

**Restructuring in Financial Services:
A Transaction Cost Perspective**

Paul Mulligan, Babson College

Steven R. Gordon, Babson College

ABSTRACT

The growth of the Internet and a rapidly evolving regulatory climate in the United States and abroad are changing the shape of the financial service industry. This paper presents results of an exploratory analysis of the evolving organizational forms and proposes the use of transaction cost economics to obtain insights into the continued restructuring of the industry. Our research premise is that information technology capabilities facilitate the adoption of new organizational forms and alter the strategy of industry participants. We further propose that transaction cost economics theory provides insight into the linkages between a firm's strategy and the future structure of the industry.

Keywords: financial services industry, transaction cost economics, industry structure, organizational form, information technology.