Industrial Organization Economics and Alderson’s General Theory of Marketing

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Theorists in the field of industrial organization economics are beginning to develop formal models that are in many ways consistent with the assumptions and concepts of Alderson’s general theory of marketing. This article evaluates Alderson’s concepts of market heterogeneity, transactions, organized behavior systems, and sorting functions as they may relate to the recent work of organization economics theorists. An extended example is presented comparing Alderson’s theory with Kenney and Klein’s (1983) conclusions concerning block booking marketing arrangements. The new work in industrial organization economics may provide a framework for further conceptualization and justification of Alderson’s general theory by marketing scholars.

Alderson’s (1957, 1965) work may represent the most comprehensive general theory of marketing yet developed. Alderson’s general theory suggests that all marketing phenomena can be explained through the key concepts of organized behavior systems, market heterogeneity, and sorting. Hostiuck and Kurtz (1973) assert that Alderson’s general theory meets the requirements of a theoretical structure and, therefore, that his theory should be used as a foundation for further conceptualization and testing. Barksdale has noted, however, that Alderson’s “theoretical system never became the organizing concept for the mainstream of marketing thought” (1980, p. 3). Few if any of the 150 falsifiable propositions offered in Alderson’s 1965 work have been tested, and little conceptual work has been undertaken to extend or refine his general theory (Barksdale 1980; Dawson and Wales 1979).

Alderson was familiar with the ideas of, and in many cases worked closely with, leading economic theorists of his time. Chamberlin’s (1933) theory of imperfect competition is acknowledged by Alderson (1965) as influencing the development of his ideas on differential advantage (Grether 1967; Savitt 1990). Baumol (1959) worked with Alderson in studying supermarket competition in Philadelphia (Alderson 1957). Alderson’s interest in dynamic competition is reflected in his editing economics-oriented work with economists as the primary contributors (Alderson, Terpstra, and Shapiro 1965). Reekie and Savitt (1982), however, point out differences (e.g., assumptions of heterogeneity versus assumptions of homogeneity) between Alderson’s ideas and traditional economic theory. Their examination of the need for entrepreneurship in dynamic markets is based on an integration of Alderson’s general theory and similar ideas from Austrian economics. More detailed descriptions of the influence of economic theory on marketing thought and Alderson’s general theory can be found in Bartels (1988), Grether (1967), and Savitt (1990).

Recent developments in the field of industrial organization economics suggest that organization economics theorists are beginning to develop models that are increasingly consistent with the assumptions and concepts of Alderson’s general theory of marketing. This new work in industrial organization economics may provide a platform for further conceptualization and justification (Hunt 1983) of Alderson’s general theory by marketing scholars. One might reasonably expect that the work of the industrial organization theorists is independently motivated; that is, there is little likelihood that they are familiar with Alderson’s work of thirty years ago. Thus, the parallels discussed below between Alderson’s general theory and recent industrial organization work may reflect a convergence of ideas rather than a direct extension of Aldersonian thought.

BACKGROUND

Early work in industrial organization economics was generally based on assumptions that were either not relevant to or inconsistent with Alderson’s thinking. From the 1950s...
through the 1970s, industrial organization economics was generally concerned with the structure-conduct-performance model (Bain 1956) at the industry level of analysis (Tirole 1988). Structure involved factors such as the number of firms in the industry, concentration ratio, entry barriers, and so on. Conduct described industry-wide characteristics of pricing, advertising, and capacity. Performance was determined by industry average ROE/ROA, price-cost markups and technological innovation. The emphasis was on homogeneous producers and consumers.

In the 1960s, however, the modern behavioral theory of the firm began to emerge (Cyert and March 1963). The analysis was disaggregated to the levels of the firm (the Chicago school) and the individual manager (the Carnegie school). The focus shifted to examination of the behavior of economic agents, with particular attention on choices and decision making. The concern was now with firm or managerial behavior regarding pricing, advertising, and capacity choices (Tirole 1988). The structure-conduct-performance model was gradually replaced with a structure-behavior-performance model. This new model incorporates notions of expanded two-way causality (Porter 1981), with choice behavior determined by the expectations of the firm/manager.

The behavioral theory of the firm has served as an impetus to several streams of literature in industrial organization economics, including transaction costs economics (Williamson 1979), principal-agent literature (Jensen and Meckling 1976), property rights literature (Alchian and Demsetz 1972), and the theory of the firm under risk (Greenberg, Marshall, and Yawitz 1978). The unit of analysis is the transaction (Barney and Ouchi 1986), with considerable emphasis on producer and consumer heterogeneity (Tirole 1988).

