
Over the past decade, transaction cost theory (TCT) has received considerable attention from researchers in various disciplines of business. Unfortunately, the rich theoretical base of TCT has seen limited application in the operations and supply chain management research. This article seeks to change that by providing a cogent synthesis of TCT, its assumptions, constructs, and propositions. It also summarizes existing empirical work in management and other disciplines that draws from the TCT perspective and examines relationships in manufacturing organizations. A measurement model of transaction costs is subsequently presented using data from 203 manufacturing firms in the OEM electronics industry. Guidelines and recommendations for researchers are then presented regarding both the uses of the theory and its measurement. It is hoped that this study will stimulate work in the important areas of inter-firm relationships that draw from this rich but underutilized theoretical lens, and thereby add another perspective to the knowledge base in related areas of the operations and supply chain management fields.