Trust, commitment and team working: the paradox of virtual organizations

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Abstract In this article we take an agent-centred approach to explore the role of trust and commitment in the virtual organization. The findings of a case study in an international information technology consultancy indicate that multiple relationships arising from the alliance-based structure require clear commitment to enable the development of trust as a basis for longer-term partnership. Paradoxically, the perceived low level of commitment from the organization does not engender the high level of trust and commitment required from virtual teams to maximize their performance. However, over time and with extended exchanges, the commitment level and form may evolve, thus necessitating a realignment of existing psychological understanding and trust between the actors. If there is general agreement that an upward shift from short-term to long-term commitment is beneficial to all, then the virtual arrangement will continue to be effective.

From networks to virtual organizations

The notion of networks is by no means recent, since social and economic exchanges have always depended on the direct and indirect links between individuals or groups. Firms need to be able to respond to changes in customer preferences and behaviours, but may not have the internal staff capabilities, skills and knowledge to match market demand. Consequently companies have found networking to be a useful way to access the desired expertise at the appropriate time (Miles et al. 2000).

What is ‘new’ is the power of emerging technologies that allows instantaneous interchange across time and space. Developments such as Electronic Data Interchange (EDI), groupware, email, intranets, and the Internet including mobile communication links such as Wireless Application Protocol (WAP) and Global System for Mobile Communications (GSM) have enabled large and small companies to acquire new capabilities in terms of reach, real-time interchange and increased artificial memory. As businesses adopt the new technologies and processes, Hagel and Singer (1999) have identified the ‘unbundling’ of corporations such that companies with complementary competencies will enter into partnerships to add value to an end product or service. An example is Dell Corporation and its suppliers. Dell is fully reliant on its network partners – from the computer’s memory chip by Intel to the computer screen from Sony to the packing and delivery of requisite components for any Dell product by UPS and its own affiliates across the globe.
No single organizational form can serve all purposes (Miles and Snow 1986). So there is no typical 'shape' or 'form' for these technology-enabled business networks, except that they are generally known by their chosen strategic options such as outsourcing, strategic alliances, joint venturing and collaboration. Given the wide-ranging bases for virtual association, in this article we explore the perceptions of team members working within the virtual organization setting.

Outsourcing to off-load operational functions and processes through the use of subcontractors and independent workers perceived to be able to do the same job for less cost has become a steadily rising trend – hence Bill Gates’s (2000) advice to businesses to identify their core competencies and ‘outsource everything else’. Outsourcing took off in the recession of the late 1980s to mid-1990s, which forced companies to look for innovative ways to increase efficiency and reduce costs while still meeting market needs. A report commissioned by the Foundation for Manufacturing and Industry in June 1998 had identified that manufacturing outsourcing in Britain alone amounted to over £400 billion (in Oates 1998: 3). Indeed, the present UK Labour government was quick to appreciate the need to continue the policy begun by the previous Conservative administration to use a network of competent advisers and suppliers to help central government and local authorities achieve their performance objectives. One of Labour’s first efforts was the transfer of the management of National Savings and their Premium Bonds to an EDS-Siemens private-sector alliance. Similarly, economic-political agreements such as the signing of the US–Canadian trade accord, the gradual enlargement of the European Union and the ASEAN trading pact offer further opportunities for companies to use technology to reach out and network beyond their own boundaries.

With the commercialization of the Internet and recent advances in software and communication technologies, business networks are evolving into alliance-based ‘virtual’ organizations consisting ‘of networks of workers and organizational units linked by information and communication technologies (ICTs)’ (Hughes et al. 2001: 49) designed to facilitate a combination of partners’ resources to achieve mutual goals. A survey by Andersen Consulting (in Oates 1998: 7) of 350 executives to explore their vision of corporate structures in 2010 showed an overwhelming expectation of a predominance of the virtual organization, defined as a flexible entity, operated by a small permanent staff whose skills, processes and other resources are augmented through access to an external supply network – thus prompting Raval (2000) to suggest the new powerful telecommunications platforms as the key drivers of change.

