Chapter 5

Virtual Transactional and Relational Exchanges: The Enabling Effects of Information Technology

Andrew Gaudes and Mary Brabston
I. H. Asper School of Business
University of Manitoba, Winnipeg

The transactional and relational components of virtual organizing are evaluated and compared against the transactional and relational exchange-enabling characteristics of various forms of information technology. The findings suggest that further examination of this linkage in relation to organizational performance outcomes would be beneficial.

INTRODUCTION

A new form of organic organization known as virtual organization requires the application of information technology (IT) and provides organizations with greater interaction, agility, and flexibility (Byrne, 1993; Metes et al., 1998; Miller et al., 1993; Palmer, 1998). However, virtual organizations exhibit the relational difficulties of multiple agency that occur when individuals and groups from different organizations with different competencies band together across distances (Fulk and DeSanctis, 1995). An appropriate approach is to recognize a virtual organization as a process of virtual organizing. This changes the concept from a stagnant organizational form to a dynamic method of organizational management. Virtual organizing is, in part, the establishing and maintaining of a web of relationships between agents.
We argue that the approaches to virtual organizing can vary and that the approach taken can be defined by the transactional and relational characteristics of the exchange as well as the IT environment in which they occur. First we discuss the requisite conditions that enable virtual organizing and the common approaches taken by organizations that apply virtually organized exchanges (telework, outsourcing, alliances). We then present the two key components – the transactional and relational – that define the relationship between agents. Virtual organizing approaches are then evaluated based on their transactional and relational exchange content and distributed on a two-by-two matrix. Various types of information technology are then evaluated based on their ability to support these transactional and relational exchanges and plotted on the same matrix, followed by a discussion of our findings.

**VIRTUAL ORGANIZING**

Three different approaches are most common to virtual organizing: forming alliances, outsourcing, and teleworking. An alliance “connects members and partners in pursuit of specific project objectives” (Palmer, 1998, p. 72). Outsourcing is the divesting of extraneous departments within a corporation while maintaining the corporation’s core focus. An integral part of outsourcing is governance through a contract agreement that tends to have explicit and comprehensive deliverables. Telework uses remote work locations for individuals who would otherwise work in a more central location (Gordon, 1988). The arrangements in telework are often at the individual level.

**Transactional/Relational Ties in Virtual Organizing**

Each of these three approaches to virtual organizing share the same requisite conditions: interdependent relationships, physical dispersion, and computer-mediation. However, each fosters a different type of relationship between the virtually organized agents. Relationships involve ties that are comprised of transactional (or instrumental) and relational (or social) components that have been regularly examined in the study of psychological contracts.

Transactional ties are best represented in contracts or relationships that “focus on short-term and monetizable exchanges” (Rousseau 1995, p. 91). The transactional represents that which is explicit and agreed upon. Relationships that are task-specific, involve explicit economic incentives, predetermined time frames, limited flexibility without renegotiation of a contract, or utilization of worker skills without future development are all examples of contract terms deemed highly transactional (Rousseau, 1995).

In contrast, the relational component emphasizes social exchange and interdependence. However, it should not be confused with relational attributes that are
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