

CONCEPTUAL WHITEPAPER / VERSION 1.0

The Networked Firm

AI, Coordination, and the Emergence
of Temporary Organizations

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A whitepaper on whether AI can reduce the cost of forming and governing temporary economic organizations around shared objectives.

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Abstract

Artificial intelligence is usually discussed as a technology that changes the execution of work. It can write software, analyze information, assist research, generate designs, operate digital tools, and automate increasingly complex tasks. This paper explores a different possibility: AI may also change the economics of organizing work.

The idea that technology can alter organizational boundaries is not new. Economic and organizational research has long examined why firms exist, when markets outperform hierarchy, how networks coordinate production, and why temporary organizations emerge around projects. Digital technologies have repeatedly been expected to make economic activity more fluid. Yet the conventional firm remains remarkably persistent.

This paper argues that an important distinction may lie between reducing the cost of communication and reducing the cost of coordination. The internet made communication inexpensive. Digital platforms reduced parts of discovery, contracting, and payment friction. AI may now begin reducing another category of cost: interpreting an incomplete objective, determining the capabilities required to pursue it, synthesizing evidence about potential collaborators, structuring multi-party agreements, coordinating heterogeneous contributions, and preserving useful context after a project ends.

This paper calls that remaining burden semantic coordination cost: the cost of transforming human intention into a shared, executable structure across participants who do not already belong to the same organization.

The proposed Networked Firm is a temporary, objective-driven economic organization assembled from independent people, capabilities, and resources, supported by AI-assisted coordination and a persistent layer for agreements, contribution evidence, and value exchange.

Its core economic object is the Contribution Agreement:

Objective → Capability → Contributor or Asset → Terms → Outcome

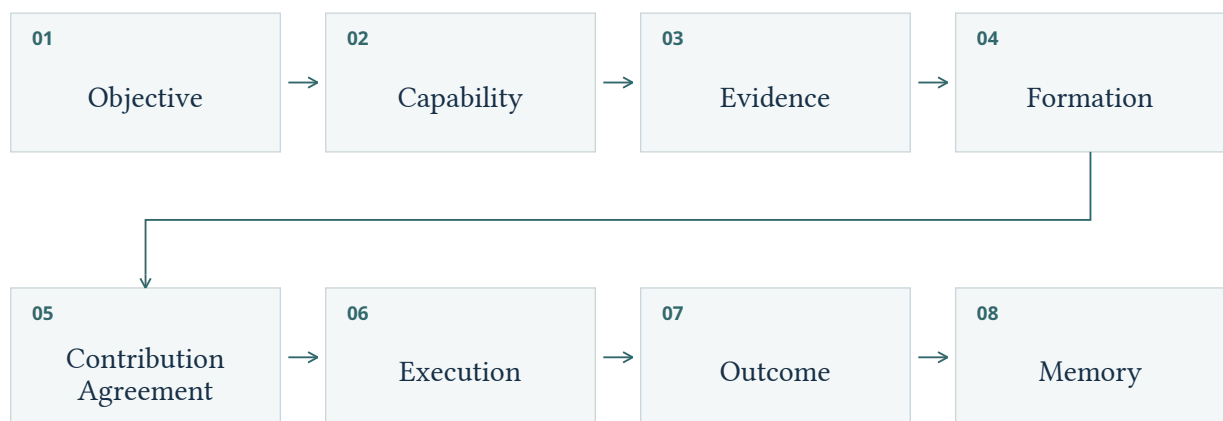
The claim is not that AI will eliminate corporations. Technology can reduce coordination costs both inside and outside firms. The relevant question is comparative: under what conditions can AI lower the cost of external collaboration enough for temporary networks to compete with the governance advantages of permanent organizations? The organization may be temporary. The coordination infrastructure is persistent. That is the hypothesis of the Networked Firm.

At a glance

Working definition

The Networked Firm is a temporary, objective-driven economic organization assembled from independent people, capabilities, and resources, governed through explicit Contribution Agreements, supported by AI-assisted coordination, and connected to a persistent network of collaboration evidence and value exchange.

Core protocol



Core protocol of the Networked Firm.

Platform primitive

Objective → Capability → Contributor or Asset → Terms → Outcome

The paper asks a comparative economic question: when can AI reduce the cost of external coordination enough for temporary networks to become viable alongside, rather than instead of, persistent firms?

