

Understanding Work Behaviors in Remote Work Environments During the COVID-19 Pandemic: Transaction Cost Theory Perspective

ABSTRACT

Previous studies on remote work have not understood which roles are suitable for remote work. In our study, we performed the literature review method and developed a conceptual model inspired by transaction cost theory. Additionally, we believe remote work is an optional option in the context of hybrid work during COVID-19. Our conceptual model leads us to believe that remote workers incur some additional perceived costs in the remote work process. We analyze the following four different roles to understand their perceived costs of working remotely: CEO, product manager, database engineer, and administrative employee. We are expected to provide theoretical explanations for what factors influence remote workers' perceived transaction costs.

Keywords: Transaction cost theory, remote work, work behaviors

INTRODUCTION

Since spring 2020, the COVID-19 pandemic has been forcing people to rethink life. The workers must use remote computer access at home to prevent the spread of the virus explosions, which is called remote work. Remote work refers to a type of work pattern that integrates ICT into work processes to move location away from the physical office (Baruch, 2001, p. 113). Remote work has recently evolved into a hybrid workplace that allows workers the flexibility to choose work location between the physical office and home, referred to as hybrid work. According to a recent SurveyMonkey and Zoom survey (2021), nearly 65% of respondents out of 1500 remote workers in the US say hybrid work is their preferred work style. Particularly, a burning issue is that not every worker is suited to hybrid work, as techwireasia reports. This practical question thus offers an interesting basis for scientific discussion.

Because of the dual nature of hybrid work, we can discern the worker's place of work: the physical environment and the remote environment. In our study, we focus on the analysis of remote work. Two major areas in previous studies on remote work have been organizational control (Brice et al., 2011; Errichiello & Pianese, 2016; Groen et al., 2018) and technology acceptance (Daniels et al., 2001; Ndubisi & Kahraman, 2005; Mayo et al., 2009; Neirotti et al., 2013; Ansong & Boateng, 2018). However, little is known about the hidden costs (such as search costs, enforcement costs, negotiation costs, and audit costs) that workers suffer while working remotely. Hence, we completed the literature reviews to identify the research gap and propose a conceptual model based on transaction cost theory and show available evidences for the proposed propositions. We selected four different roles (CEO, product manager, database engineer and administrative employee) in the organization that have their key responsibilities. We examine: (1) What factors are associated with the perceived transaction costs of doing business remotely? and (2) How does each factor affect perceived transaction costs? The results of this study will help determine the applicability of remote workers.

LITERATURE REVIEW

The Nature of Remote Work

Remote work is often associated with organizational behavior (Ndubisi & Kahraman, 2005; Carillo et al., 2020) (Table 1). Remote work involves relative uncertainty in communication and performance (Brice et al., 2011). These issues are technical and environmental in nature, affecting the intention of corporate stakeholders to adopt remote information systems (Ansong & Boateng, 2018). A perfect consideration of the arrangement of remote work should first understand the antecedents of the adoption of remote work and establish the relationship between organizational control and outcomes (Errichiello & Pianese, 2016). Meanwhile, the onset of remote work adoption (e.g., the early adopters and the late adopters) would shape the structure of the organization (Daniels et al., 2001).

A common observation related to remote work is that there is considerable debate among academics about the behavior of remote workers. Remote workers increase in-person work efficiency as some associated transportation costs (e.g., fuel oil costs and travel expenses) are reduced (Ansong & Boateng, 2018). Likewise, remote workers receive less monitoring and improve their job performance (Groen et al., 2018). However, the efficiency and performance of remote workers is highly dependent on their IT skills (Staples et al., 1998; Silva-C et al., 2019). Furthermore, the descriptive characteristics of remote workers (e.g., work experiences and task types) are often also used to assess individual remote work outcomes (e.g., satisfaction, ability, and performance) (Turetken et al., 2010; Nakrošienė et al., 2019). Job characteristics can also cause a difference in remote worker acceptance (Mayo et al., 2009).

