Condorcet Jury Theorem, 165
- contingencies. *See* unforeseen contingencies
- contracting regimes
 - robust, 150
 - analysis of, 154–55
 - defined, 154–55
 - dynamic extension of, 155–57
 - efficiency of, 151
 - ex interim information in, 152, 155
 - incentives in, 150–51
 - limitations of, 157–58
 - negotiations in, 153–55
 - production and payoff in, 156
 - renegotiation mechanisms in, 155–56
 - spot contracting regime as inferior to, 159
 - static model for, 152–55
 - spot, 150
 - analysis of, 153–54
 - defined, 153–54
 - dynamic extension of, 155–57
 - efficiency of, 151
 - ex interim information in, 152, 155
 - incentives in, 150–51
 - limitations of, 157–58
 - negotiations in, 153
 - production and payoff in, 156
 - renegotiation mechanisms in, 155–56
 - robust contracting regime as superior to, 159
 - static model for, 152–55
- contracts
 - bargaining costs in, 254–55, 268–69
 - bilateral, 253
 - renegotiation of, 253–54
 - binding, 64
 - in carpentry trade
 - client contracts, 231
 - wage contracts, 231–32
 - completeness of, 253–54
 - decision-making for, 255–56
 - employment mechanisms as, 43
 - incomplete, 45
 - academic literature on, 256–58
 - complexity category of, 257
 - exogenous, 256–57
 - hold-ups for, 266–68
 - implicit, 257
 - model for, 258–68
 - renegotiation of, 253–54, 257, 260–68
 - strategic category of, 257
 - out-of-equilibrium cases, 255
 - contractual adaptation costs, 4
 - contractual control, in decision-making, 173–74
 - control, 46, 101–2, 131, 163, 173–74
 - cooperative behavior, of employees, 41
 - cooperatives, decision-making in, 164
 - Core Competencies, 5
 - customer loyalty, as resource, 105
- data analysis
 - of adaptation frequency, 205–8
 - economic research in, 207
 - integration studies, 206
 - Likert-type scales, 207
 - on production systems, 206–7, 224–25
- on asset ownership, 236–48
 - asset-specific human capital
 - investments, 246
 - efficiency gains, 245–46
 - employees' incentives, 244
 - employers' asset deployment strategies, 245–46
 - rank-order correlation, 245
 - risk sharing, 246
 - robustness checks, 247–48
- decision rights, delegation of, 25–26
- renegotiation threats and, 26
- decision-making
 - for contracts, 255–56
 - in large organizations
 - abdication of, 164
 - academic literature on, 163–66
 - bargaining costs of, 165
 - changes in, 171–73
 - for charitable organizations, 164
 - contractual control in, 173–74
 - in cooperatives, 164
 - delegation of, 162–63
 - employment relationships and, 163, 175
 - intermember bargaining and, 167
 - joint payoffs and, 175
 - management compared to, 165–66
 - by managers, 162
 - model of, 166–70
 - renegotiations in, 172
 - repeated, 175
 - through threatened protest, 170–75
 - unchangeable decisions, 173–74