Contents

Abstract	2
At a glance	3
1. Beyond the Automation Question	5
2. Why Firms Exist	5
3. Markets, Hierarchies, and the Space Between Them	6
4. Networks and Temporary Organizations Already Exist	7
5. The Future Was Predicted Before	7
6. Semantic Coordination Cost	8
7. Peer Production Shows Another Possibility	9
8. Defining the Networked Firm	9
9. From Jobs to Capabilities	10
10. Evidence Before Reputation	10
11. Formation Is a Composition Problem	11
12. The Contribution Agreement	11
13. Execution Without Building Another Workplace	12
14. Closing the Temporary Organization	13
15. The Collaboration Graph	13
16. Governance Cannot Be Added Later	14
17. What AI Actually Does	15
18. From Human Interfaces to Agent Interfaces	15
19. Not Another Freelance Marketplace	16
20. A Multi-Sided Economic System	16
21. The First Product	17
22. Measuring Coordination	18
23. Where the Networked Firm Should Not Win	18
24. Failure Modes	19
25. Falsifiable Propositions	19
26. What Is New - and What Is Not	20
27. The Multiplayer Economy of Intellectual Work	20
28. A Possible Future	21
29. Questions the Networked Firm Leaves Open	21
Conclusion	23
Publication Note	24
References	25

1. Beyond the Automation Question

Most discussions about AI and work begin with tasks. Can an AI system write production software? Can it analyze scientific literature? Can it design an interface? Can it conduct professional research? Which occupations will change, and which activities will become automated?

These are important questions. But they generally assume that the institution surrounding the work remains intact. The company survives. Its teams survive. Its employment relationships survive. Artificial intelligence simply changes what happens inside them.

There is another possibility. Technology may affect not only how work is performed, but also how people organize themselves to perform it.

A complex project requires more than execution. Someone must determine what the objective actually requires. Necessary capabilities have to be identified. Suitable participants must be found. Their previous work has to be evaluated. Responsibilities, ownership, access, compensation, and acceptance criteria need to be established. Contributions from different specialists must be integrated. Changes need to be negotiated. Disagreements must be handled. And when the project ends, useful knowledge about what happened needs to survive.

Companies solve a large part of this problem by creating a persistent organizational structure around work. Independent collaborators often have to reconstruct parts of that structure for every new project.

The concept that eventually developed into the Networked Firm began from four recurring coordination problems: finding relevant people, determining what evidence deserves trust, agreeing how participants will work together, and carrying usable experience from one project into the next. (AI Collaboration Network concept proposal, 2026)

AI introduces an interesting question because intelligence itself is becoming available as infrastructure. *What happens if some of the cognitive work involved in creating an organization becomes cheaper?*

2. Why Firms Exist

Any serious argument about changing organizational boundaries needs to begin with Ronald Coase. In *The Nature of the Firm* in 1937, Coase asked a deceptively simple question: if markets can coordinate economic activity through prices, why do firms exist at all?

His answer was that using markets itself has costs. Discovering relevant prices takes effort. Negotiating and concluding separate contracts for repeated transactions takes effort. Under some circumstances, bringing activity within a firm substitutes managerial coordination for repeated market exchange. Coase therefore treated markets and firms as alternative mechanisms for organizing production rather than assuming that one form was naturally dominant. (Coase, 1937)

This insight maps naturally onto the problem considered here. Searching for collaborators is costly. Evaluating whether they can actually perform the work is costly. Negotiating multiple

relationships is costly. Synchronizing specialized contributions is costly. Handling ambiguity after work begins is costly.

Yet Coase's argument also gives us an important warning. Technology does not necessarily make firms smaller. Coase explicitly observed that an invention can change both the cost of market exchange and the cost of organizing internally. Whether firms expand or contract depends on the relative effect on these two forms of coordination. (Coase, 1937)

That point prevents a simplistic conclusion such as: *AI reduces coordination costs, therefore companies will fragment into networks.*

AI can also improve management inside companies. It can summarize organizational knowledge, coordinate employees, monitor dependencies, automate administration, and make large institutions easier to operate.

The correct question is therefore comparative. *For a given activity: Does AI reduce the cost of coordinating independent participants more than it reduces the cost of coordinating the same activity inside a persistent firm?* The Networked Firm becomes economically interesting only when the answer is sometimes yes.

3. Markets, Hierarchies, and the Space Between Them

Oliver Williamson developed Coase's insight into a broader theory of economic governance. Rather than treating a contract as a complete solution to exchange, Williamson focused on what happens when relationships are uncertain, agreements are incomplete, participants become dependent on one another, and circumstances change after commitments have been made.

Markets and hierarchies have different strengths under these conditions. Market exchange preserves strong incentives and autonomy. Hierarchy provides stronger mechanisms for coordinated adaptation and dispute resolution. Williamson later explicitly incorporated hybrid governance between these poles. (Williamson, 2009)

This matters for the Networked Firm because temporary collaboration cannot be reduced to better contracting. A project may begin with a clear specification and still change. A contributor may make a project-specific investment that has little value elsewhere. A dependency may appear that nobody anticipated. Two participants may reasonably disagree about whether a milestone satisfies the original requirement.

In such situations, a contract cannot eliminate the need for governance. The Networked Firm should therefore be understood not as an attempt to replace firms with a collection of market transactions, but as an attempt to create a lighter governance structure between market exchange and permanent hierarchy.