ALDERSON'S GENERAL THEORY AND INDUSTRIAL ORGANIZATION ECONOMICS

The sections that follow present in turn brief descriptions of Alderson's ideas concerning heterogeneity of supply and demand, the transaction and transsection as units of analysis, the organized behavior system, and sorting as the key marketing function. More detailed summaries of Alderson's general theory can be found in Barksdale (1980) and Hunt, Muncy, and Ray (1981). Following each description of Alderson's thinking, recent theoretical work in industrial organization economics that may parallel and extend Alderson's ideas is discussed. Finally, Kenney and Klein's (1983) examination of block booking, a contractual arrangement that has been quite difficult to explain with previous economic theories, is employed as an example of how interpretations of "real world" problems by industrial organization economists have produced results consistent with the major tenets of Alderson's general theory.

Market Heterogeneity

Unlike economic models of perfect competition, which assume homogeneity, Alderson suggests that markets be viewed as heterogeneous on both the supply and demand sides. He defines the marketing process as one that "begins with conglomerate resources in the natural state and ends with meaningful assortments in the hands of consumers" (1965, p. 26). Resource heterogeneity exists in the natural state. This heterogeneity does not, however, match with the heterogeneous assortments desired by consumers. The marketing process must, through a series of sorts and transformations, convert the naturally-occurring heterogeneity of conglomerate resources to the heterogeneous assortments of goods desired by consumers. In perfectly heterogeneous markets this process would produce a perfect match between differentiated segments of supply and differentiated segments of demand. Alderson suggests, however, that heterogeneous markets are by their nature discrepant. They never wholly clear. In Alderson's words, "Some goods are left over which nobody wants. Some wants remain unsatisfied for the lack of corresponding goods. Some consumers accept goods which only partially satisfy their wants. This market imperfection results from a failure in market communication" (1965, p. 29). The information problem is key in Alderson's view of marketing. Although process inefficiencies may be reduced through better information exchange between suppliers and consumers, the search for and dissemination of information is costly. Thus, the optimal amount of information exchange is the important question in heterogeneous markets.

Industrial organization economics theorists have increasingly begun to develop models that rest on assumptions of producer, product, or consumer heterogeneity. Williamson's (1975) work on markets and hierarchies, for example, is based in part on the observation that firms in a single industry may be organized in many different ways. Similarly, Akerlof's (1970) analysis of the used car market, with its well-known conclusion that bad products (i.e., the "lemons") drive out the good, keys on the quality heterogeneity of used cars as products. Tirole (1988) notes recent work on product price dispersion that focuses on producer heterogeneity through production cost differences (Reinganum 1979) and consumer heterogeneity through differences in search costs (Salop 1977) or product valuations (Diamond 1987).

Information asymmetries between parties to transactions (i.e., buyers and sellers) are key factors in these models. Alston and Gillespie (1989), for example, theorize that information transfer costs are a major influence on market/hierarchy transaction costs. Akerlof's (1970) conclusions concerning the used car market are based on information asymmetries. He notes the extreme difficulty, and thus high costs, which would be experienced by buyers in extracting information known to sellers concerning whether a particular car is indeed a "cream puff" or a "lemon."

These and other recent industrial organization economics models tend to focus on heterogeneity for a single attribute or dimension (i.e., quality, price, production costs, firm structure, etc.) in a particular context. They are therefore much less broad, but considerably more formal, than Alderson's general theory. Given the emphasis on heterogeneity and the information exchange problem, however, these newer models may provide a basis for extending Alderson's ideas.
Unit of Analysis

The two units of action suggested by Alderson (1965) for marketing systems are the transaction and the transvection. The transaction involves negotiation leading to an exchange, with many such exchanges taking place at many levels of the marketing system. The transvection is a broader concept that is related to the inputs and outputs of the entire marketing system. Alderson notes that “Instead of matching buyers and sellers who are in immediate contact, it matches an original producer and an ultimate consumer through a series of sorts and transformations” (1965, p. 22). A transvection “is consummated when an end product is placed in the hands of the ultimate consumer, but the transvection comprises all prior action necessary to introduce this final result, going all the way back to conglomerate resources” (1965, p. 92). Transvections, then, can be seen as the sequence of sorts and transformations which occur in the marketing process, where transformations add space, form or time utility and sorts either decrease (generally closer to the supply side) or increase (generally closer to the demand side) heterogeneity.

