Chapter XXX
Trust, Social Networks and Electronic Commerce Adoption

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ABSTRACT

This chapter uses the structural and relational dimension of Social Capital Theory as the lens for examining the factors affecting a Small and Medium Enterprise's (SME) intention to adopt electronic commerce (EC), using a one-shot experimental design. The findings suggest that in terms of the network structure, Thai SME owner/managers predominantly use their strong ties (such as family, relatives, friends) when discussing EC adoption issues. Moreover, trust in social networks (both predisposition to and experience of trust) was found to significantly influence the intention to adopt EC. This means that when Thai SME owner/managers are considering exploiting a potential business opportunity, the trustworthiness of the social network member appears to be more important than their credibility. An important implication of the findings is that, in mostly using their strong ties with family and friends, Thai SME owner/managers may not be obtaining accurate information about the benefits and costs involved in EC adoption.

INTRODUCTION

This chapter uses social capital theory as the lens for examining the factors affecting **Small and Medium-sized Enterprises (SMEs)** intention to adopt **electronic commerce (EC). EC** refers to the trade of information, goods and services using computer networks (Daniel & Wilson, 2002). The importance of **EC** has arisen as part of globalization and it is expected to reshape the way firms conduct business (OECD, 2005). Information technology generally, and the internet in particular, has been a strong driving force enabling globalization because it offers an avenue for efficient business transactions (Tan & Teo, 1999). However, while there have been studies examining the factors affecting the adoption of EC by big business, there has been less research into these issues within **SMEs** (Daniel & Wilson, 2002; Dutta & Evrard, 1999). Within Thailand, **SMEs** are defined as enterprises with fixed assets of 20-100 million bahts and those employing 20-100 employees (Intrapairo & Srivihok, 2003). In addition to these specific dimensions, SMEs often differ from big businesses by being independently owned and operated. Moreover, they are often time poor and, as a result, may focus more on operational activities (Garengo, Biazzo & Bititci, 2005) aimed at survival rather than growth (Gray, 2002).

Researchers have used numerous approaches (evident in the Information Systems (IS) and technology and innovation adoption literature) to identify the factors that may affect a firm's decision to adopt EC. This chapter differs from past approaches in that it uses a **Social Capital** Theoretical framework as the lens for examining the factors affecting SME owner/manager's intention to adopt EC. **Social capital** theory argues that individuals and groups are more productive because of the **social network** relationships that link them (Taylor, Jones & Boles, 2004). This is because the benefit associated with belonging to a **social network** is that it provides access to knowledge and resources that may benefit recipients (Lin, 2001).

Theorists have identified three dimensions of **social capital**. These are the structural, cognitive and relational dimensions, which can be used to explain outcomes in business (Nahapiet & Ghoshal, 1998). The structural dimension refers to the structures embedded within organizations promoting links. Structural **social capital** has been examined by entrepreneurial researchers by analyzing the number of contacts that occur and connect individuals. These connections over time become trusted sources of knowledge and resources because the rules that govern their interactions (whilst usually intangible and non-verbal) also facilitate relationship building (Burt, Hogarth & Michaud, 2000).

The cognitive dimension refers to the shared values, beliefs and norms that bind SME owner/managers together (Nahapiet & Ghoshal, 1998). Hence, examining the rules that govern how relationships amongst SME owner/managers develop is an example of analysing relationships using the cognitive dimension lens (Kessels & Poell, 2004; Nahapiet & Ghoshal, 1998). The development of shared values and beliefs affect relationship building in a number of ways. Once members interact to the extent that the rules about behavior become evident, then the relational dimension of **social capital** develops.

The relationship dimension of **social capital** examines the **networks** in terms of the quality of relationships. Past research suggests that effective relationships are characterised by a high level of **trust** amongst members and that once trust is established, the benefits accrue to members (Adler & Kwon, 2002; Tsai & Ghoshal, 1998). According to BarNir and Smith (2002) and Das and Teng (1998), members who share similar norms and beliefs learn to trust one another. The benefit of this trust for both parties is that governance rules develop about future behavior, which allows members to predict whether other members can be trusted to abstain from using new information for their

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