This distinction changes the product design. Agreement becomes more than paperwork. Amendment, appeal, contextual reputation, dispute handling, and project memory become part of the economic infrastructure.

4. Networks and Temporary Organizations Already Exist

Neither network organization nor temporary organization is a new idea. Walter Powell argued that network forms of organization deserve treatment as a recognizable mode of economic coordination, distinguished by reciprocal relationships, horizontal exchange, and interdependent flows of resources rather than pure price competition or administrative authority. (Powell, 1990)

Rolf Lundin and Anders Söderholm similarly argued that organization theory had focused disproportionately on permanent institutions even though many projects are explicitly temporary systems with defined beginnings and endings. (Lundin & Söderholm, 1995)

The Networked Firm therefore makes no claim that AI invented temporary teams or economic networks. The more interesting possibility concerns their rate of formation and recombination.

A temporary project usually disappears when its objective is completed. But the knowledge required to form it need not disappear. Previous relationships can remain. Evidence of contribution can remain. Reusable assets can remain. Rights can remain. Patterns of collaboration can remain. A later project may use some of those elements in a completely different configuration.

The organization is temporary. The coordination infrastructure is persistent. The project ends. The network remembers.

5. The Future Was Predicted Before

The possibility of electronically connected temporary organizations has a particularly relevant history. In 1987, Thomas Malone, Joanne Yates, and Robert Benjamin argued that information technology could reduce coordination costs and shift some economic activity toward markets rather than hierarchy. (Malone, Yates & Benjamin, 1987)

A decade later, Malone and Robert Laubacher described an “e-lance economy” in which independent contractors connected through computer networks would form fluid, temporary teams around economic activity instead of operating primarily through large permanent corporations. (Malone & Laubacher, 1998)

That prediction bears an obvious resemblance to the Networked Firm. And that resemblance raises a more interesting question than claiming novelty: *Why did it not already happen at much greater scale?*

The internet arrived. Communication became almost instantaneous. Global talent became searchable. Remote collaboration became normal. Repositories made software publicly inspectable. Online payments matured. Freelance marketplaces emerged. Yet permanent firms remained central to economic production.

This suggests that communication itself was not the only important bottleneck. Digital technology made it easy to send information. It did not necessarily make it easy to establish shared meaning and coordinated structure around that information. That distinction may be where AI becomes economically significant.

6. Semantic Coordination Cost

This paper introduces the term semantic coordination cost as a working concept. It is not presented as established terminology from transaction-cost economics.

Semantic coordination cost is the cost of transforming an incomplete human objective into a shared, executable representation that allows multiple independent participants to coordinate their contributions.

Consider the statement: “I want to build an AI research assistant for oncologists.”

Communication technology can transmit that sentence anywhere on Earth almost instantly. A professional network can show thousands of developers. A freelance marketplace can solicit bids. A payment platform can compensate whoever is selected.

But none of those mechanisms necessarily determines:

- What precisely is being built?
- Which clinical expertise matters?
- What data can be used?
- What level of reliability is required?
- Does the project need retrieval infrastructure, model adaptation, evaluation design, interface work, or all of them?
- Which existing assets could replace new work?
- Which previous projects provide meaningful evidence of suitability?
- Which contributors complement one another?
- Where does one person's responsibility end and another's begin?
- What happens when the initial assumptions prove wrong?

These are interpretive problems. They involve transforming intention into structure. A useful simplification is therefore:

Internet	cheaper communication
Digital platforms	cheaper discovery and transaction
AI	potentially cheaper interpretation and coordination

The word potentially matters. If AI cannot reliably reduce this third category of cost, much of the Networked Firm thesis weakens.

7. Peer Production Shows Another Possibility

Open-source software provides another useful precedent. Yochai Benkler argued that networked environments can support a mode of production outside the conventional firm-versus-market dichotomy. In commons-based peer production, individuals may self-select into tasks and collaborate without the managerial structure of a corporation or ordinary price-mediated exchange. (Benkler, 2002)

That model demonstrates something important: sophisticated production does not always require everyone involved to belong to the same company. But many economically consequential projects cannot rely on voluntary contribution alone.

Datasets have owners. Software may carry licensing restrictions. Specialists may require direct compensation. Commercial confidentiality may matter. A contributor may retain intellectual property. Revenue may need to be divided. A project might depend on commitments whose failure imposes real costs on others.