306 Index

- decision-making (cont.)
 - vertical division of labor as influence on, 164
 - delegation, 25–26, 163, 174, 254, 257, 268
 - descriptive statistics, by adaptation
 - frequencies, 208, 226
 - Design Structure Matrix, 202
 - differentiation, between firms
 - AC theory and, 287
 - competitive, 284–85, 291–92
 - in equilibrium, 292–93
 - informational implications for, 286–87
 - reporting errors, 288–89, 293–95
 - by specific firm, 288–89
 - intuitive arguments for, 286–89
 - local environments as factor in, 290
 - model philosophy, 289–90
 - number of employees and, 295–96
 - organizational change as result of, 285
 - organizational processes as factor in, 290–91
 - product, 286
 - in reporting rules, 288
 - competitive effects, 288–89
 - resource effects, 288–89
 - through specialization, 286–87
 - distribution of needs, 94–95
 - division of labor, 75, 79–80, 85, 164, 286
 - doubly-specialized employees, 301
 - dual-service businesses, 89–91
 - Dynamic Capabilities theory, 5
 - economic theory of languages, 274
 - economically inalienable, 5, 12, 22, 97, 101–3, 301
 - economically indivisible, 102
 - efficiency treatment (ET) studies, 187
 - empirical tests
 - for AC theory, 47–50, 54
 - for incentive system theory, 49–50
 - for PRT, 50
 - for sales force organization and management, 51–53
 - correlation coefficients in, 52
 - Kendall Rank correlations in, 51
 - t-values in, 52
 - employee ownership, of businesses, 120–22
 - employees
 - asset ownership by, 45
 - through asset-sharing, 236, 245–46
 - empirical data on, 244–46
 - incentives for, 229, 233, 244
 - for multiple employees, 236
 - through risk sharing, 235–36
 - component fit mistakes by, 297
 - cooperative behavior by, 41
 - differentiation between firms based on number, 295–96
 - doubly-specialized, 301
 - in everyday language, 46–47
 - as firm resource, 104
 - in incentive system theory, 36, 45
 - incentive transfer effect and, 147
 - incorrect time allocation by, 297
 - legal rules for, 41
 - level of work quality by, 297
 - relationship with employers, in AC theory, 301–2
 - reporting errors by, 285
 - employers
 - asset ownership by
 - deployment strategies for, 233–34, 245–46
 - empirical data on, 245–46
 - through risk sharing, 235–36
 - PRT and, 125
 - relationship with employees, in AC theory, 301–2
 - employment mechanisms, 69–70. *See also* sales force organization and management
 - in AC theory, 17, 26, 33, 38–44, 146
 - extensions in, 41–43
 - motivation, 38
 - static model, 39–41
 - bargaining costs and, 62
 - defined, 16, 69
 - efficiency components of, 79
 - ex ante bargaining mechanism as, 145–46
 - for human asset services, 43–44
 - as an implicit contract, 43
 - incentive systems theory and, 42
 - internal coordination within firms, 44
 - for large entrepreneurs, 74–75
 - market mechanisms compared to, 71
 - payoffs and, 70
 - performance variables for, 79
 - price lists and, 18
 - proof of propositions in, 78
 - proof of theorem for, 78–80
 - PRT and, 145–46
 - repeated trade and, 70
 - sequential contracting mechanisms and, 43, 71
 - service specialization and, 59
 - for small entrepreneurs, 73–75
 - TCE and, 42
 - testable implications for, 75–76
- employment relationships, 7, 46–53
 - adaptation frequency and, 203–4

