

FIGURE I
Proportion of Fixed Cost Contracts

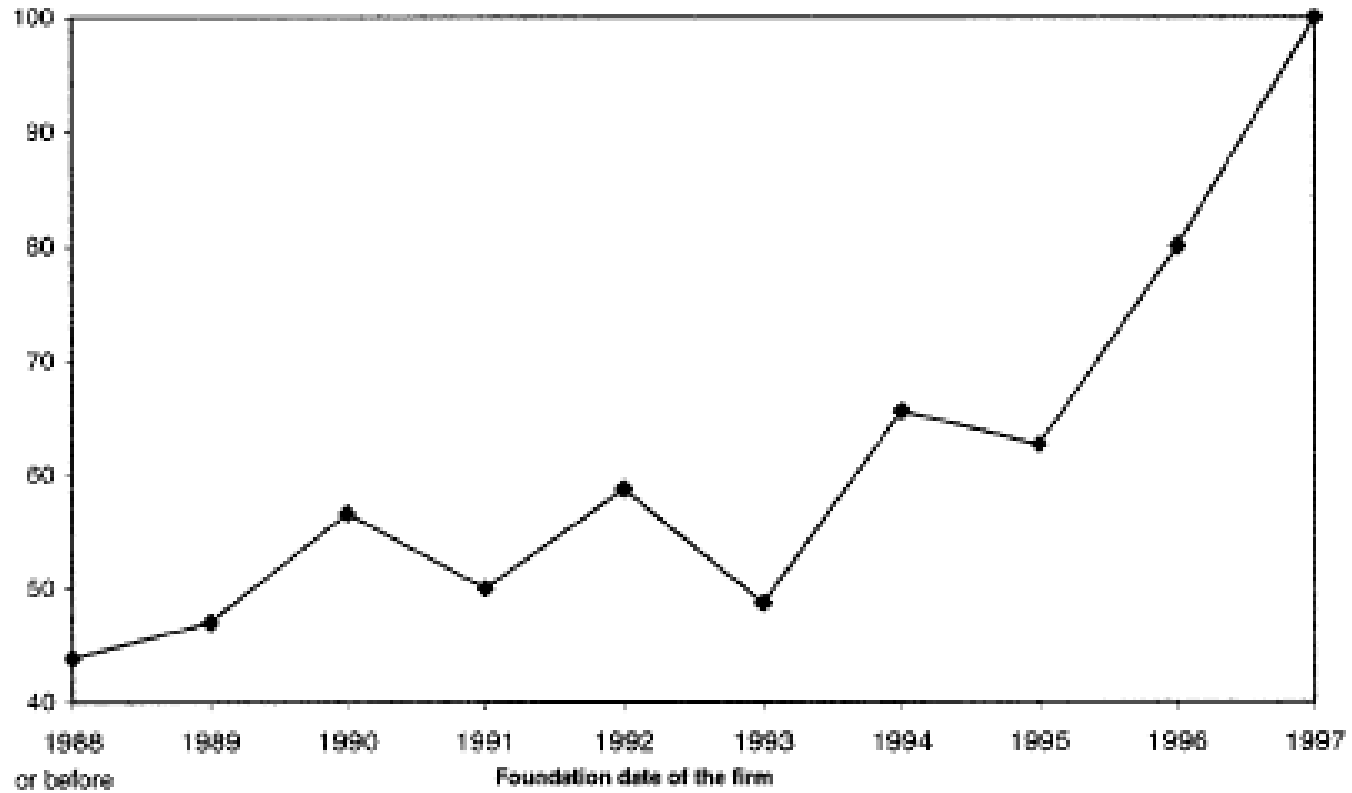


FIGURE II
Share of Overrun Paid for by the Firm

TABLE III
REGRESSION RESULTS: CHOICE OF CONTRACTS AND SHARE OF OVERRUN
PAID BY THE FIRM

	Choice of contract Ordered probit		Share of overrun paid by the firm					
			Unconditional			Conditional		
			Random effect		Fixed effect		Random effect	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Reputation								
Young firm	-0.69*		15*				9.0	
	(0.25)		(8.5)				(8.6)	
Repeated contract	0.22		-17*		-20		-15*	-19
	(0.24)		(8.8)		(16)		(8.7)	(17)
ISO-certified firm	-0.27		17				16	
	(0.32)		(13)				(13)	
Internal project		0.87*	-25*		-64*			
		(0.31)	(11)		(26)			
Contract								
Fixed-cost contract							13	12
							(9.4)	(25)
Time and material contract							-12	15
							(13)	(34)
Firm and client characteristics								
Number of employees (/100)	0.44	-0.44	-4.1	-2.4			-4.8	
	(0.98)	(1.1)	(7.7)	(5.0)			(4.5)	
Client is big	0.15	-0.18	-17	-13	-16	-40	16	-16
	(0.22)	(0.30)	(8.5)	(10)	(16)	(32)	(8.3)	(16)
Client is Indian	-0.43*	-0.76	13	23	-46*	14	9.3	-45*
	(0.27)	(0.63)	(9.5)	(18)	(20)	(41)	(9.5)	(21)
Project characteristics								
Estimated project size (man-months/10)	0.01	0.00	-0.12	0.35	-2.4	2.1	-0.13	-2.1
	(0.017)	(0.011)	(7.7)	(.38)	(1.9)	(2.6)	(0.76)	(2.0)
Area is familiar	0.08	0.09	-9.0	-4.0	18.9	-1.5	-6.3	16
	(0.25)	(.027)	(9.4)	(12)	(21)	(28)	(9.2)	(22)
Platform is familiar	0.60	0.20	26	1.9	48	61	29	49
	(0.48)	(0.59)	(20)	(12)	(35)	(74)	(19)	(36)
Y2K, data manipulation, etc.	-0.13	0.15	19	-4.8	-47		15	-41
	(0.32)	(0.35)	(17)	(25)	(36)		(16)	(39)

Standard errors (corrected for clustering at the firm level in columns (1) and (2) are in parentheses.

An asterisk indicates that the coefficient is significant at the 90 percent level of confidence.

All regressions include the following additional variables: number of employees squared, project size squared, and an indicator for whether tools are familiar to the firm. Sample in columns (1), (3), (5), (7), and (8) include all external projects (167 projects in 92 firms). Sample in columns (2), (4), and (6) include all projects of firms that do some internal work (88 projects in 58 firms).