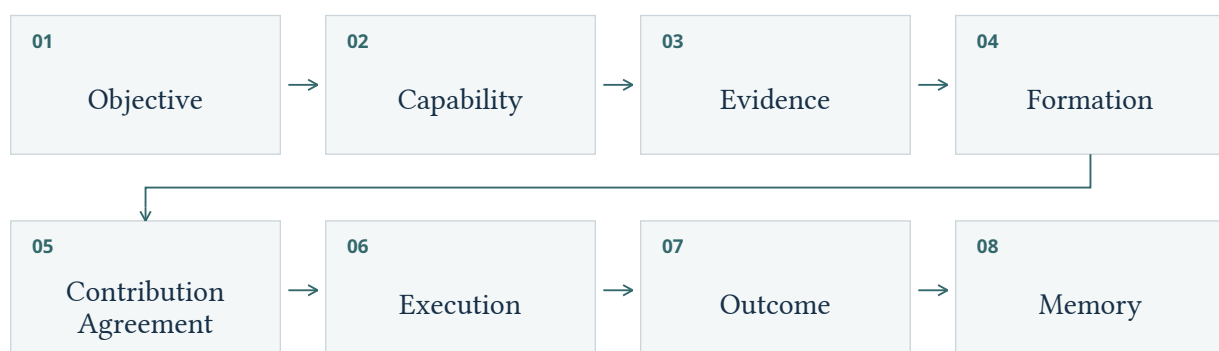
The Networked Firm can therefore be understood as asking whether some of the composability of peer production can be combined with explicit economic relationships. Not everything needs to become employment. But not everything can remain informal either.

8. Defining the Networked Firm

A Networked Firm is a temporary, objective-driven economic organization in which independent people, capabilities, and resources are assembled around a defined outcome, governed through explicit contribution agreements, supported by AI-assisted coordination, and connected to a persistent history of prior collaboration.

Three ideas matter in this definition. First, the organization begins with an objective, not an org chart. Second, participation is defined through contribution, not permanent membership. Third, the temporary organization exists inside a persistent coordination network.

The operating sequence is:



Core protocol of the Networked Firm.

Each stage reduces a different kind of uncertainty.

9. From Jobs to Capabilities

Most labour systems begin with roles. A company needs a machine-learning engineer. A founder needs a product designer. A research team needs a statistician.

The Networked Firm starts one layer earlier: *What does the objective require?*

A project may require retrieval engineering without requiring a permanent backend engineer. It may need regulatory judgment for two days rather than a full-time consultant. It may need access to a dataset rather than another employee. It might require compute, distribution, existing software, capital, specialist evaluation, or access to a user population.

The originating platform concept already treated expertise, code, models, datasets, compute, access, and distribution as distinct contributions. (AI Collaboration Network concept proposal, 2026)

This suggests a shift from an employment graph toward a capability graph. The project is represented by what must become available for success rather than by a list of job titles.

A capability also carries constraints. A technically suitable dataset may prohibit commercial reuse. An expert may be unavailable during the required period. A model may satisfy functional needs while violating licensing requirements. A specialist may possess the right knowledge but not the required security clearance or jurisdictional status.

Matching therefore involves more than competence. It is the search for a feasible configuration of capabilities under constraints.

10. Evidence Before Reputation

Once capabilities become visible, another problem appears: How should strangers decide whether they can rely on one another? Professional systems usually compress evidence into proxies: a résumé, an employer name, a rating, a follower count, a recommendation, a portfolio. These signals are sometimes useful. They are also lossy.

A repository does not automatically reveal responsibility for every part of the code. A prestigious employer does not explain what someone actually did. A five-star rating does not tell a future collaborator whether the previous task resembled the present one.

The proposed network instead treats trust as contextual. Its question is not: *Is this person good?* It is: *What evidence is relevant to this collaboration?*

An evidence record might connect:

Subject → Capability Claim → Artifact → Source → Role → Provenance → Verification State

AI can help organize such material. But its interpretation should remain separate from the underlying evidence. If an AI system concludes that a participant appears experienced in multilingual retrieval, that conclusion should link back to the repositories, previous projects, publications, or verified contributions from which it was derived.

The sequence becomes:

Preferred	Source → Evidence → Interpretation
Avoid	Algorithm → Reputation score

This matters because reputation systems can create their own forms of dependency. Research on remote gig platforms has documented how algorithmic reputation can generate insecurity when opaque ratings strongly influence access to future economic opportunities. (Wood & Lehdonvirta, 2023)

The Networked Firm should therefore preserve three principles: *evidence over ranking, context over abstraction, and contestability over permanence.*

11. Formation Is a Composition Problem

Traditional marketplaces tend to rank individuals. A project receives candidates. Candidates compete. Someone is selected. That model works when the buyer already knows what role needs to be filled. The Networked Firm instead treats formation as a composition problem.

Suppose an objective requires capabilities A, B, C, D, and E. One contributor can provide A and part of B. An existing asset satisfies C. Another specialist provides D. A third participant completes B and E.

The useful output is not: *Here are the ten highest-ranked workers.* It is: *Here are several configurations that could satisfy the objective, the evidence supporting each configuration, the constraints involved, and the capabilities that remain unresolved.*

Different formations may have different advantages. One is less expensive. Another can begin immediately. A third contains participants who have worked successfully together before. Another has stronger domain evidence but requires more coordination. The platform exposes these trade-offs. The participants make the decision.