Networking across space: the challenges of the virtual organization

Form and duration

Although the virtual organization is often seen as an electronic-commerce phenomenon, the association is accurate only when e-commerce is defined in its broadest sense of conducting transactions using electronic communications systems. What is true is the proliferation of terms that are used to describe the network organization, including the ‘dynamic network’ (Miles and Snow 1986) and ‘virtual organization’
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(Moshowitz 1986). More recently, the lexicon has been extended to embrace other terms such as ‘web enterprises’, ‘communities of practice’, ‘virtual teams’ and ‘virtual communities’ (Hagel 1996; Hammer and Champy 1993; Lave and Wenger 1991; Lorenzoni and Baden-Fuller 1995; Rheingold, 1993). Web enterprises, conceived as part of the e-commerce phenomenon, describe any business that is totally Internet-based and with no physical premises. Examples of communities of practice include the medical profession and pharmaceutical research. Virtual teams use communications technology to link people of varying employment statuses, across geographical boundaries and possibly different time zones, to work on a common project. Virtual communities refer to collectives of private individuals or consumers sharing information on topics of common interest, including possible economic transactions. While this variety of terms suggests specificity and different conceptual interpretations in terms of form and substance, it also illustrates a broad similarity insofar as they refer to links between parties with common needs or interests using some technology platform. In summary, the virtual or network organization is more a strategic concept than a prescribed organizational form, and is invariably about a collective of companies and/or individuals coming together to work side-by-side, using a combination of information and communication technologies for coordination of work flows and to conduct informational and social exchanges.

The length of these cross-boundary arrangements is dependent on the object of association and the context in which the virtual organization has to operate. Authors such as Moshowitz (1994) and Goldman et al. (1995) suggest that the agility or adaptability of the virtual organization stems from its opportunistic, short-term nature where members come together and disband as soon as goals are met. Byrne (1993) has summarized the basis of members’ relationships as temporary, loose, informal and technology-led. It captures the major difference between the ‘old’ or traditional and the ‘new’ or virtual form of alliance. This begs the question of the possibility of social identification for organizational commitment.

Others such as Powell (1987) and Drucker (1993) visualize longer-term associations in line with Dore’s (1983) submission that networks, as preferential, stable trading relationships between competitors, can be a viable alternative to vertical integration. In either case (whether opportunistic and short-term or stable and of longer duration), multiple relationships are likely to be common and will present managerial challenges, for managers are having to lead and manage internal employees and contractors or seconded members from partnering firms. These ‘pseudo-employees’ are accountable to the lead partner within the network relationship for the duration of their involvement; or possibly at varying times they are accountable to more than one partner, if engaged in more than one project.

Management issues

Although business research has focused largely on the economics of these technology-enabled strategic alliances, there is growing interest in the social aspects of ‘boundary-spanners’ (Aldrich and Herker 1977) tasked with making the links across the virtual organization. Of note is Kanter’s (1997) observation that sometimes
when the sharing and mutual commitment is extensive and with a high level of process integration between the partners, it becomes hard to distinguish between employees of one organization and those of another. This inseparability could be regarded as a signal for the successful creation of a seamless network of corporate businesses, or in Levitt’s (2000) term a ‘global village’. Nonetheless, management issues for this new form of organization included understanding how activities are conducted and monitored, and if interpersonal relationships differ from those in traditional strategic alliances and, if so, the extent to which this might impact the commitment and behaviour of the participants.