Index

307

- decision-making and, 163, 175
- defined, 91
- incentive systems theory and, 46
- independent contracting and, 182
- legal definitions of, 46–47
- PRT and, 46
- entrepreneurs. *See also* scope, of firms
 - distribution of needs and, 94–95
 - in dual-service businesses, 89–91
 - in fixed firms, 86–89
 - bargaining costs for, 87–88
 - degrees of specialization for, 87
 - strategies for, 88–89
 - large, focal mechanisms for, 74–75
 - small, focal mechanisms for, 73–75
- equilibrium models
 - asymmetric, 272
 - compatibility advantages of, 273
 - differentiation between firms and, 292–93
 - global maxima and, 279–80
 - in labor markets, 76–77
 - local maxima and, 279–80
 - resource allocations in, between members, 275–79
 - symmetric, 272
 - communication within firms and, 277–79
 - compatibility advantages of, 273
- estimation techniques, for adaptation frequencies, 209–16
- ET studies. *See* efficiency treatment studies
- ex ante bargaining mechanisms, 24
 - AC theory and, 146
 - communication within firms and, 129–30, 133, 134–35
 - ex post bargaining mechanisms compared to, 140
 - as employment contract, 145–46
 - incentive alignment in, 145
 - PRT and, 145–46
 - renegotiations in, 140–43
 - for sellers, 143
 - TIOLI offers, 141–43
- ex interim information
 - in robust contracting regime, 152, 155
 - in sequential contracting mechanisms, 25
 - in spot contracting regime, 152, 155
- ex post bargaining mechanisms, 24
 - communication within firms and, 129–30, 133–34, 135–40
 - efficiency of, 140
 - ex ante bargaining mechanisms compared to, 140
 - price adjustments in, 144
 - renegotiations in, 140–43
 - for sellers, 143–44
 - TIOLI offers, 135–38, 140
- excess capacity, 5, 12, 22, 83, 85–86, 96–97, 103–4, 301
- existence studies, for sub-additive bargaining costs, 186
- exogenous incomplete contracts, 256–57
- externality argument, 116–22, 125
 - depreciation variances in, 120–21
 - employee ownership and, 120–22
 - for risk-averse players, 121
- face-to-face bargaining, 189
- firms. *See also* adaptation cost theory; communication within/between firms; resource-based view; specialization, of firms
 - component fit, mistakes with, 297
 - defined, 125
 - expansion of, 110
 - exploitation and development, 109–10
 - fixed, 86–89
 - bargaining costs for, 87–88
 - degrees of specialization for, 87
 - strategies for, 88–89
 - heterogeneous, 26–28
 - AC theory and, 272
 - communication within/between, 281–82
 - intuitive arguments for, 286–89
 - inalienability property, 101–2
 - incorrect time allocation by, 297
 - internal coordination within, 44
 - level of work quality, 297
 - product portfolio theory and, 109
 - resources of, 102–5
 - customer loyalty, 105
 - defined, 102–3
 - efficient groups of employees, 104
 - exploitation and development of, 109–10
 - exploitation of learning curve, 106–10
 - management of, over time, 105–10
 - during mergers and acquisitions, 106
 - product matrix for, 103
 - production capacity, 104–5
 - production experience, 105
 - sequential entry of, 106–9
 - technological leads, 105
 - scope of, 93–95
 - AC theory and, 21–23, 27
 - bargaining costs and, 85
 - distribution of needs, 94–95
 - excessive productive capacity as factor in, 83–85

308 Index

- firms. (cont.)
 - for multiproduct firms, 85–86
 - productive efficiency and, 85
 - sharing of assets and, 102
 - sub-additive bargaining costs of, 101–2
- Five Force Analysis, 4–5
- fixed bargaining costs, 15
- fixed firms, 86–89
 - bargaining costs for, 87–88
 - degrees of specialization for, 87
 - strategies for, 88–89
- focal mechanisms. *See* employment mechanisms; market mechanisms; sequential contracting mechanisms
- global markets, defined, 91–92
- governance, 21, 38, 75, 84
- heterogeneous firms, 26–28
 - AC theory and, 272
 - communication within/between, 281–82
 - intuitive arguments for, 286–89
- hold-up, 266–68
- human capital investments, asset ownership through, 234–35
- implicit contracts, 257
- inalienable, 97
- incentive system theory
 - AC theory and, 36
 - asset ownership and, 36–37, 115
 - efficiency gains from, 229
 - risk sharing and, 229
 - empirical testing of, 49–50
 - employees in, 36, 45
 - employment mechanisms and, 42
 - employment relationship and, 46
- incentive transfer effect, 129, 131–32
- employees and, 147
- incentives
 - in ex ante bargaining mechanism, 145
 - low-powered, 25
 - in robust contracting regime, 150–51
 - in spot contracting regime, 150–51
- incomplete contracts, 45
 - academic literature on, 256–58
 - complexity category of, 257
 - exogenous, 256–57
 - hold-ups for, 266–68
 - implicit, 257
 - model for, 258–68
 - renegotiation of, 253–54, 257, 260–68
 - strategic category of, 257
- independent contracting, employment relationship and, 182
- indivisibility, 5, 22, 86, 102
- Industrial Organization economics, 5
- information
 - in Design Structure Matrix, 202
 - differentiation between firms and, implications for, 286–87
 - reporting errors, 288–89, 293–95
 - by specific firm, 288–89
- ex interim
 - in robust contracting regime, 152, 155
 - in sequential contracting mechanisms, 25
 - in spot contracting regime, 152, 155
- pre-play, bargaining costs and, 61
- reporting strategies for, to management, 288
- sub-additive bargaining costs and, 184
- integration, 47, 147, 206
- internalized adaptation frequencies, 212, 227
- intuitive arguments, for differentiation between firms, 286–89
- joint payoffs, in decision-making, 175
- Kendall Rank correlations, 51
- labor markets, equilibrium models, 76–77
- language theory, 273–74
 - economic, 274
 - organizational, 281–82
- large entrepreneurs, focal mechanisms for, 74–75
- large organizations, decision-making in
 - abdication of, 164
 - academic literature on, 163–66
 - bargaining costs of, 165
 - changes in, 171–73
 - for charitable organizations, 164
 - contractual control in, 173–74
 - in cooperatives, 164
 - delegation of, 162–63
 - employment relationships and, 163, 175
 - intermember bargaining and, 167
 - joint payoffs and, 175
 - management compared to, 165–66
 - by managers, 162
 - model of, 166–70
 - renegotiations in, 172
 - repeated, 175
 - through threatened protest, 170–75
 - for unchangeable decisions, 173–74
 - vertical division of labor as influence on, 164
- Likert-type scales, 207
- local markets, defined, 92

