

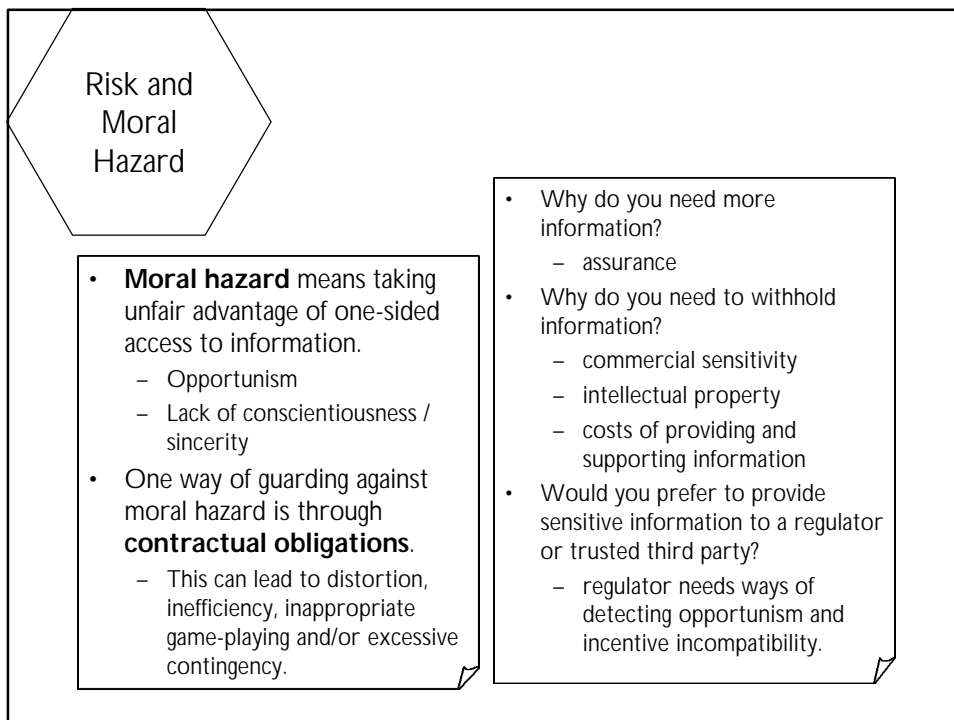
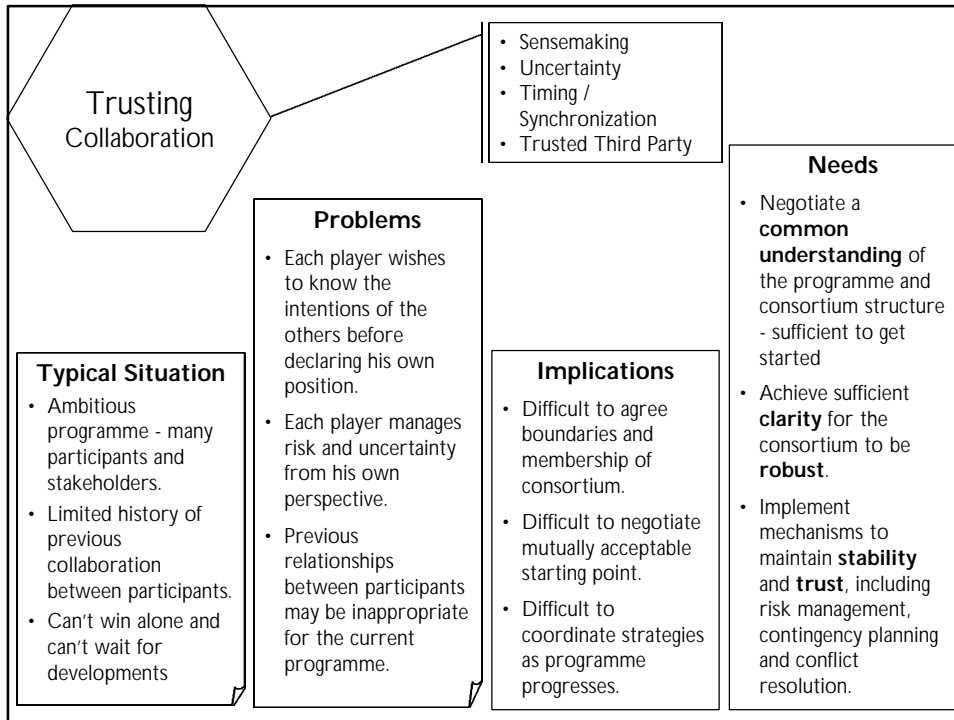
Trust and Transaction