12. The Contribution Agreement

Once a formation becomes acceptable, possibility has to become commitment. The fundamental economic primitive of the Networked Firm is therefore the Contribution Agreement. Its canonical structure is:

Platform primitive

Objective → Capability → Contributor or Asset → Terms → Outcome

Consider a medical AI project.

Objective	Develop a credible specialist evaluation framework.
Capability	Oncology-specific factual evaluation methodology.
Contributor	An independent clinical researcher.
Terms	Milestone payment, confidentiality requirements, public attribution where permitted, retention of pre-existing methodological IP, defined review process, and completion deadline.
Outcome	Evaluation framework delivered, reviewed, and accepted.

A project consists of several such relationships attached to a common objective. This means the temporary organization is not merely a list of members. It is a graph of commitments.

The agreement should represent at least six categories:

- scope, describing what is being provided;
- rights, specifying ownership, reuse, licensing, access, and confidentiality;
- reward, defining compensation or other agreed return;
- acceptance, identifying who evaluates completion and by what standard;
- change, specifying how the terms can be amended;
- and resolution, establishing what happens when disagreement occurs.

This extends the original platform proposal's distinction among reward, rights, acceptance, and changes. (AI Collaboration Network concept proposal, 2026)

Importantly, agreements should be versioned. Projects evolve. A material scope change should not disappear into a messaging thread. It should become an amendment with a visible relationship to the agreement it modifies.

13. Execution Without Building Another Workplace

The platform should resist the temptation to become the place where every task occurs.

Developers already have development environments. Researchers already have notebooks and document systems. Designers have specialized tools. Teams have communication platforms. The Networked Firm needs something different: a shared representation of the organizational state of the project.

The execution layer records events that materially affect the agreement:

- a milestone was submitted;
- a dependency became unavailable;
- a deliverable was accepted;
- a change in scope was proposed;
- the schedule changed;
- an additional capability became necessary;
- a dispute was opened.

AI can help summarize activity occurring elsewhere and detect events that may need formal recognition. But observation and commitment should remain distinct. An AI system noticing that a developer pushed code does not mean the milestone has been accepted. An informal conversation about additional work does not automatically amend compensation.

The system can suggest: *This appears to be a material change. Should it become an amendment?*
The participants decide.

14. Closing the Temporary Organization

A temporary organization requires a clear ending. Closure should establish:

- what was delivered;
- which contributions were accepted;
- which payments or transfers were completed;
- which licences or rights remain active;
- which obligations survive the project;
- whether disputes remain unresolved;
- and what evidence each participant may carry forward.

The project then ceases to exist as an active organization. But its structured history remains. This is the mechanism through which one collaboration can reduce the formation cost of the next.

15. The Collaboration Graph

Each completed project adds relationships to a larger Collaboration Graph:

Objective ↔ Capability ↔ Participant ↔ Asset ↔ Evidence ↔ Agreement ↔ Outcome

The original concept proposed a reinforcing cycle in which completed work generates evidence, evidence supports trust, trust improves future matching, and improved matching enables more collaboration. (AI Collaboration Network concept proposal, 2026)

That graph could eventually answer questions that conventional professional profiles rarely can.

- Which capabilities repeatedly appear together?
- Which people have worked effectively on similar objectives?
- Which assets have previously integrated successfully?
- Where do teams commonly underestimate dependencies?
- Which agreement structures produce frequent amendments?
- Which evidence types later correlate with accepted contributions?
- Which relationships recur?

The key asset is therefore not merely a large population of registered users. It is structured history generated by real work.

16. Governance Cannot Be Added Later

Once contribution history begins influencing future opportunities, the platform becomes more than workflow software. It becomes an institution. That creates power.

An inaccurate record could harm someone's future work. An opaque matching system could make a highly capable participant effectively invisible. A disputed project could become permanently attached to a person's economic identity. An AI-generated interpretation could be mistaken for fact.

A credible system therefore needs contestability at the protocol level. Participants should be able to distinguish verified facts from claims and interpretations. They should be able to challenge factual errors. Disputed outcomes should preserve relevant context rather than silently assigning blame. Private work needs alternative ways to establish capability. Newcomers need paths into the system that do not require years of historical activity. Confidential evidence requires controlled visibility.

The initial concept proposal already recognized both the need to support newcomers and the need for mechanisms to challenge misleading assessments. (AI Collaboration Network concept proposal, 2026)

This matters because the economic purpose of the Networked Firm is to expand the ability of independent people to coordinate. A platform that achieves that by making participants dependent on an unchallengeable ranking system would reproduce a different form of hierarchy.

17. What AI Actually Does

The role of artificial intelligence in the Networked Firm can now be described without treating AI as magic. It may assist with:

- objective clarification;
- capability decomposition;
- evidence synthesis;
- team formation;
- agreement drafting;
- dependency detection;
- project-state summarization;
- amendment preparation;
- and the construction of reusable project memory.