The transaction is also the unit of analysis adopted by the newer work in industrial organization economics. As noted by Barney and Ouchi, “Much of the theory of organization economics overcomes the liabilities of multiple levels of analysis by postposing the existence of only one appropriate level: the transaction” (1986, p. 433). The typical definition of a transaction in industrial organization economics as an exchange (Williamson 1981) among parties is a nearly ideal match with Alderson’s (1965) definition. A more recent and more detailed definition given by industrial organization theorists is presented below in the section on organized behavior systems and suggests an even stronger match.

This use of the same unit of analysis provides the foundation for drawing parallels between Alderson’s general theory and the recent work of industrial organization economists. While the transaction represents a fairly straightforward starting place, Alderson’s concept of the transvection is more problematic. Although it may be possible, for example, to relate the transvection to the different market/hierarchical levels of Williamson’s (1979) work, more detailed conceptualizations may be required to make such comparisons meaningful.

The value chain concept from industrial organization economics may, however, provide a starting point for further evaluation of Alderson’s transvection ideas. Porter (1985) suggests that competitive advantage can best be understood by disaggregating the firm into the many discrete activities (not simply functions) it performs. The firm’s activities “that are performed to design, produce, market, deliver and support its product” (Porter 1985, p. 36) are called its value chain. Porter also suggests that each firm’s value chain “is embedded in a larger stream of activities” (1985, p. 34) that he calls the “value system.” The value system might consist, for example, of the upstream raw material supplier’s value chain, the focal firm’s value chain, the downstream distributor’s value chain and, finally, the ultimate buyer’s value chain. Porter notes that either industrial firms or households may be the ultimate buyer and explicitly discusses the special characteristics of household value chains.

The value system and transvection concepts exhibit strong similarities. Both represent the sequence of activities required to take a product from raw materials to the ultimate consumer. Consistent with Alderson’s general theory, Porter notes that “exploiting (value chain) linkages usually requires information or information flows that allow optimization or coordination to take place. Thus, information systems are often vital to gaining competitive advantages from (value chain) linkages” (1983, p. 50). Porter’s (1985) work provides a more detailed typology of activities and relates distinctive competence in various activities to sustainable competitive advantage. Alderson’s approach is, however, more parsimonious in classifying activities as either sorts or transformations, and may be more rich conceptually with its emphasis on heterogeneity/homogeneity.

Organized Behavior Systems

Another major concept in Alderson’s general theory of marketing is that of the organized behavior system. Both firms and households are organized behavior systems. Marketing channels can be organized behavior systems when the common goal of channel members is survival (Alderson 1965). Organized behavior systems persist over time due to the expectations of their members. Alderson suggests that “In an organized behavior system the organizing element is the expectations of the members that they as members of the system will achieve a surplus beyond what they could attain through individual and independent action” (1965, p. 25). Thus, a household gathers assortments of goods in order to maintain expected patterns of behavior. Similarly, firms persist over time to maintain member’s expectations of behavior patterns.

Alderson does not, however, reify the organized behavior system. He notes that “an organized behavior system, such as a business firm, normally behaves as if survival were a goal of the system. The underlying objectives are those of the participants in the system. Their expectations of benefits from the system can only be realized if the system survives” (1965, p. 305). Alderson’s descriptive theory of organized behavior systems recognizes freedom of choice for individual members of the system and that systems may not be successful in achieving their survival goal. Shapiro’s (1964) study of the Ontario Hog Board evaluated the survival orientation of system members and suggested that in this nonprofit case the system did not appear to be primarily survival oriented. A key question exposed in Shapiro’s (1964) study, however, involves the criteria that should be used to operationalize system survival. That is, has a system survived or failed if it continues to perform the same function in a radically altered form and perhaps with different leadership?

Alderson sees organized behavior systems as ecological systems operating in an environment defined by the heterogeneous market. Information search and physical sorting are the processes by which these systems adapt to their market environment. Both firm and household organized behavior systems operate primarily as problem-solving entities.

New developments in the theory of the firm both support and extend Alderson’s concept of the organized behavior.
system. Alderson posited that organized behavior systems exist when participants expect to receive a surplus from coordinated rather than individual activity, and that the underlying objectives of such systems are those of the participants. Alderson did have some difficulty, however, in specifying what structures other than firms and households could be classified as organized behavior systems.