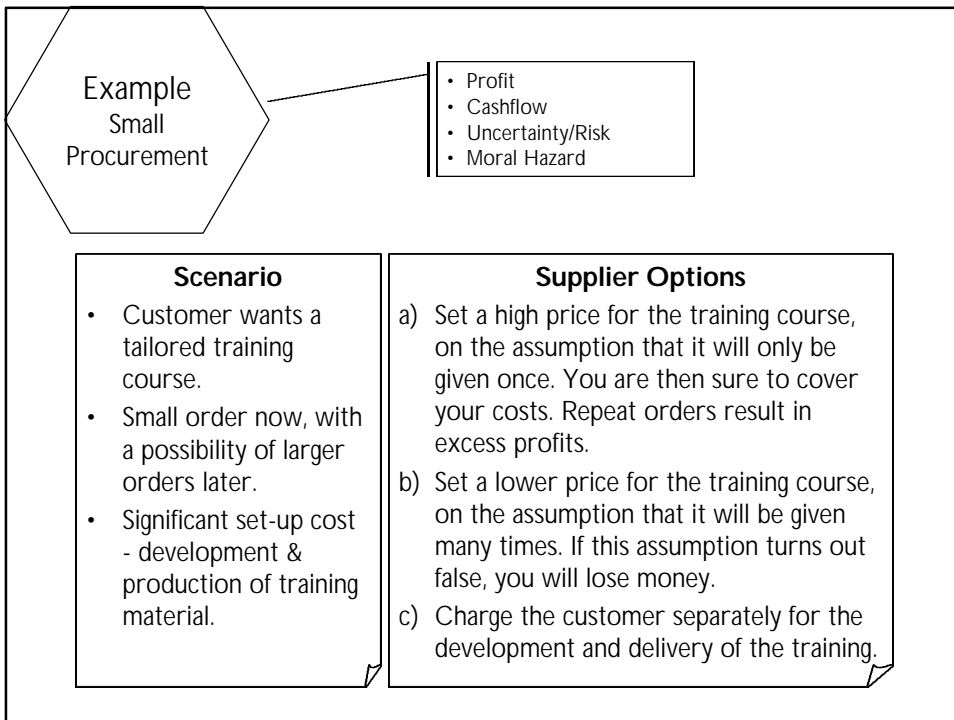
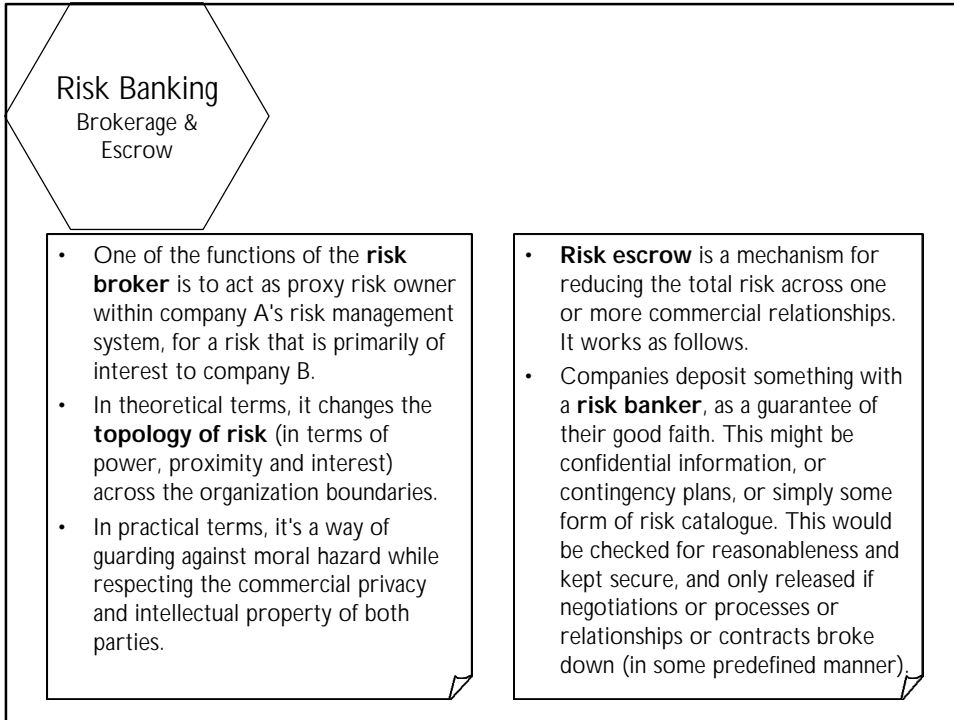
Level of trust available

Level of trust required

Transaction Type	Goal Congruence	Performance Ambiguity (Product Uncertainty)
Market	Low	Low
Bureaucracy	Medium	Medium
Clan (Group)	High	High

Source: William Ouchi





Example
Large
Procurement

Question	Issues
<ul style="list-style-type: none"> • What is a fair contractual basis for very large outsourcing contracts? <ul style="list-style-type: none"> - Build the next generation of tank - Build a computer system for a whole government department • What are the key sources of uncertainty? • What are the key tactics for avoiding uncertainty? 	<ul style="list-style-type: none"> • There is often an element of research in the project leading to greater uncertainty of outcome. <ul style="list-style-type: none"> - "We will reuse software components - but only if we can find any suitable ones, otherwise we will build them ourselves." • What is the incentive for the software supplier to reuse existing software components, when the customer will pay for new ones to be built? • Who should bear the risk - or how should the risk be apportioned?

Group
Uncertainty

- Establish who has to be trusted for a suitable possibility to be created
- Establish a scenario for each possibility looked at
- Develop commitments to the groups and to other stakeholders
- Monitor whether commitments of others respect the offered trust
- Switch scenarios when necessary

- Understand in detail the key resource to be jointly exploited.
- Develop a vision for how value for all can be generated
- Develop a mechanism for changing individual positions without losing trust
- Establish key management functions (Governance, Accounting, Mediation) as professional service.