These functions share a common characteristic: *They reduce the cost of understanding and coordinating information across organizational boundaries.* That is the core connection to semantic coordination cost.

AI does not need authority over the economic relationship for this model to be useful. It can substantially reduce coordination effort while humans retain authority over commitments. The boundary should remain explicit: *AI may interpret. Humans authorize.*

AI-generated evidence summaries are not facts. Recommended formations are not selections. Draft agreements are not accepted agreements. Observed activity is not an approved outcome. The distinction becomes particularly important as autonomous systems become more capable.

18. From Human Interfaces to Agent Interfaces

The first version of the platform does not require agents negotiating with one another. But the underlying protocol naturally supports such a future. A personal agent might eventually understand the capabilities a participant is willing to offer, their availability, preferred project types, compensation expectations, licensing limits, confidentiality constraints, and conditions under which they will consider collaboration.

A project agent could represent unresolved capability requirements. The agents could exchange structured information, identify compatible conditions, surface conflicts, and prepare possible Contribution Agreements. Humans could then inspect and accept - or reject - the proposed formation.

Emerging interoperability standards make lower layers of such coordination increasingly plausible. The Agent2Agent protocol, for example, is designed to let independent agents discover capabilities, exchange information, and manage collaborative tasks across implementations. MCP has similarly evolved as an open protocol connecting AI applications with tools, resources, and other systems. (Agent2Agent Project; Model Context Protocol)

These protocols do not solve the economic problem. They do not establish ownership. They do not determine trust. They do not create legal authority. They do not resolve disputes. They solve

technical interoperability. The Networked Firm would sit at a different layer: economic and organizational coordination between accountable principals.

19. Not Another Freelance Marketplace

The distinction from existing marketplaces is critical. If the final product becomes: *post project* → *receive bids* → *hire worker* → *pay worker* then the deeper thesis has disappeared.

A conventional labour marketplace usually models: buyer ↔ worker

The Networked Firm models: objective ↔ capabilities ↔ people and assets ↔ contribution agreements ↔ outcomes

This means a project owner may arrive without knowing which job title should be purchased. The platform first helps make the problem legible. It may discover that the project needs no new full-time developer at all. Perhaps an existing model, a specialist reviewer, a dataset licence, and several weeks of engineering are sufficient. This is why formation, rather than hiring, is the more appropriate concept.

20. A Multi-Sided Economic System

The model also creates a platform-economics problem. Platforms often depend on participation by multiple groups whose value increases when the other side is present. Rochet and Tirole formalized this dynamic in their work on two-sided markets. (Rochet & Tirole, 2003)

The Networked Firm could eventually contain considerably more than two participant categories:

project owners, independent contributors, specialist reviewers, dataset owners, model providers, compute providers, distribution partners, and perhaps capital providers.

That creates a severe cold-start problem. Contributors have little reason to maintain rich capability histories without meaningful projects. Owners have little reason to bring valuable projects without credible participants. Asset providers have little reason to integrate without usage.

The network should therefore not begin by collecting profiles and hoping transactions eventually arrive. It should begin with real objectives.

The initial concept proposes exactly that approach: interview project owners and contributors, identify funded projects, and manually coordinate a small number of paid pilots using existing tools before heavily automating the process. (AI Collaboration Network concept proposal, 2026)

A useful strategic principle follows: *Seed the network with work, not identities.*

21. The First Product

The first product can remain significantly smaller than the full protocol. It needs four core surfaces.

Project Brief	Turns an objective into a structured description of desired outcome, constraints, resources, budget, and acceptance conditions.
Capability and Evidence View	Represents what the project needs and what evidence potential participants can provide.
Formation and Agreement Workspace	Allows a small team to define responsibilities and create explicit Contribution Agreements.
Contribution Record	Preserves accepted work, material changes, rights, credit, and payment status after completion.

These closely correspond to the initial product proposed in the underlying concept. (AI Collaboration Network concept proposal, 2026)

Many sophisticated components should initially remain manual. Human-assisted matching may be preferable to premature ranking algorithms. Existing payment infrastructure may be sufficient. Agreement templates should begin with a narrow range of economic arrangements. The collaboration graph can initially be little more than structured project history.

The goal of the first product is not to simulate the eventual network. It is to discover whether the coordination hypothesis is real.

22. Measuring Coordination

Traditional platform metrics can be misleading for this experiment. More profiles do not necessarily mean better collaboration. More applications may simply increase search burden. Time spent inside the product could indicate confusion rather than value. The relevant metrics concern coordination itself. The earliest experiments should measure at least:

Time to credible formation	How long it takes to move from an objective to a mutually accepted team.
Capability coverage	Whether important requirements remain unresolved when work begins.
Coordination effort	How much human administrative work is required throughout the project.
Agreement amendment rate	Which assumptions repeatedly need revision.
Acceptance rate	How many agreed contributions reach accepted completion.
Dispute incidence	Where disagreements occur and what causes them.
Evidence reuse	Whether previous contribution history materially affects later formation decisions.
Repeat formation	Whether project owners and contributors choose to use the system again.

