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TALK, TRUST AND TELECOMMUNICATIONS: ALTERNATIVE MECHANISMS FOR COORDINATING COMMERCIAL TRANSACTIONS

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Much of the prior work on electronic commerce has used transaction cost economics and coordination theory as general frameworks. These models call attention to the problem of understanding how organizations accomplish effective coordination in complex environments. Applying these models to electronic commerce requires that the processes involved be identified and described. Recent research considering the use of networks focuses on models of commercial exchanges which include activities such as search, execution, settlement, monitoring and after sales services.

With this model of commercial transactions, we began an investigation of the impact of interorganizational networks on the way business is conducted between organizations. In particular, we focused on understanding (1) the effect of interorganizational network use on the structure of trading relationships, (2) the impact on the efficiency, costs and satisfaction associated with particular transactions, and (3) the role of organizational trust in the use of networks to support trading relationships.

Case study observations lend support to hypotheses that attributes of organizational relationships, as well as interpersonal contacts, serve as important determinants of how transactions are conducted. Other exploratory findings include (i) overall, network usage is not pervasive; (ii) there is a tradeoff between coordination efficiency and the ability to monitor quality; (iii) search activities often do not match the standard hunt-and-evaluate model; and (iv) transactions are often non-dyadic and interdependent.

These observations served as the basis for developing a model of network use and transaction activities. A multi-industry survey of producers was conducted to test the model. Preliminary analysis of the survey data indicates that telecommunication links between producers and their suppliers serve to supplement interpersonal contacts, not replace them. Interorganizational trust plays an important role in the development of electronic links between firms. Future work is discussed which investigates the role of relationship factors in the development of electronic connections between producers, retailers, and consumers.