Until relatively recently management practice was characterized by a control culture expressed in rigid hierarchies with ‘closed’ bureaucratic systems advocated by industrial psychologists such as Weber and Fayol (Depickere 1999) with intensity and stability of effort controlled by direct supervision and coercive routines (Baldamus 1961). A culture of low trust and mutual suspicion predominated. The obsession for control extended into job design and resulted in fragmented jobs reduced to simplified tasks (Walton 1985). Employees were afforded little if any discretion over working methods, processes and timekeeping. However, increased globalization and intensified competition has impelled organizations to strive for greater efficiency and to increase their participation in virtual alliances. This environmental shift forced companies to review their supervision and management process; as organizations change their form and become ‘virtual’, their members become separated in time, space and culture from the organization and from each other (Jarvenpaa and Leidner 1999), making close-quarter surveillance difficult, if not at times nearly impossible.

Although new technology can facilitate covert or overt activity and relationship monitoring, a ‘big brother’ approach is unlikely to work well. Instead, Adami (1999) suggests that outputs – such as quality and quantity – rather than inputs, are better measures of performance for these modern forms. Morgan and Zeffane (2000) add that individuals need to be trusted to achieve the desired output levels and to know that management will ensure worker participation in decisions that will affect them. Hence the ‘new’ management logic is arguably to increase worker commitment and to raise levels of self-motivated governance. In human resource management terms, high trust techniques such as empowerment and semi-autonomous work groups that allow individuals to use personal judgement and discretion are depicted to be more appropriate for the new environment (Depickere 1999). Presumably, this change is not so much from inspirational insight as from a realization that at-distance management is likely to require a different leadership style.

Yet the evidence in practice indicates that one of the key inhibitors to self-management is the ‘if I can’t see them how do I know they’re working’ mentality of management (Tapsell 1999). Among industry observers and academic writers, the prevalent view of virtual relationships is that trust and commitment require at least some physical contact and effective support systems to prevent the isolation or dependence of members and/or high stress levels (DeSanctis and Monge 1999; Handy 1995; Wiesenfeld et al. 1999). Adjunct to this concern is Handy’s (1995) caution that lack of trust may become a self-fulfilling prophecy since individuals who feel that they are not trusted may see no reason to behave in a trustworthy manner. Manage-
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Management’s challenging task is striking a balance between an appropriately ‘tight’ or ‘loose’ structure, which is conducive for self-governance yet still satisfies the innate human desire for affiliation and identification.

Relationships dynamics

Management difficulties extend beyond the applied concern raised by Handy (1995) in terms of managing people who are not co-located and may not share the same time-space. From the individual member’s perspective, multiple reporting and transient working relationships that provide only limited opportunity to bond through group norms can make it difficult for the establishment of trust and commitment by parties in a cooperative alliance. Moreover, overlapping or ill-defined work roles within the virtual organization may contribute to any perceived injustice either in terms of management decisions, risk distribution or resource access. Research on participation in decision-making has also indicated that perceived involvement affects workers’ judgement of fairness, commitment to the decision(s), and their sense of belonging (Amason 1993; Lind and Tyler 1988; Thibaut and Walker 1975).

Research on groups has typically focused on group identity and commitment as an individual cognitive abstraction, rather than on the physical or ‘tangible’ properties that may be derived from a collective entity (for example through incorporation as a company). Hence it might be argued that, as with the group phenomenon, individual actors representing their various businesses within a virtual organization carry their pasts with them and, when conducting boundary-spanning activities, help create the virtual organization’s presence and history, guided by their own sense of past, present and future, as they function in ‘real’ time (McGrath et al. 2000). The flexible nature of membership allows participants to enter and leave the virtual team as and when their contribution is required or comes to an end. This may deter the deindividuation process typical of conventional, stable, long-term groups in which a homogenous group identity emerges. Consequently, the applicability of our conventional understanding of conflict and consensus within groups, concepts of organizational identity and cohesion, how members influence one another and the leadership process becomes central to the understanding of these modern virtual forms.