The initial proposal already identifies repeat demand as more meaningful than merely completing several pilots. (AI Collaboration Network concept proposal, 2026) That should remain the strongest early signal.

23. Where the Networked Firm Should Not Win

A serious organizational theory needs to explain not only where its model might work but also where it should lose. Many activities strongly favour persistent firms.

Long-term scientific programs depend on continuity. Physical infrastructure requires sustained capital and operational responsibility. Highly regulated activities need durable accountability. Some forms of expertise are built through years of shared institutional knowledge. Projects involving highly specific investments may create dependencies better governed through hierarchy. Culture itself can be economically valuable.

Repeated collaboration may also change the answer. Suppose five independent participants repeatedly work together, develop specialized shared processes, make long-term investments, and depend increasingly on one another. Eventually, repeatedly reconstructing contractual relationships may become less efficient than creating a permanent organization.

At that point the correct output of the network may be: *Form a company*. That would not be a failure. The platform is not supposed to prove that temporary organization is superior. Its purpose is to reduce formation costs enough that organizational structure becomes a more flexible choice.

24. Failure Modes

Several outcomes could weaken the thesis substantially. AI-assisted objective decomposition may prove unreliable in domains where critical knowledge is tacit. Capability graphs could create bureaucracy rather than reduce it. Public evidence may remain less useful than trusted personal referrals.

Structured agreements might add more administrative effort than they prevent. Participants may move successful relationships outside the platform once trust exists. Reputation systems may be gamed. The accumulation of project history may disadvantage newcomers.

Legal and tax differences between jurisdictions may make flexible value exchange difficult. Temporary teams may consistently perform worse than stable ones because the cost of rebuilding shared context remains too high.

Most importantly, AI may reduce the cost of internal management faster than it reduces the cost of external coordination. In that case, AI could strengthen large firms rather than fragment them. The Networked Firm is therefore not a forecast. It is a testable organizational hypothesis.

25. Falsifiable Propositions

Objective decomposition

AI assistance should reduce the time required to translate an incomplete project idea into a capability structure that experienced participants consider credible.

Contextual discovery

Evidence-assisted formation should identify suitable contributors or assets with less effort than conventional profile and keyword search.

Agreement quality

Projects using structured Contribution Agreements should experience fewer significant misunderstandings concerning scope, rights, payment, attribution, and acceptance.

Coordination efficiency

Distributed teams should require less administrative effort without transferring excessive power to automated monitoring.

Portable evidence

Previous contribution records should improve later formation decisions.

Repeat formation

Owners and contributors should voluntarily use the network for subsequent projects.

Organizational expansion

Some work that would otherwise require permanent hiring, an agency, or a pre-existing firm should become practical through temporary capability networks. The last proposition is the strongest. It should also be the hardest to establish.

26. What Is New - and What Is Not

A credible whitepaper should state its novelty claim narrowly. The Networked Firm does not claim to invent temporary organizations, networked organizations, independent contracting, peer production, digital talent markets, electronic coordination, or the idea that information technology can alter firm boundaries. All of these ideas have substantial intellectual and practical precedent.

The proposed contribution is the combination of a particular organizational thesis with capabilities that modern AI may make practical:

begin with an incomplete objective → decompose it into capabilities → discover combinations of people and assets → synthesize inspectable evidence → form explicit multi-party Contribution Agreements → assist coordination across existing tools → preserve outcomes as portable collaboration history

The potentially new economic capability is not merely finding labour more efficiently. It is reducing the cost of repeatedly constructing a small institution around a problem.

27. The Multiplayer Economy of Intellectual Work

The original intuition behind this project came partly from an unusual analogy: multiplayer games. In a persistent multiplayer environment, participants possess different abilities, resources, inventories, histories, and relationships. They form temporary groups around objectives. Those groups may exist only long enough to complete a particular mission. The players then reorganize elsewhere. The analogy should not be interpreted as suggesting that work becomes a game. Its usefulness is structural.

Imagine a persistent economic environment containing:

knowledge, code, models, datasets, compute, capital, design, distribution, access, relationships, and verified contribution history.

A new objective appears. It requires some combination of those resources. A group forms. Participants establish terms. They act together. Value is created and distributed. The team dissolves. The capabilities and relationships remain inside the larger environment. The persistent entity is no longer necessarily the organization. It is the network from which organizations can repeatedly be assembled.

28. A Possible Future

Consider an independent researcher with an ambitious idea. They have no company. No employees. No established team. They describe the desired outcome to the network. An AI system helps clarify the objective and identifies unresolved requirements. The work appears to need domain expertise, a specialized dataset, retrieval infrastructure, product design, and access to an evaluation group.

