Frmwk 2: **Initiative vs. Coordination**

**In hard problems:**

- Formal Is Flawed
- Relational is Required
- Build a New Equilibrium

**The Goals: Initiative, Coordination**

"markets motivate, hierarchies control ..."

![Diagram](image)

**Initiative vs. Coordination**

- incentives, initiative
- spot market
- command firm
- coordination, control

![Diagram](image)

Environment / strategy rewards initiative more than coordination

![Diagram](image)

Environment / strategy rewards coordination more than initiative
**Productivity Dispersion within Firms**

- Commercial food division of a large multi-business firm with 40 operating units that prepare, deliver, and set-up food.
- All 40 sites are very similar along multiple dimensions: located in the US, employ low-skilled labor, utilize same technology, serve similar customers, produce similar products.
- Multifactor productivity index computed as standard output divided by standardized inputs (labor & capital costs).
- Use regression analysis to adjust for local labor market, size of local market, unionization, age of equipment, productivity, and local monopoly.

**Results**

1. Higher productivity and less dispersion in high density (more competitive) markets.
2. But almost as much dispersion in less competitive markets.

**See also**

Syverson *JEL* 2011

Syverson *JPE* 2004

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**Current Internal Performances**

- incentives, initiative
- non-integrated, integrated
- spot market
- "multi-domestic" = loose federation
- "transnational" = networked
- coordination, control

Don’t use frontier to express governance structure!
**Internal Management**

- Non-integrated (spot market)
- Integrated
- "Multi-domestic" = loose federation
- "Transnational" = networked

**External Goals**

- Spot market
- Alliance
- Hand-in-glove supply
- JV
- Command firm

**Current External Performances**

- Spot market
- Alliance
- Hand-in-glove supply
- JV
- Command firm

**External Management**

- Spot market
- Non-integrated
- Integrated

*Don’t use frontier to express governance structure!*
Formal is Flawed
(in hard problems)

Relational is Required
(in hard problems)

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(in hard problems)
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(in hard problems)

Building a New Equilibrium?
Building a New Equilibrium?

Increasing Empowerment?

Increasing Coordination?

Increasing Coordination?