

# 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 - 2incentive 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 - 4aspirational 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

303



### 304 Index

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



Index 305

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



### 306 Index

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



Index 307

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

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	in sequential contracting mechanisms, 67–68
managers	in spot contracting regime, 156
decision-making by, 162	pooling, of bargaining costs, 15
information reported to, strategies for,	sub-additive studies on, 186-89, 191
288	Porter, Michael, 4-5
market failure, 5, 22, 85-86, 102	pre-play information, 61
market mechanisms, 65-66	price adjustments, in ex post bargaining
bargaining costs and, 61-62	mechanisms, 144
bilateral mechanisms compared to, 71 efficiency components of, 79	price determination, 17, 23, 58, 61, 65, 67, 69, 83, 89, 96
employment mechanisms compared to,	price list mechanisms
71	AC theory and, 17-18, 54
for large entrepreneurs, 74–75	employment mechanisms and, 18
performance variables for, 79	service specialization and, 59
proof of theorem for, 78–80	product differentiation, 286
sequential contracting mechanisms	product matrix, 103
compared to, 71	product portfolio theory, 109
for small entrepreneurs, 73–75	production systems, adaptation frequency
switching costs and, 66	and, 201–2, 204–5
testable implications for, 75–76	cluster analysis of, 211
mergers and acquisitions, firm resources	comparisons between systems,
during, 106	217–19
Moore-Rupello mechanisms, 6–7	data on, 206-7, 224-25
multilateral mechanisms, service	descriptive statistics by, 208, 226
specialization and, 58	estimation techniques for, 209–16
multiproduct firms, 85–86	firm-level estimation, 217–19
manaproduct mino, 07 00	optimization model for, 213–16
negotiation-as-needed, 52	at pair-by-pair level, 209–11, 226
negotiations	pooled models, 227
in robust contracting regime, 153–55	SSR by alternative models, 219–20, 228
in spot contracting regime, 153	testing of, 211–13
m oper continuing regime, 193	productive adaptation costs, 4
ontologically indivisible, 12, 86, 102	Property Rights Theory (PRT)
organizational change, differentiation	AC theory and, 16, 35–36
between firms, 285	asset ownership and, 36–37, 44–46, 115
organizational language, 281–82	empirical testing of, 50
organizations. See also large organizations	employee ownership and, 120–22
charitable, 164	employer ownership, 125
sales force, 47	employment relationship and, 46
correlation coefficients in, 52	ex ante bargaining mechanisms and,
empirical testing for, 51–53	145–46
Kendall Rank correlations for, 51	externality argument, 116–22, 125
t-values in, 52	depreciation variances in, 120–21
out-of-equilibrium cases, 255	employee ownership and, 120–22
ownership, 115, 120, 122–23, 239. See also	for risk-averse players, 121
asset ownership; employee	protests, in decision-making, 170–75
ownership; employees, asset	PRT. See Property Rights Theory
ownership by; employers, asset	TRT. See Troperty Rights Theory
	DDV Can recourse based view
ownership by	RBV. See resource-based view renegotiation mechanisms
povoffe	8
payoffs in decision making 175	for bilateral contracts, 253–54
in decision-making, 175 employment mechanisms and, 70	decision rights and, 26
in robust contracting regime, 156	in decision-making, 172 in ex ante bargaining mechanisms, 140–43
m robust contracting regime, 190	m ca and barganing incentations, 140–43



## 310 Index

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



Index 311

SSR. See Sum of Squared Production service specialization advantages of, 63-64 system Residuals bargaining costs and, 60 strategic bargaining, 194-96 bilateral mechanisms and, 58-59 in aspirational bargaining model, 194-96 employment mechanisms and, 59 Strengths, Weaknesses, Opportunities, and multilateral mechanisms and, 58 Threats (SWOT), 103 price list mechanisms and, 59 sub-additive bargaining costs, 14-16 size as influence on, 59 AC theory and, 4, 54, 302 small entrepreneurs, focal mechanisms for, in aspirational bargaining model, 73 - 75194-96 Smith, Adam, 58, 63, 75 defined, 182 specialization, of firms, 286-87 economics and, 6-8 AC theory and, 287, 302 exchanged offers and, 190-91 experimental design analysis of, 183-86 competitive, 284-85, 291-92 differentiation through, 286-87 face-to-face bargaining, 189 in equilibrium model, 292-93 of firms, 101-2 in fixed firms, 87 frequency of settling times, 200 informational implications for, information and, as investment, 184 286-87 Moore-Rupello mechanisms and, 6-7 reporting errors, 288-89, 293-95 pooling prices, 190-91 by specific firm, 288-89 reduced form model of, 182-83 intuitive arguments for, 286-89 strategic bargaining and, 194-96 local environments as factor in, 290 studies on, 186-91, 197-99 model philosophy, 289-90 anonymity in, 189-90 number of employees and, 295-96 ET, 187 organizational change as result of, 285 existence, 186 organizational processes as factor in, with increased stakes, 187-88 290-91 number of bargains, 188 product, 286 pooling costs, 186-89, 191 reporting rules and, 288 time savings, 188-89 competitive effects, 288-89 Sum of Squared Production system resource effects, 288-89 Residuals (SSR), 219-20, 228 for services switching costs advantages of, 63-64 in business specialization, 60 bargaining costs and, 60 market mechanisms and, 66 bilateral mechanisms and, 58-59 for workers, 65 SWOT. See Strengths, Weaknesses, employment mechanisms and, 59 multilateral mechanisms and, 58 Opportunities, and Threats price list mechanisms and, 59 symmetric equilibria, 272 size of firm and, 59 communication within firms and, switching costs in, 60 277 - 79spot contracting regime, 150 compatibility advantages of, 273 analysis of, 153-54 defined, 153-54 take-it-or-leave-it (TIOLI) offers, 64-65, dynamic extension of, 155-57 132 efficiency of, 151 ex ante bargaining mechanisms and, ex interim information in, 152, 155 141-43 incentives in, 150-51 ex post bargaining mechanisms and, limitations of, 157-58 135-38, 140 negotiations in, 153 sellers and, 143-44 production and payoff in, 156 TCE. See Transaction-Cost Economics team production, RBV and, 95-97 renegotiation mechanisms in, 155-56 robust contracting regime as superior to, technological leads, as resource, 105 technology, adaptation frequency and, static model for, 152-55 2.04



#### 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