Index

309

- low-powered incentives, in AC theory, 25
- managers
 - decision-making by, 162
 - information reported to, strategies for, 288
- market failure, 5, 22, 85–86, 102
- market mechanisms, 65–66
 - bargaining costs and, 61–62
 - bilateral mechanisms compared to, 71
 - efficiency components of, 79
 - employment mechanisms compared to, 71
 - for large entrepreneurs, 74–75
 - performance variables for, 79
 - proof of theorem for, 78–80
 - sequential contracting mechanisms compared to, 71
 - for small entrepreneurs, 73–75
 - switching costs and, 66
 - testable implications for, 75–76
- mergers and acquisitions, firm resources during, 106
- Moore-Rupello mechanisms, 6–7
- multilateral mechanisms, service specialization and, 58
- multiproduct firms, 85–86
- negotiation-as-needed, 52
- negotiations
 - in robust contracting regime, 153–55
 - in spot contracting regime, 153
- ontologically indivisible, 12, 86, 102
- organizational change, differentiation between firms, 285
- organizational language, 281–82
- organizations. *See also* large organizations
 - charitable, 164
 - sales force, 47
 - correlation coefficients in, 52
 - empirical testing for, 51–53
 - Kendall Rank correlations for, 51
 - t-values in, 52
- out-of-equilibrium cases, 255
- ownership, 115, 120, 122–23, 239. *See also*
 - asset ownership; employee ownership; employees, asset ownership by; employers, asset ownership by
- payoffs
 - in decision-making, 175
 - employment mechanisms and, 70
 - in robust contracting regime, 156
 - in sequential contracting mechanisms, 67–68
 - in spot contracting regime, 156
- pooling, of bargaining costs, 15
 - sub-additive studies on, 186–89, 191
- Porter, Michael, 4–5
- pre-play information, 61
- price adjustments, in ex post bargaining mechanisms, 144
- price determination, 17, 23, 58, 61, 65, 67, 69, 83, 89, 96
- price list mechanisms
 - AC theory and, 17–18, 54
 - employment mechanisms and, 18
 - service specialization and, 59
- product differentiation, 286
- product matrix, 103
- product portfolio theory, 109
- production systems, adaptation frequency and, 201–2, 204–5
 - cluster analysis of, 211
 - comparisons between systems, 217–19
 - data on, 206–7, 224–25
 - descriptive statistics by, 208, 226
 - estimation techniques for, 209–16
 - firm-level estimation, 217–19
 - optimization model for, 213–16
 - at pair-by-pair level, 209–11, 226
 - pooled models, 227
 - SSR by alternative models, 219–20, 228
 - testing of, 211–13
- productive adaptation costs, 4
- Property Rights Theory (PRT)
 - AC theory and, 16, 35–36
 - asset ownership and, 36–37, 44–46, 115
 - empirical testing of, 50
 - employee ownership and, 120–22
 - employer ownership, 125
 - employment relationship and, 46
 - ex ante bargaining mechanisms and, 145–46
 - externality argument, 116–22, 125
 - depreciation variances in, 120–21
 - employee ownership and, 120–22
 - for risk-averse players, 121
- protests, in decision-making, 170–75
- PRT. *See* Property Rights Theory
- RBV. *See* resource-based view
- renegotiation mechanisms
 - for bilateral contracts, 253–54
 - decision rights and, 26
 - in decision-making, 172
 - in ex ante bargaining mechanisms, 140–43