Bollen and Hoyle (1990: 482) defined perceived identity and cohesion as ‘an individual’s sense of belonging to a particular group and his or her feelings of morale associated with membership in the group’. Furthermore, the literature on group/team dynamics that suggests five distinct phases of development (Rickards and Moger 2000; Tuckman 1965) offers a useful framework for understanding the development of this sense of belonging and moral obligation. The forming stage is entered into when the team is created; the storming stage occurs when the team members start to vie for influence, power or position in the hierarchy; norming takes place when the team has created a mutually acceptable system of rules, attitudes and behaviours and settles down to the performing stage when it is able to concentrate on the tasks for which it is responsible; the adjourning phase happens when the team either disbands, having completed its tasks, or changes its composition as members leave and are replaced, resulting in a ‘re-forming’ stage. However, while the model proposed by
Tuckman (1965) is a convenient touchstone, it cannot accurately predict that every team will transit each stage; it is conceivable some might not pass beyond the storming stage. Moreover, the primary application of the model was to conventional teams and the suitability for virtual teams is of interest, not only to assess the application, but also the potential differences in the techniques and practices adopted for each stage.

Not sharing common geographical or temporal space, the supervision and coordination of project stages, clarification of queries and performance appraisal will have to find alternative delivery. Managers within the virtual network have to compensate for the lack of planned and spontaneous face-to-face interactions in order to build mutual trust and reciprocal commitment. As Maruca and Egan (1998: 34), in their assessment of telecommuting, observe: ‘managing teams that work off-site requires managers to pay extra attention to matters that are often taken for granted on site.’ In the absence of physical cues, some other mechanisms with which actors can process information about one another to form expectations of behaviour for themselves and others in the group situation will have to be employed.  

Finally, recent research work has produced encouraging evidence of social processes and social relationships (for example, Latané’s 1996 dynamic social impact theory, Polley’s 1989 group field dynamics approach, and Poole and DeSanctis’s 1989 adaptive structuration theory) and there appears to be a general consensus on the importance of trust as an embedded state (even by those who prefer to adopt an economic outlook and/or assuming a more positivistic methodological approach), engendering commitment and reducing deceitful behaviour for successful partnering (for example Cook and Emerson 1978; Galaskiewicz 1985; Granovetter 1985 and Williamson 1993). However, most of the studies were conducted prior to the evolution of the virtual organization and there is, as yet, no clear explanation of how trust and commitment evolve and are sustained in these ‘new’ dispersed cooperative structures.

**Trust in the virtual organization**

A central premise of any interpersonal or group relationship is the concept of trust (Lewicki and Bunker 1996; Zaheer et al. 1998). Without trust, no social, political or economic exchange is possible as it requires one party to make some form of overture towards another with the tacit assumption that the other party can be relied upon to reciprocate with appropriate good grace. Although there appears to be no single, all-embracing definition of trust, the proposition by Rousseau et al. (1998: 395) that trust is a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions of behaviour of another, fits the reliance/risk trade-off that characterizes inter-organizational alliances.

A prevalent notion in the organizational literature is that trust between organizations is an important independent variable or ‘cause’ of successful partnership and joint performance because of enhanced capabilities and cooperation and reduced transactional costs (Gulati 1995; McAllister 1995; Mayer et al. 1995). Likewise, trust itself may be a dependent variable (namely the outcome) in that it is the result of prior
experience and identity formation, as illustrated by the strong collaboration between Japanese firms (Ouchi 1981). Doney et al. (1998) add that trust relies on social norms, values and underlying behavioural assumptions – presumably these assumptions are derived from some form of shared cultural history. However, participating members within a virtual organization may be culturally diverse with no previous working or partnering history, and therefore do not share a common past. With the increasingly transnational nature of enterprises and the technological advances that facilitate virtual alliances, the impact of cultural diversity, with different lexicons, values and interpretations, on dispersed team working is a particularly relevant issue.

