

# Chapter XVII

## Reconfiguring Interaction Through the E-Marketplace: A Transaction Cost Theory Based Approach

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### ABSTRACT

*The aim of this chapter is to analyse electronic marketplaces from an organisational point of view. These marketplaces are considered as a particular form of electronic network and are analysed from the perspective of transaction cost theory. This chapter considers the three classical effects identified by Malone et al. (communication effect, electronic integration effect, electronic mediation effect), and also evaluates a fourth effect on the grounds of empirical evidence; this effect is defined by Wigand as “the strategic electronic network effect.” Adopting the case study approach, the chapter describes how ICT affects marketplace organisation, and reshapes relationships among the actors involved in this particular type of electronic network.*

## INTRODUCTION

This chapter analyses electronic marketplaces as a particular kind of electronic network and studies their characteristics as an organisational form emerging as consequence of the diffusion of ICT (Information and Communication Technology).

We consider e-marketplaces as an ICT based organizational form that mixes market coordination mechanisms (prices) and network coordination mechanisms (trust and common values).

This chapter focusses on three principal aspects. First, how ICTs favour the establishment of more competitive markets; second, how the power exercised by the individual actors in the network chain is redefined within the e-marketplace; finally, what the impact is on organizational boundaries.

Building upon Kallinikos's idea of "Networks as an alternative form of organisations" (Kallinikos, 2003), this study highlights how the network supporting electronic marketplaces is a structure connected by links of a different nature, as opposed to the links of an institutional and social nature which tie together formal organisations and markets.

In fact, these electronic networks can be described as strategic configurations able to support and foster specific economic opportunities in determined contexts of time and space that are contingent to specific decisions. These strategic configurations cannot be considered stable in the long term. The strategic network configurations are aimed at developing e-marketplaces, and are often the result of temporary configurations meant to defend particular economic interests. The strategic nature of these configurations are designed not to last in the medium term, since their survival depends largely on the strategic interests contingency of the agents involved.

These new strategic network organisational configurations are designed to provide a smoother market mechanisms functioning, but they are also modifying the underpinning logic that commonly

drives the use of human resources and skills: the driving economic force for the efficient use of resources is substituted by the communication needs configuration designed to satisfy the agents. This change in allocative mechanism logic should be studied to better understand the interests that lead the different actors to participate in the network of exchanges.

The logic that leads economic actors to be part of a network of exchanges is a new perspective, and needs to be better analysed to understand the dynamics that characterise e-marketplaces.

The attention traditionally focused on hierarchical relationships and standard contracts evaluation must be refocussed on those aspects that are more closely related to information production and distribution and on the relative strategic implications.

Refocussing, it becomes clear that different and alternative forms of transaction management can be identified while studying electronic networks and e-marketplaces. These forms emerge from the interaction modalities between the network participants often associated with innovative work organisation and new strategic configurations.

Internet use represents a fundamental element in this reconfiguration of the interactions among agents in the economic system. The internet provides the premise to cross institutional and geographical boundaries, and thus facilitates new forms of collaboration and partnership. This fact requires ICT platforms to be developed to support inter-operational systems based on principles of "electronic mutability". The platforms then become the central element of the new organisational forms based on networks of interaction.

The paper investigates whether the electronic network at the base of electronic marketplaces represents a new organisational form, or whether it is simply a new form of transaction management that tends to modify or replace intra-organisational and inter-organisational relations, which, in turn, are characterised by social relationships that were previously governed by other institutional

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