In the industrial organization economics literature on the theory of the firm, Alchian and Woodward (1987) note that while gains from trade can occur in markets due to competitive advantage, such gains can also occur due to cooperation in the form of specialization and “teamwork” (Alchian and Demsetz 1972). A key question in the new institutional economics concerns what factors influence the development of market-oriented structures and cooperation-oriented structures. In the former decisions are made based on price and explicit contracts. In the latter decisions are made based on teamwork and self-enforcing implicit contracts (Alchian and Woodward 1987).

Transaction costs have been suggested as influencing governance structures (Williamson 1979). Alston and Gillespie define transaction costs as “the negotiation, monitoring and enforcement costs necessary to assure that contracted goods and services between and within firms are forthcoming” (1989, p. 193). The phrase “between and within” is an important one, as it recognizes that competition exists not only between firms, but also among participants within firms (Alchian 1984). Alchian and Woodward note that “at some level of cost . . . simple spot exchanges will be abandoned and replaced by longer-lived arrangements which restrain the behavior of the transactors to assure each of getting and paying what was expected” (1987, p. 110). Thus, the essence of the firm is viewed as the nexus of self-enforcing contracts which have been put in place to restrain the behavior of participants (Alchian 1984), providing assurance that member expectations will be met.

Successful teams have value. Part of this value is “the avoidance of future costs of searching for a successful team” (Alchian 1984, p. 35). Relational (long-term) contracts are “essential to continuity of teamwork with dependent resources” (Alchian and Woodward 1987, p. 118). The desire to preserve teamwork production leads to a taxonomy of enforceable contractual relationships. These relationships, starting with the simplest, include: repeated spot-market transactions; long-term relational contracts; profit-sharing based on fixed percentage contracts; and ownership integration with residual claims, limited liability, and hierarchical command (i.e., the modern corporation). Each relationship, or institutional option, addresses differing levels of potential post-contract opportunism that may result from “hold-up” problems involving asset specificity (Williamson 1979) or from “moral hazard” problems where unobservability and performance uncertainties may lead to shirking (Alchian and Demsetz 1972) and agency costs (Jensen and Meckling 1976).

The cost of information also influences market transaction costs. Internal organization is favored when information transfer may lead to the appropriation of rents, and when information can be exchanged more easily in a firm than in a market (Alston and Gillespie 1989). Alchian and Woodward assert that “the presence of teamwork in any economic activity indicates the costliness of information necessary to execute that activity . . . The durability and costliness of the information about the economic activity give rise to the possibility for moral hazard and for holdup . . . (and) these two problems give rise to the set of contractual relations we call the firm” (1987, p. 117).

The above discussion of the theory of the firm from the industrial organization economics perspective reflects Alderson's assumptions concerning organized behavior systems. The institutional options, of which the firm is one, are determined by the contracts necessary to ensure that participants' expectations will be met. This is consistent with Alderson's assertion that expectations are the organizing element in organized behavior systems. The objectives of interest in the new institutional economics and in Alderson's general theory are those of the individual participants rather than the entire system. The long-term nature of the contracts involved allows persistence of systems (or institutional options) over time.

Alderson considered both firms and households as organized behavior systems. In the new institutional economics, households are considered to be contractual coalitions which may be analyzed in a manner similar to the firm. Alchian notes, for example, that “the family, the principal-agent relation, social clubs, holding companies, professional sports leagues, cooperatives, groups of franchises, not-for-profit foundations, NCAAs, and the U.S. Golf Association are some examples of contractual coalitions. They may or may not be called ‘single entities’ or ‘firms’” (1984, p. 39).

Sorting

The information exchange problem is viewed more fundamentally by Alderson as asking the question, “How much sorting is enough?” (1965, p. 31). Alderson proposes sorting as the basic function of marketing. His concept of sorting can perhaps best be understood by starting with the consumer and working backward to the producer. A consumer purchases unlike items to build an assortment based on that consumer's use desires. Alderson calls this process assorting, and considers it of greatest interest to marketers. The consumer selected, however, from among relatively homogeneous groupings of products (as might be found, for example, in a hardware store). These relatively homogeneous groupings were allocated (broken down) from larger, more homogeneous accumulations that may have been built up through, for example, factory production. To initiate this process, the factory producer was likely faced with heterogeneous natural resources that were sorted and transformed to produce a homogeneous accumulation that became a differentiated segment of supply. In Alderson's view, sorting represents the key function of marketing, since it seeks to match differentiated segments of supply with differentiated segments of demand in dynamic, heterogeneous markets.