In such a virtual structure with its variant of historical and new ties, the antecedents for trust-building behaviour based on a common belief that individuals or groups will act in good faith to fulfill commitments, demonstrate honesty in negotiations and refrain from excessive advantage (Cummings and Bromiley 1996) may be harder to assume for some than others. Additionally, the need to rely on a variety of artificial communication media can affect the process and form of confidence in other members within the network. Moreover, it is possible that remote workers’ expectations will be more personal and idiosyncratic – being constructed in a social vacuum – as they will be isolated from the usual benchmarks of the conventional organization structures, relationships and practices. This may in turn result in goal divergence and long-distance organizational politics, which Hughes et al. (2001) consider to be common in distributed organizations. Individuals perceiving a state of inequity in the relationship might adjust their behaviour to restore a state of equilibrium (Adams 1965). In other words, those who feel their commitment to the organization is not being adequately reciprocated might adjust their own level of commitment downwards to restore the perceived balance. This is particularly pertinent when a team is comprised of a mixture of internal and contract personnel, each with a different perception of the degree of commitment of their contractual and psychological relationships with the parent organization. The building of trust in these virtual settings, constructed on the basis of diversity and uncertainty, remains fundamental if the environmental uncertainties are to be overcome (Jarvenpaa and Leidner 1999). However, while a trusting relationship may be created through computer-mediated communication, this has been shown to be less robust than trust achieved through face-to-face communication (Jarvenpaa and Leidner 1999; Kasper-Fuehrer and Ashkanasy 2001).

Lewicki et al. (1998) found that trust is dynamic and in relation to an alliance’s life cycle, trust evolves with the situational context (Ring and Van de Ven 1994). It might be said that distributed coordination could be achievable directly through institutionalized plans and procedures. Parkhe (1993) argues that over time, relevant signals from organizational practice, personal observation and experience will allow for less emphasis on formal coordination and compliance measures. Hence, if a trusting atmosphere can encourage tolerance, then this is likely to help keep the alliance going during difficult times. Indeed, trust development as a continued, reciprocal and revitalizing process is seen as a key factor for Singaporean investors in China to maintaining long-term cooperation (Luo 2000). From this synthesis of the literature, it would appear that trust is produced through repeated interpersonal exchanges and its
production in turn cements an initial willingness to work with one another. It also suggests that trust may be modified by actual experience.

Inkpen and Currall (1997), in their study, reported that trust between alliance partners depends on the length of relationship prior to the alliance, the level of strategic alliance risk and the strength of interpersonal attachment. Luo’s research (2002) extends these earlier findings by concluding that trust is moderated by contextual variables; in particular, the age of alliance, the level of interdependence on one another’s resources and the risk commensuration between the partners. However, the extent to which the insights from the above and other similar studies would inform the specific understanding of cooperation and governance in the modern virtual organization is unclear. For example, where certain virtual associations may be short term, with a transactional [psychological] contract, perceptions of reciprocity are likely to be different when compared with the long-term, relational contracts that might exist in organizations with more conventional structures.\footnote{4}

Trust and control are critical factors in the success of the virtual organization (Cohen 1997; Jones and Bowie 1998) and understanding the conditions for cooperation and collaboration, or of distrust and resentment, will depend on the willingness and ability of management and individuals to adjust to and accept the new structures and relationships. Problems might arise when the individual believes the organization has failed to keep perceived promises (Morrison and Robinson 1997). However, understanding the trust mechanism as glue in maintaining virtual relationships is still in its infancy, and there is as yet little specific research on the impact of any trust betrayal on the integrity of the network of relationships within the virtual organization. As Handy (1995: 44) observes, ‘If we are to enjoy the efficiencies of the virtual organization, we will have to discover how to run organizations based more on trust than on control. Virtuality requires trust to make it work,’ leading Jones and Bowie (1998) to conclude that the virtual organization represents a ‘paradox’; it exhibits structural properties that work against the building of high trust relationships in which members’ commitment to the virtual partnership is relational rather than purely transactional.