310 Index

- renegotiation mechanisms (cont.)
 - in ex post bargaining mechanisms, 140–43
 - for incomplete contracts, 253–54, 257, 260–68
 - in robust contracting regime, 155–56
 - in spot contracting regime, 155–56
 - stages of, 141
- repeated decision-making, 175
- reporting errors
 - by employees, 285
 - informational implications for, 288–89, 293–95
- reporting rules, 288
 - competitive effects, 288–89
 - resource effects, 288–89
- resource allocations, in equilibrium models, 275–79
- resource effects, in reporting rules, 288–89
- resource position barriers, 104
- Resource-Advantage Theory, 6
- Resource-Based Theory, 5
- resource-based view (RBV), 3–4
 - AC theory and, 21–23
 - assets as resources in, 301
 - Five Force Analysis, 4–5
 - human-resource management in, 4–6
 - marketing and, 4–6
 - operational strategies in, 4–6
 - team production and, 95–97
- resources
 - assets as, in RBV, 301
 - defined, 12, 102–3
 - of firms, 102–5
 - customer loyalty as, 105
 - defined, 102–3
 - efficient groups of employees, 104
 - exploitation and development of, 109–10
 - exploitation of learning curve, 106–10
 - management of, over time, 105–10
 - during mergers and acquisitions, 106
 - position barriers, 104
 - product matrix for, 103
 - production capacity, 104–5
 - production experience, 105
 - sequential entry and, 106–9
 - technological leads, 105
- risk sharing, asset ownership and, 229, 235–36
 - empirical data on, 246
 - for employers compared to employees, 235–36
- risk-averse players, externality argument for, 121
- robust contracting regime, 150
 - analysis of, 154–55
 - defined, 154–55
 - dynamic extension of, 155–57
 - efficiency of, 151
 - ex interim information in, 152, 155
 - incentives in, 150–51
 - limitations of, 157–58
 - negotiations in, 153–55
 - production and payoff in, 156
 - renegotiation mechanisms in, 155–56
 - spot contracting regime as inferior to, 159
 - static model for, 152–55
- sales force organization and management, 47
 - empirical testing for, 51–53
 - correlation coefficients in, 52
 - Kendall Rank correlations in, 51
 - t-values in, 52
 - sequential contracting mechanisms and, 49
- scope, of firms, 93–95
 - AC theory and, 21–23, 27
 - bargaining costs and, 85, 93–94
 - distribution of needs, 94–95
 - excessive productive capacity as factor in, 83–85
 - for multiproduct firms, 85–86
 - productive efficiency and, 85
 - sharing of assets and, 102
- sellers
 - ex ante bargaining mechanisms for, 143
 - ex post bargaining mechanisms for, 143–44
 - TIOLI offers and, 143–44
- sequential contracting mechanisms, 66–69
 - AC theory and, 17
 - adaptation frequency and, 203–4
 - bargaining costs and, 19, 62
 - efficiency components of, 79
 - employment mechanisms and, 43, 71
 - ex interim information in, 25
 - for large entrepreneurs, 74–75
 - market mechanisms compared to, 71
 - matching workers in, 66–67
 - offers made in, 67
 - payoffs in, 67–68
 - performance variables for, 79
 - proof of propositions in, 78
 - proof of theorem for, 78–80
 - for small entrepreneurs, 73–75
 - testable implications for, 75–76
 - sequential entry, 106–9