Much of the recent theoretical work in industrial organization economics involves specific sorting problems that may occur under conditions of imperfect, asymmetric information, although these models are generally static rather than dynamic. For example, the principal-agent problem (Jensen and Meckling 1976) may be viewed as one of iden-
Identifying the incentive contract that is optimal for discriminating (i.e., sorting) among better-qualified and less-qualified agents. Similarly, the used car buyer in Akerlof's (1970) model is faced with the problem of discriminating "cream puffs" and "lemons." The difficulty of obtaining the necessary information ultimately results in a market breakdown, with all used cars in the market priced at the level of the "lemons" while the "cream puffs" are held back for friends and relatives.

Again, the theoretical work in industrial organization economics is much more formal and narrow in focus than Alderson's general theory. The unit of analysis, assumptions, and concepts of interest are, however, very similar. To further explore these similarities at the broader level that may be more appropriate to Alderson's (1965) work, the conclusions drawn by Kenney and Klein (1983) following their examination of block booking will next be presented and compared with the major tenets of Alderson's general theory.

KENNEY AND KLEIN'S EXAMINATION OF BLOCK BOOKING

Kenney and Klein (1983) examined three cases (Paramount, Loew's and De Beers) involving block selling of uncertain-quality goods. The Paramount case involved block selling of motion pictures to distributors, often before the pictures were actually produced. The Loew's case involved selling blocks of movies to television stations. Two Supreme Court decisions made these practices illegal in the motion picture industry. The De Beers case involves the ongoing practice of block selling gem-quality, rough diamonds.

Kenney and Klein (1983) note that previous economic explanations of block booking practices as either extending monopoly power or allowing price discrimination are inconsistent with the facts of these cases. They then develop an alternative explanation based primarily on the mutual desire of buyers and sellers to minimize sorting and oversearching costs. The current article focuses on Kenney and Klein's analysis of the De Beers case as it may relate to Alderson's general theory of marketing. The analyses of the Paramount and Loew's cases reach similar conclusions. A simplified representation of the De Beers transvection is presented in Figure 1.

De Beers uses a block booking arrangement to market gem-quality, rough diamonds. The stones are obtained from De Beers' mines and from independent producers under long-term, fixed-quantity contracts. The rough diamonds at this stage are heterogeneous with regard to shape, quality, weight, and color. They are then sorted by De Beers' Central Selling Organization (CSO) into over two thousand categories. Kenney and Klein note, however, that "the variance in the value of stones within each category is nonetheless substantial" (1983, p. 501).

The CSO's 300 invited customers periodically provide information concerning the categories of diamonds, and amounts per category, they wish to purchase. The CSO then prepares boxes (called "sights") of diamonds as closely as possible reflect customer wishes. Within each sight are envelopes containing stones in the categories requested. Roughly every five weeks customers travel to the CSO's offices to view their sights, which are offered at a fixed, nonnegotiable price. If a sight is rejected by a buyer, that buyer is removed from the CSO's list of invited customers. "Thus stones (a) are sorted by De Beers into imperfectly homogeneous categories, (b) to be sold in preselected blocks, (c) to preselected buyers, (d) at nonnegotiable prices, with (e) buyers' rejection of the sales offer leading to the withdrawal by De Beers of future invitations to purchase stones" (Kenney and Klein 1983, p. 502).

Kenney and Klein analyze the De Beers marketing arrangement on the basis of information searching and sorting. Each sight is of uncertain value for both the buyer and the seller. The variance existing within each packet (category) of diamonds indicates that these goods are average priced. Kenney and Klein argue that in such situations there is incentive for the buyer to search through the goods to select those which are undervalued. If this searching were permitted, each buyer would sequentially search through goods of progressively lower average value. "While such prepurchase inspections consume real resources, they can
be assumed to lead only to wealth transfers between consumers and the seller with no allocative effects. The attempt by buyers to obtain an informational advantage over the seller can thus be labeled ‘overselling’” (1983, p. 503).

The multiple inspections are suggested to be costly in several ways. First, resources are spent by buyers in over-searching. Second, following each successive buyer the average value of the remaining stones can be expected to be lower, requiring De Beers to reduce the average price to provide inducement for the next buyer. This would result in reduced revenues to De Beers. That result would induce De Beers to increase seller sorting efforts to minimize buyer oversearching behavior, resulting in increased costs associated with seller sorting.