The network searches for those capabilities. It identifies a researcher whose previous contribution records contain relevant methodological work. A developer has maintained related infrastructure. A data owner is willing to grant access under defined conditions. A designer has worked on specialist research interfaces.

The system does not declare any of them trustworthy. It explains why they appear relevant and exposes the underlying evidence. The participants inspect the proposed formation. Their agents may eventually compare availability, compensation expectations, licensing requirements, and other constraints.

Possible Contribution Agreements are prepared. Humans negotiate what remains unresolved. They accept the terms. For several weeks, a temporary organization exists. The work occurs in tools participants already use. The coordination layer retains the material state of the project. An assumption changes. An amendment is approved. A milestone is submitted. A specialist evaluates it.

The objective is eventually completed. Payments and rights are settled according to the agreements. Each participant receives a contribution record. The organization closes. Months later, another objective appears. Some members collaborate again. Others form entirely different teams.

The organization was temporary. The economic memory was not.

29. Questions the Networked Firm Leaves Open

The Networked Firm is deliberately presented as a hypothesis rather than a completed institutional design. Several of its most important questions should remain open until real projects, contributors, and organizations test the assumptions behind the model. These questions are not gaps to be hidden. They define part of the research agenda that follows from the paper.

When does temporary coordination outperform organizational continuity?

Some projects may benefit from rapid formation and dissolution; others may depend on tacit knowledge, culture, continuity, and long-term investment. The boundary is unlikely to be universal.

Can semantic coordination cost be measured?

If the concept is economically meaningful, it should eventually be possible to distinguish at least some of the effort spent interpreting objectives, identifying dependencies, aligning participants, and maintaining shared understanding from other transaction costs.

Can contribution evidence become portable without becoming another reputation hierarchy?

A persistent collaboration history could increase individual agency, but the same infrastructure could become a mechanism of exclusion if ratings, summaries, or platform judgments become difficult to challenge.

Which forms of judgment should remain outside agent authority?

AI agents may eventually negotiate availability, constraints, and proposed terms. The harder question concerns where assistance ends and authority begins - particularly around consent, reputation, ownership, and dispute resolution.

At what point should a successful temporary organization become a permanent firm?

Repeated collaboration may create shared processes, specific investments, and durable dependencies. A system designed to make temporary formation easier should also be capable of recognizing when hierarchy or permanence has become economically preferable.

Will AI reduce external coordination costs faster than internal managerial costs?

This is ultimately the comparative question behind the thesis. If AI strengthens coordination inside established firms more rapidly than it strengthens coordination across independent participants, the same technology could produce greater organizational concentration rather than fragmentation.

Who should govern the persistent coordination infrastructure itself?

If the network becomes responsible for portable evidence, matching, agreements, and economic memory, its own governance may become as important as the organizations it helps create. Questions of portability, interoperability, ownership, and institutional power remain unresolved.

The purpose of the Networked Firm thesis is therefore not to close these questions prematurely. It is to make them easier to ask with enough structure that they can be investigated, challenged, and extended by others.

Conclusion

For almost ninety years, theories of the firm have asked why some economic activity is coordinated through markets while other activity is brought inside organizations. Digital technology has repeatedly changed that boundary without eliminating it.

The internet transformed communication. Electronic markets reduced some costs of discovery and exchange. Open-source production demonstrated that sophisticated projects can sometimes be organized outside both ordinary employment and ordinary market contracting. Freelance platforms globalized access to independent labour. None of these developments made the firm obsolete. That history should make any claim about AI and organizational decentralization cautious.

The Networked Firm proposes that AI may affect a different part of the equation. Intelligent systems can increasingly work with meaning rather than merely transmit information. They may help convert vague intentions into structured objectives, infer capability requirements, synthesize fragmented evidence, expose missing dependencies, draft agreements, coordinate evolving project state, and preserve usable memory after collaboration ends.

If these capabilities substantially reduce semantic coordination cost, some projects that previously required a permanent organization may become viable through temporary networks instead. Others will not. The economic boundary will continue to depend on the relative costs and advantages of markets, networks, and hierarchy.

The model therefore does not predict the disappearance of companies. It predicts something more modest - and potentially more interesting: *a wider organizational design space*.

The lifecycle is simple: *An objective appears. Capabilities become legible. People and resources assemble. Contributions are agreed. Work is coordinated. Value is exchanged. Evidence is preserved. The organization ends. The network remains.*

If AI can make that cycle sufficiently inexpensive, reliable, and fair, one of its important consequences may not be replacing people inside existing organizations. It may be enabling people to create organizations that previously would have been too costly to create at all. That is the hypothesis of the Networked Firm.

Publication Note

Publication status. This document is a conceptual working paper. The organizational model, platform architecture, Contribution Agreement framework, and propositions presented here have not yet been empirically validated. The paper is intended to establish a research framework and invite theoretical critique, empirical testing, and further development.

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