Table 1: The overview of remote work behavior

Sources	Aspects hierarchy	Adoption theories	Focuses
Staples et al. (1998)	Individual	Self-Efficacy theory	Performance
Daniels et al. (2001)	Organization	Neo-institutional theory	Adoption

Ndubisi & Kahraman (2005)	Organization	Resource based view/ Agency theory/ Institutional theory/ Societal marketing concept	Remote work adoption
Mayo et al. (2009)	Organization	Contingency theory	Remote work adoption
Turetken et al. (2010)	Individual	Distributed work arrangements (Collins, 1998)	Remote work success
Brice et al. (2011)	Organization	Transaction cost theory/Agency theory	Output and behavioral controls.
Neirotti et al. (2013)	Individual	Technology-organization-environment framework (TOE)	Remote work adoption
Errichiello & Pianese (2016)	Individual, groups, and Organization	Structuration theory	Organizational control
Groen et al. (2018)	Individual	Control theory	Output controls
Ansong & Boateng (2018)	Organization	Technology-organization-environment framework (TOE)	Remote work Adoption
Nakrošienė et al. (2019)	Individual	Job demands-resources theory (JD-R)	Remote work outcomes (e.g., productivity)
Silva-C et al. (2019)	Individual	Technology acceptance model	Remote work attitude
Carillo et al. (2020)	Individual	The theory of work adjustment (TWA)	Remote work adjustment
Our Study	Individual	Transaction cost theory	The Remote workers' willingness

Source: This study.

The Applicability of Transaction Cost Theory to Remote Work

The transaction cost theory was first articulated by Coase (1937), who points out that transaction costs stem from the additional costs in addition to the price mechanism in the market economy. These cost elements can be categorized into ex-ante (e.g., search costs) and ex-post costs (e.g., monitoring costs). Later, William (1985) expanded the original concept to add the dynamic effect. To put it another way, environmental uncertainty, complexity, transaction frequency, asset specificity, information asymmetry, and transaction atmosphere all contribute to failure.

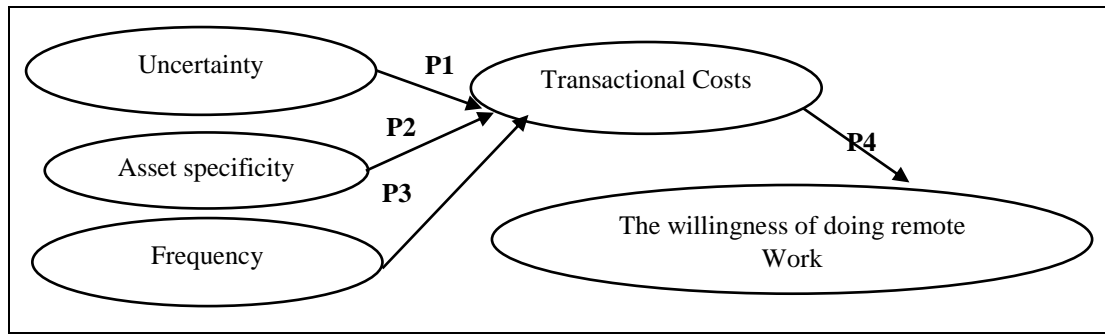
The transaction cost theory has been successfully applied in many aspects. Established examples include applications of transaction cost theory in the areas of corporate governance (Kochhar, 1996; Teece, 1986), online shopping (Wu et al., 2014; Teo, 2006), and supply chains (Grover & Malhotra, 2003; Ketokivi & Mahoney, 2020). Since remote work is an alternative compared to the physical office, it is reasonable to assume that workers would prefer the style of work with lower perceived transaction costs. While workers are drawn to the convenience of remote work, they also perceive various uncertainties through the remote work process that increase their transaction costs. For example, they might be concerned about IT disruptions or message misunderstandings. Using this example, this makes the transaction cost theory being reasonable interpretation of remote work behavior. As a result, we highlight whether the worker would choose to work remotely, which is determined by workers' perceived transaction costs.

RESEARCH METHOD

We reviewed the literature on the theoretical perspective of remote work to attempt a solution to the practical issue of which role is a good case for conducting remote work. Nevertheless, most studies emphasize how the relationship between the remote system and the remote workers affects organizational development. Therefore, we determine the appropriate use of the transaction cost theory in the context of this research question. Finally, we propose a research model with the structural equation modeling.

THE PROPOSED MODEL

We performed a novel model using transaction cost theory after analyzing the theory's feasibility from the literature reviews (Figure 1). In our study, we used a multigroup analysis according to the structural equation model (SEM). The CEO, product manager, database engineer, and administrative employee were analyzed. The next step is to provide some evidence to support the proposed propositions.



Source: This study.

Figure 1: Research model

Proposition I: More uncertainty leads to a higher transaction cost (P1).