Based on Handy’s (1995: 46) logic that ‘trust needs touch’ and ‘shared commitment requires personal contact to make it real’, it is unlikely that a totally virtual relationship is conducive for trust creation; thus further underlining the importance of geographical and time distantiation as factors implicating team development. Additionally, Butler’s (1986) assertion, made prior to the latest wave of communication technologies, that interpersonal trust is an essential part of human relationships, adds to the need to examine whether multiple relationships, lack of co-proximity and having to rely on artificial media for communication affect trust and commitment formation. Garfoot and Labrow’s (2003) caution against over-estimating the power of IT as an effective substitute for personal contact because problems of clarity of function, role or purpose can easily disrupt working relationships within the virtual networks, thus further highlights virtual organizations as complex systems.

While there is an abundance of literature on trust in sociology, psychology, management and even economics journals, there is relatively little that is specifically related to organizations with atypical structures and spatial–temporal relationships.
Thus, the impact of changes in organizational form on the psychological relationship is both interesting and potentially complex. The underlying concern for trust formation and reproduction in these modern forms is the opportunity for reciprocity and mutual obligation as antecedents to trust and commitment – a reciprocity that Rousseau (1989) had identified when observing the role played by the organization’s agents, such as supervisors and junior or top management, as emanating from an individual’s perceived contribution to and obligations from the organization. The exact nature and composition of members’ commitment, apart from expressed job satisfaction and willingness for continued association in conventional organizations is far from certain; in the virtual organization it is even more problematic owing to the atypical relationships that exist, the motives for collaboration and the means by which the participants interact. The purpose of this research was specifically to examine the importance of reciprocal trust and commitment and to identify potential barriers to their achievement in an atypical organization in which members are spatially and temporally separated, yet held accountable for their combined performance.

Methodology

Our study was conducted as a pilot for a more comprehensive research project that involved a series of virtual project teams operating on a global scale, transcending numerous time zones and national cultures. We held preliminary discussions with the manager of a small department in one of the UK divisions of the organization, CompuCo, and with his agreement conducted a survey of his team. The research was conducted with the members of the ‘virtual’ team, geographically dispersed across the United Kingdom and western Europe, during June and July 2001. Due to the lack of geographic proximity we collected the information from respondents through a combination of face-to-face interviews, a quantitative and qualitative questionnaire distributed and returned by email and by direct email correspondence. Our research objective was to establish the perceived need for reciprocal commitment and trust among the team members and the impact of the ‘virtual’ team structure on personal interactions (Rickards and Moger 2000; Tuckman 1965). We were also interested in the degree of commitment from the organization in terms of tenure and status (employee or contractor) and how this would implicate individuals’ commitment to the organization (group), division and line manager levels.

Case study: CompuCo

The division studied in CompuCo was established as an independent company in 1990. A UK-based software group, which, at the time of the study had 45 offices worldwide and a market capitalization of £185 million, acquired the company in 1999. The division adopted a strategy of ‘in-sourcing’ expertise to provide value solutions to clients that have outsourced all or part of their functions or processes, predominantly in the fields of data warehousing, content value management and data migration. Through a combination of permanent staff and contract personnel, it operated a numerically flexible approach. At the time of the study, the ‘workforce’ totalled 90, of which 60 per cent were permanent with the remainder being contracted.
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on fixed-term contracts. Project teams were a combination of permanent and contracted workers, assimilated into the day-to-day functions to such a degree that their employment status is not obvious. This organizational structure was adopted by CompuCo as an effective way of getting closer to the customer by acquiring and providing skills to bridge existing competency gaps. The immediacy of integration into the team resulted in some individuals being allocated to customer locations from their first day with CompuCo. As a consequence, they were expected to progress from the ‘forming’ to the ‘performing’ stage, with little consideration given to the ‘storming’ or ‘norming’ stages (Tuckman 1965).