TABLE IV
REGRESSION RESULTS: OVERRUNS AND PROJECT CHARACTERISTICS

	Total overrun			Overrun due to the firm			Project size Median regression	Y2K Probit	Subjective complexity OLS	
	Unconditional		Conditional	Unconditional		Conditional				Delay Probit
	Random effect		Random effect	Random effect		Random effect				
	(1)	(2)	(3)	(4)	(5)	(6)				(7)
Reputation										
Young firm	-0.48 (5.0)	-3.8 (5.0)	2.5 (3.4)	1.5 (3.5)	-0.28 (0.22)	-6.4 (5.4)	0.48* (0.29)	-0.42* (0.21)		
Repeated contract	1.8 (4.9)	1.5 (4.8)	-0.92 (3.5)	-1.2 (3.5)	-0.2 (0.24)	-16.3* (5.4)	0.34 (0.30)	-0.07 (0.20)		
ISO-certified firm	15 (7.9)	16 (7.7)	5.4 (5.4)	6.1 (5.5)	0.28 (0.37)	18* (8.5)	-0.52 (0.40)	0.08 (0.21)		
Contract										
Fixed-cost contract		14* (5.4)		5.5 (3.9)						
Time and material contract		5.5 (7.5)		5.6 (5.4)						
Firm and client characteristics										
Number of employees (/100)	-0.77* (0.24)	-0.38 (0.24)	0.32 (1.7)	0.38 (1.7)	0.08 (0.13)	7.2* (2.4)	0.23* (0.11)	0.11* (0.066)		
Client is big	0.88 (4.8)	0.43 (4.8)	1.8 (3.4)	1.3 (3.4)	-0.34 (0.23)	7.4 (5.3)	-0.05 (0.24)	0.11 (0.17)		
Client is Indian	4.1 (5.6)	2.8 (5.6)	-0.55 (4.0)	-0.78 (4.0)	0.07 (0.25)	-12* (6.4)	-0.34 (0.33)	0.03 (0.18)		
Project characteristics										
Estimated project size (man-months)	0.11* (0.040)	0.11* (0.040)	0.04 (0.03)	0.04 (0.03)	0.01 (0.22)					
Area is familiar	-5.6 (5.1)	-5.9 (5.1)	-1.5 (3.7)	-1.6 (3.7)	0.08 (0.25)					
Platform is familiar	-20* (10)	-18* (10)	-12* (7.4)	-12* (7.5)	0.21 (0.58)					
Y2K, data manipulation, etc.	-13* (7.2)	-13* (7.1)	-9.41* (5.1)	-8.8* (5.1)	0.20 (0.32)					

Standard errors (corrected for clustering at the firm level in columns (5), (7), and (8)) are in parentheses. An asterisk indicates that the coefficient is significant at the 90 percent level of confidence. All regressions include the following additional variables: number of employees squared, project size squared, and indicator for whether tools are familiar to the firm. Sample includes all external projects (167 projects in 92 firms).