

Chapter 15

Technology Related Trust Issues in SME B2B E-Commerce

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ABSTRACT

There is increasing evidence that e-commerce adoption among SMEs is expanding rapidly. In spite of that, SMEs, particularly in developing countries, have not been able to adequately benefit from the new opportunities offered by e-commerce technologies. Previous studies have identified lack of trust as one of the major hurdles in achieving the potential benefits by the SMEs. This paper identifies technology-related trust issues that need to be addressed while building e-commerce infrastructure for SMEs. The evidence offered in the paper is based on a survey of the relevant practices regarding deployment and effective implementation of relevant technology tools to address these issues and enhance the levels of trust in e-commerce infrastructure. The paper also examines the relationship between the perceived level of trust and the level of assurance in respect of various technology-related trust issues. The paper suggests an approach of collaboration among the SMEs while building the e-commerce infrastructure and focusing their attention on the technology-related trust issues.

1. INTRODUCTION

Small and Medium Enterprises (SMEs) play a key role in the development of the economy of any country. SMEs are estimated to account for 80 percent of global economic growth (Jutla, Bodorik, &

Dhaliwal, 2002). The relative importance of SMEs in many economies has been long recognized as different from large businesses (Gengatharen & Standing, 2005). It is stated that about 90% of all businesses in Australia (Mason, Castleman, & Parker, 2008), 96% in Malaysia (Alam et al.,

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2008) and 85% in US (Levenburg & Klein, 2006) are characterized as SMEs. The contribution to generation of employment and distribution of economic power has always put SMEs in focus of national economic planning of most nations. In spite of this, SMEs continue to suffer from scarcity of resources and high degree of competition from their larger counterparts. However, with the advent of Internet, it was thought that SMEs would be greatly benefited by adoption of e-commerce technologies. Internet provided an opportunity to SMEs to enter the e-commerce environment at lower and affordable prices and thereby reduce transaction costs and expand the scope of marketing, by reaching new markets and partnering with suppliers and other collaborators (Payne et al., 2003). While anecdotal evidence and empirical results give the impression that e-commerce adoption among SMEs is expanding fast, the fact remains that many SMEs are still sitting on the sidelines (Daniel & McInerney, 2005; Teo, Wei, & Benbasat, 2003).

Most commonly, economists and information systems researchers view the spread of e-commerce as one of the main factors contributing to globalization by virtue of the speed with which it allows communication, information, and transactions to flow across large distances, thereby reducing coordination and search costs that formerly inhibited such trade (Bakos, 1997, 1998; Cairncross, 1997; Choi, Stahl, & Whinston, 1997). E-commerce has not only helped in reducing the cost of trading among SMEs but also has helped them to strengthen their relationships and collaboration among their trading partners for “just in time production” and “just in time delivery” (Ngai & Wat, 2002). Since SMEs do not have a well-established brand name, the participation of SMEs in e-commerce is more common than in B2C e-commerce (Deelmann, 2002). For SMEs, Internet and e-commerce are viewed as a means to overcome the barrier of distance and size in accessing global markets and building long-term relationships (Daniel & McInerney, 2005; Gen-

gatharen & Standing, 2005). Many SMEs are using e-commerce to restructure operations, streamline processes, reduce costs, improve sales and service, reach new markets, and distribute information. Most studies indicate that although there are growing levels of awareness and enthusiasm for e-commerce, only a small proportion of SMEs are realizing substantial benefits (Gengatharen & Standing, 2005). It has often been cited that even though SMEs are adopting the e-commerce technologies, they are unable to fully exploit the potential, due to the high set up costs involved. Another barrier in the growth of e-commerce among SMEs is the lack of trust (Deelmann, 2002).

Though, a number of studies have been conducted relating trust to e-commerce, not much work seems to have been done on various issues regarding trust in e-commerce among SMEs (Ngai & Wat, 2002). Most of the studies have either focused on adoption of technology for e-commerce or on trust issues in e-commerce among SMEs. However, there is dearth of literature relating to use of technology for building trust in e-commerce among SMEs. The present paper focuses on the role of technology in enhancing levels of trust among SMEs.

2. LITERATURE REVIEW

A number of studies have been conducted that have focused on trust and e-commerce adoption. Some of these studies were relating to trust and e-commerce adoption, whereas others focused on technology related factors which have the potential to influence trust in e-commerce. A few studies specifically focused on SMEs and the issues relating to e-commerce adoption including trust related issues. Some of the significant studies in this regard are summarized.

Trust acts as a catalyst in many buyer–seller transactions that can provide consumers with high expectations of satisfying exchange relationships (Hawes, Kenneth, & Swan, 1989). Researchers

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