Index

311

- service specialization
 - advantages of, 63–64
 - bargaining costs and, 60
 - bilateral mechanisms and, 58–59
 - employment mechanisms and, 59
 - multilateral mechanisms and, 58
 - price list mechanisms and, 59
 - size as influence on, 59
- small entrepreneurs, focal mechanisms for, 73–75
- Smith, Adam, 58, 63, 75
- specialization, of firms, 286–87
 - AC theory and, 287, 302
 - competitive, 284–85, 291–92
 - differentiation through, 286–87
 - in equilibrium model, 292–93
 - in fixed firms, 87
 - informational implications for, 286–87
 - reporting errors, 288–89, 293–95
 - by specific firm, 288–89
 - intuitive arguments for, 286–89
 - local environments as factor in, 290
 - model philosophy, 289–90
 - number of employees and, 295–96
 - organizational change as result of, 285
 - organizational processes as factor in, 290–91
- product, 286
- reporting rules and, 288
 - competitive effects, 288–89
 - resource effects, 288–89
- for services
 - advantages of, 63–64
 - bargaining costs and, 60
 - bilateral mechanisms and, 58–59
 - employment mechanisms and, 59
 - multilateral mechanisms and, 58
 - price list mechanisms and, 59
 - size of firm and, 59
- switching costs in, 60
- spot contracting regime, 150
 - analysis of, 153–54
 - defined, 153–54
 - dynamic extension of, 155–57
 - efficiency of, 151
 - ex interim information in, 152, 155
 - incentives in, 150–51
 - limitations of, 157–58
 - negotiations in, 153
 - production and payoff in, 156
 - renegotiation mechanisms in, 155–56
 - robust contracting regime as superior to, 159
 - static model for, 152–55
- SSR. *See* Sum of Squared Production system Residuals
- strategic bargaining, 194–96
 - in aspirational bargaining model, 194–96
- Strengths, Weaknesses, Opportunities, and Threats (SWOT), 103
- sub-additive bargaining costs, 14–16
 - AC theory and, 4, 54, 302
 - in aspirational bargaining model, 194–96
 - defined, 182
 - economics and, 6–8
 - exchanged offers and, 190–91
 - experimental design analysis of, 183–86
 - face-to-face bargaining, 189
 - of firms, 101–2
 - frequency of settling times, 200
 - information and, as investment, 184
 - Moore-Rupello mechanisms and, 6–7
 - pooling prices, 190–91
 - reduced form model of, 182–83
 - strategic bargaining and, 194–96
 - studies on, 186–91, 197–99
 - anonymity in, 189–90
 - ET, 187
 - existence, 186
 - with increased stakes, 187–88
 - number of bargains, 188
 - pooling costs, 186–89, 191
 - time savings, 188–89
- Sum of Squared Production system Residuals (SSR), 219–20, 228
- switching costs
 - in business specialization, 60
 - market mechanisms and, 66
 - for workers, 65
- SWOT. *See* Strengths, Weaknesses, Opportunities, and Threats
- symmetric equilibria, 272
 - communication within firms and, 277–79
 - compatibility advantages of, 273
- take-it-or-leave-it (TIOLI) offers, 64–65, 132
 - ex ante bargaining mechanisms and, 141–43
 - ex post bargaining mechanisms and, 135–38, 140
 - sellers and, 143–44
- TCE. *See* Transaction-Cost Economics
- team production, RBV and, 95–97
- technological leads, as resource, 105
- technology, adaptation frequency and, 204

312 Index

- thought worlds, 274–75
- time consumed during bargaining, 203–4
- time savings studies, for sub-additive bargaining costs, 188–89
- TIOLI offers. *See* take-it-or-leave-it offers
- trade
 - bargaining costs and, 61
 - employment mechanisms and, 70
- Transaction-Cost Economics (TCE), 5
 - AC theory and, 16
 - employment mechanisms and, 42
- unforeseen contingencies, 45
- vertical division of labor, 164
- Vikings, decision-making among, 164
- wage contracts, in carpentry trade, 231–32
- workers
 - in sequential contracting mechanisms, 66–67
 - switching costs for, 65