Within the team members there was a high degree of consensus that reciprocal commitment in the work relationship was essential. The highest degree of commitment was at the personal or individual level; with the division (European) ranked second and the group (worldwide) last. This could be a result of the long-term association with the contract personnel as well as long-serving staff. Although contracts were essentially of fixed durations, tied to the estimated time-span of projects, upon completion most of these knowledge workers would be recommissioned to work on other projects. As far as perceived reciprocity is concerned, the team members felt a higher level of commitment to their present and future well-being at the personal level. They perceived some commitment at the divisional level, but felt the group was not really committed to them. This is probably due to the sense of isolation from the group, probably for very practical reasons as well as the recent assimilation into the larger group had yet to be bedded down. This apparent lack of commitment at the group level exemplified by one team member’s remark that ‘I do not relate to the group due to having no contact with them’, may also be a symptomatic characteristic of the virtual organization.

A second major finding was that there was clear consensus among the team members that a high trust relationship was more important in a team that is geographically dispersed than in one that is proximate. While accepting the need to work cooperatively together early on, they also confirmed that it took time to establish trust in a team and that face-to-face contact was essential and should not be discarded in favour of the electronic media.

Team members were asked to comment on the extent to which they were trusted to work to the best of their ability without close supervision. As with commitment, responses were measured at the group, divisional and personal levels. There was a perception that they were highly trusted at the personal and divisional levels, but not at the group level. There was clearly a significant degree of empowerment and self-governance, as team members reported a high level of freedom and their whereabouts during hours of work did not need to be accounted for. Clearly the ‘if I can’t see them, how do I know they’re working’ factor (Tapsell 1999) was overcome in this particular division of CompuCo. In his interview the manager made it clear that individuals will only behave in a trustworthy manner if the organization demonstrates trust towards them, thus supporting Handy’s observation (1995).

There was agreement that at the personal and divisional levels greater interest was placed in outputs (quantity and quality) rather than inputs (hours/days of work), thus supporting Adami’s (1999) claim, and that individuals were trusted to produce the
desired outcomes without close supervision. However, at the group level the evidence was less clear. The higher degree of trust at the personal and divisional levels extended to the perception that individuals would be looked after and well-treated, but again there was a lack of trust at the group level. Apart from the possibility that trust was in its infancy because of the newness of the group, this could also suggest that distance might inhibit the trust-building process.

In terms of team working, team members reported that for a team to achieve optimum performance it was necessary to operate initially in a face-to-face setting. As one team member commented: ‘I do not believe that a fragmented, geographically distributed “team” can ever be as productive as a team who are working together in the same location.’ Although there was a high deployment of communication technology, its effectiveness for building trust between team members was also rejected. This seems to highlight the potential difficulties of high performance and trust building in virtual teams.

Likewise, the notion that a team of skilled ‘experts’ is capable of self-direction and less dependent on the leader for direction and guidance was also questioned. As one team member put it: ‘There are times when a team of experts may need more direction and guidance than an unskilled team, if they have a tendency to take themselves in directions that they are either excited or comfortable with, and therefore not necessarily following the direction that the company needs them to take.’

From a psychological contract perspective, there is clearly a relational contract in CompuCo, but only with the agent (manager) with whom there is a high expectation and realization of reciprocal commitment and trust at the personal level. This relational contract does not appear to extend to the group level. A further uncertainty is the way in which the psychological contracts in CompuCo may develop as the structure and membership of the organization changes and new personalities and values challenge the status quo. The company demonstrated dynamic characteristics and the need for reciprocity exists longer than the initial economic relationship, for while an individual may only be required for a fixed period of time this was likely to lead to future periods of alliance.