Uncertainty arises from unpredictable and unverifiable events (Geyskens et al., 2006) related to the costs associated with the asymmetric information (Liang et al., 2021). From the remote worker perspective, we argue if CEO, product manager, database engineer and administrative employee choose the way of working remotely and then they would create the challenge of environmental insecurity and IT manipulation insecurity. Environmental uncertainty basically refers to the unforeseen changes in the circumstances of the exchange (Noordewier et al., 1990, p. 82). These workers transfer information via ICT to achieve the work goals, which can be considered as an environment for information exchange. Compared to the physical office, the collaborative interaction between the remote workers remains more static and isolated (Yang et al., 2022). Consequently, the remote workers receive the less dynamic message changes in the remote environment. Another suggested uncertainty is the manipulation of uncertainty by IT. The uncertainty of IT manipulation relates to the frequency of updates and the unpredictability of the ICT software that causes the perceived uncertainty for the remote workers. If the remote system's software is updated rapidly, the computer system will lead to bugs. In this situation, the remote workers would spend so much time adopting the new change of the software. Then it is inevitable to encounter the consequences of workers' performance degradation.

Proposition II: More asset specificity leads to a higher transaction cost (P2).

Asset specificity refers to the enduring investments made to support specific transactions (Williamson, 1985, p. 55). Asset specificity is at the core of transaction cost theory (Williamson, 1981). In our study we draw inspiration from Williamson (1983) and distinguish two types of asset specificity: (1) location specificity and (2) physical specificity. Site specificity refers to superior site implying resource acquisition but associated relocation costs (Williamson, 1983). Therefore, we argue that some jobs that require human interaction and cross-team collaboration have higher site specificity. Physical specificity refers to the use of specialized tooling required for component manufacture (Williamson, 1983). Under this definition, this can be construed as the necessities during the production process. Therefore, we believe that some maintenance jobs would have higher physical specificity due to the centralized computer system in the physical office. In theory, as asset specificity increases, the trader strives to control opportunistic behavior, which incurs more transaction costs (Williamson, 1985).

Proposition III: More frequency leads to a lower transaction cost (P3)

Frequency represents the number of repeat purchases in the transaction (Loebbecke & Huyskens, 2006; Aubert et al., 1996). Therefore, we define frequency as the times when technology tools are used to perform remote work. For hybrid work, frequency also impacts workers' perceived transaction costs and their willingness to work remotely. For dealing with technological tools and virtual workshop platforms, the reaction to the level of uncertainty in the transaction process is differentiated for those familiar and unfamiliar with using technological tools and virtual workshop platforms. The more frequent the transaction process occurs, the more transaction costs are mitigated (Miranda & Kim, 2006).

Proposition IV: More transaction cost leads to a lower worker's willingness of doing remote work (P4).

In remote work, the different workers at the different positions can access a wide variety of services and start their work business via a virtual environment. Further, the different attributes of job responsibility reflect transaction costs in various ways. In our study, three types of transaction costs are involved in the worker's willingness of doing remote work. These transaction costs include:

- 1) The searching costs: The worker spends time and effort searching for information among various search engines or social media making the task easier.
- 2) The bargaining costs: The worker spends time and effort online coming to a consensus regarding the details of the work task.
- 3) The enforcement costs: The worker spends time and effort online ensuring the goal of the completed work task because of unpredictable occurrences.
- 4) The examination costs: The worker spends time and effort online performing the acceptance test on all tasks.

Based on these observations, the worker would choose transaction forms that cut down the perceived transaction costs.

CONCLUSIONS

The aim of this study is to propose an innovative conceptual model by resorting to transaction cost theory. In this study, we try to show the applicability of transaction cost theory to hybrid work through literature reviews. Overall, we examine the

emerging role of hybrid work in the context of COVID-19. In our research model, we analyze the four different types of positions (CEO, product manager, database engineer, and administrative employee) using the structural equation model. We expect the empirical results to be as follows: CEOs and database engineers would be more likely to work remotely than product managers and administrative employees. This is mainly due to the variance of the individually perceived transaction costs. Compared to working in the physical office, remote work increases search costs and negotiation costs, but instead decreases audit costs and enforcement costs. The CEO specializes in shaping the organization's decision-making process and the database engineer specializes in keeping the data secure. The characteristic of their work is not limited to space and time, which suggests that CEO and database engineer can focus on solving problems through remote work. In contrast, professional responsibility requires the process of a series of negotiations (the product manager), and countless different office tasks (the administrative employee) are less suitable for remote work since these jobs rely on human interaction to increase work efficiency. The physical office has the absolute advantage that team members can easily interact with each other face to face. We conclude that the higher an individual's perceived transaction costs, the less likely they are to work remotely.

As with any academic study, we provide the limitations of this study and suggestions for future research. Although we could conclude that the teleworker experiences perceived transaction costs using transaction cost theory, the main weakness of this study was the lack of empirical analysis. In addition, the different roles involve separate transaction costs. However, we have not fully understood them through the observation method. Much more work needs to be done to resolve these issues.

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