The CSO, however, provides sights and does not allow buyer search. Kenney and Klein argue that if sights were allowed to be rejected by buyers the same type of over-searching would occur, with buyers attempting to purchase only undervalued sights.

Given that it is not economic for De Beers to spend the large amount of money that would be necessary to price sights perfectly, they must devise an alternative way to discourage buyers from rejecting their assigned sights. The CSO accomplishes this by pricing in such a way that buyers on average are earning rents the present discounted value of which is greater in almost all cases than the short run profit that can be achieved by rejecting the sights of lower than average quality. Since these rents are lost if the buyer decides to reject a sight and is terminated from the list of invited buyers, a wealth-maximizing buyer will not generally reject sights, with the implied duplicative search, but will examine and purchase his own allotted sight (1983, p. 505-506).

In effect, the seller provides a premium to the buyer, in the form of lower prices, to induce the buyer to forego searching. The reduced costs to the seller of seller sorting and buyer oversearching offset the premium. The buyers agree to forego search because the premium is part of an ongoing relationship; if a sight were rejected the buyer would lose valuable future premium streams.

Kenney and Klein (1983) then formally show that block booking in the De Beers case is not superior to other options (single-stone or sequential stone sales) for minimizing the likelihood of buyer rejection. Rather, they suggest that block booking minimizes costs of searching and sorting for both buyers and sellers, accounting for the persistence of the cartel-like marketing arrangement at De Beers. This information-cost theory of block booking is also found to be consistent in both the Paramount and Loew’s cases. Kenney and Klein conclude by suggesting that “the results of our analysis demonstrate that difficult-to-explain contractual terms can be analyzed rigorously rather than merely labeled as ‘non-competitive.’ Although the contractual arrangements examined are incompatible with the perfectly competitive model, they provide us with an opportunity to improve our understanding of the competitive economy” (1983, p. 540).

The context and level of analysis of Kenney and Klein’s (1983) analysis exhibit strong parallels with Alderson’s general theory of marketing. In the De Beers case, heterogeneous conglomerate natural resources were sorted out by De Beers into partially homogeneous accumulations. These accumulations were broken down by an allocation process to the diamond buyers and traders, who added them to their assortments. The diamond buyers then cut the stones, increasing heterogeneity, and ultimately sell them to consumers who will add them to their own heterogeneous jewelry assortments.

Kenney and Klein’s (1983) conclusion that block booking contractual arrangements result from desires to minimize information search and sorting costs is also consistent with Alderson’s general theory. The focus of the process is matching differentiated segments of supply and demand through alternate sorts and transformations. The goal involves obtaining matches with minimum searching and sorting costs.

Kenney and Klein’s (1983) work provides considerable support for Alderson’s contentions concerning heterogeneous markets and the importance of sorting functions. This support is particularly noteworthy since Kenney and Klein examined an unusual marketing arrangement, and rejected several previously-accepted explanations for this arrangement, in independently developing an explanation that appears consistent with Alderson’s general theory.

CONCLUSION

Barksdale concluded his review of Alderson’s contributions to marketing by suggesting that “Alderson will continue to occupy an important place in the history of marketing. It is possible that his theoretical contributions will be rediscovered at some point in the future and be incorporated into the mainstream of marketing thought. However, this is not a prediction” (1980, p. 3).

The current article has argued that recent work in the field of industrial organization economics exhibits important parallels with Alderson’s general theory, and thus may be of interest to marketing scholars. This work may have conceptually extended and, to a lesser degree, independently tested several key aspects of Alderson’s general theory. The movement of industrial organization economics theorists toward explicit consideration of producer and consumer heterogeneity at the transaction unit of analysis forms the basis for the comparisons of their work with that of Alderson (1965).

Recent developments in the theory of the firm may serve to clarify and extend Alderson’s concept of the organized behavior system. The conceptual and casual empirical work of Kenney and Klein (1983), Akerlof (1970), and others provides support for Alderson’s assertions concerning the importance of information exchange and sorting functions in marketing. Porter’s value system as a “stream of activities” (1985, p. 34) is consistent with Alderson’s transvection concept. The works of organization economics theorists discussed in this article should be considered representative rather than exhaustive, due to the breadth and depth of this rapidly-changing field. When the unit of analysis of the industrial organization work is appropriate (i.e., the transaction or the transvection), however, striking parallels with
Aldersonian thought may be found. Industrial organization economics may provide a rigorous new framework for examination and extension of Alderson's general theory of marketing.

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NOTE


REFERENCES


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