Conclusion

Paradoxically, low commitment from the organization to the individual leads to low trust and team effectiveness is inhibited; yet organizational efficacy in dispersed teams requires high mutual commitment, high trust. From the exploration of the literature, it is evident that the new challenge facing companies is how to capitalize on the potential of new communication technologies to create value-adding capabilities for competitive advantage. In order to fill the knowledge and skill gaps created as learning lags behind advances in technology, an alliance-based organizational form, the virtual or network organization has evolved to breach these gaps. We propose that the essence of the new organizational form is in fact technology-enabled partnering under various guises such as outsourcing, strategic alliances, joint venturing and collaboration. The virtual or network organization is therefore
more a strategic concept than a prescribed organizational form and is invariably
about a collective of companies and/or individuals coming together for mutual
benefit. Digital connectivity has allowed the partners or actors to be ‘integrated’
over time and space for quick, effective response to market forces. Our study of
CompuCo suggests that it is the exchange of commitment between the organization
and its individual service/knowledge providers (or ‘pseudo’ employees) that provides
the platform on which the psychological contract is constructed rather than the latter
determining the type of commitment given to an organization as predicted by
McDonald and Makin (1999). From the discussion, it was also clear that time is
required to overcome operational and cultural differences to build personal trust.
Hence, the commitment level attached to an opportunistic cooperation targeted at
meeting a specific market need is likely to be predefined psychologically as a
transactional relationship.

Kanter (1997) argues that low commitment is a risk factor in alliances failing to
meet their objectives. This is supported by our submission that, as the overall objec-
tive of alliances is ultimately competitive advantage and economic gain, whether a
relationship is short-term or long-term, transactional or relational or if trust is based
on cognitive or affective knowledge of the ‘trustworthiness’ of the partners, the key to
success is still centred on the level of commitment given by the parties to the
partnership. However, as situations change, a commitment form may evolve that
would necessitate a realignment of the psychological understanding and trust between
the partners. If there is agreement between the partners that an upward shift from
short-term to long-term commitment is beneficial to all, then the alliance will
continue. If, however, there is no consensus between the partners (namely there is no
agreement to the equity of commitment given by the parties) then the alliance will
terminate, despite the economic benefits.

The findings of the case study highlighted the complex nature of organizational
commitment, because reciprocity between the organization and the individual in fact
exists at various levels – personal, divisional and group. No discernible difference
could be found in the level of commitment to CompuCo from employees and contract
workers, suggesting that employment status is not a key determinant in this instance.
A likely explanation is the overall length of each individual member’s association
with organization regardless of employment status. There was a clear demonstration
of a higher degree of commitment and trust at the personal level, thus demonstrating
the importance of a personal relationship and formation of a relational psychological
contract, backed by an appropriate amount of face-to-face contact as well as by
historical experience and understanding.

The implication for businesses is the need to appreciate that commitment is central
to the psychological understanding between the organization, the manager and the
individuals. It is derived from the perception of the longevity of association and the
degree of expectation of a trustworthy relationship, which in turn dictates the extent to
which individuals are willing to remain with the organization and to ‘reward’ the
organization with their trust and loyalty.
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Notes

1. The authors contributed equally to this article, names appear alphabetically.
2. Deindividuation is a psychological state of decreased self-evaluation, causing a loss of self-identity and leading to anti-normative and disinhibited behaviour. Its usage is derived from Zimbardo’s (1969) theory that the group provides an environment in which the individual – submerged and anonymous – suffers from a loss of self-awareness. Originally observed in the Stanford Prison Experiment, modern examples can be seen in phenomena such as collective behaviour, behaviour in online groups and in computer-mediated communications.
3. Given that one of the aims of the virtual organization and team working is resource sharing among members, there appears to be limited research on why groups or teams fail to utilize fully resources available in the ‘group’ (Davis 1973, 1982) and fail to generate creative ideas, despite access to a larger knowledge pool (Diehl and Stroebe 1991).
4. Transactional contracts are essentially instrumental and based on economic exchange, for example overtime and high performance in return for performance-based pay (McDonald and Makin 1999). Relational contracts are emotionally based and ‘characterized on the employees’ side by perceived obligations to their employer of loyalty, and on the employer’s by an obligation to provide job security’ (McDonald and Makin 1999: 85).

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