

Chapter VIII

The Role of Trust in Business-to-Business E-Commerce Collaboration in a Unique Environment in Australia

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ABSTRACT

This research explores interorganisational collaboration in business-to-business e-commerce, and the factors that influence its development in a unique Australian environment. Using a qualitative case study approach, seven informants from four Tasmanian organisations were interviewed. The data confirmed trust was an important prerequisite for the establishment and development of both electronic and traditional interorganisational relationships. Collaborative relations such as communication and repeated interactions facilitated the development of trading-partner trust. Interestingly, trading-partner size did not influence trading partner trust, although “volume of business conducted” between trading partners was an influencing factor. Other factors included trading-partner reputation and length of preexisting relationship. Perceived benefits of trading partner trust included general business efficiencies, business growth, faster payment, increased information sharing and confidence, improved business relations, delivery, and reliability. The results enhance organisational awareness of similarities and differences between traditional and electronic business-to-business trading relationships, and contribute to the growing body of knowledge on interorganisational trust and business-to-business e-commerce. The influence of the unique Tasmanian environment was acknowledged and discussed as a mediating variable in considering the findings.

INTRODUCTION

Trust does not reside in integrated circuits or fibre optic cables. Although it involves an exchange of information, trust is not reducible to information. A "virtual" firm can have abundant information coming through network wires about its suppliers and contractors. But, if they are all crooks or frauds, dealing with them will remain a costly process involving complex contracts and time-consuming enforcement. (Fukuyama, 1995, p. 25)

Business-to-business electronic commerce covers a broad range of applications that enable an enterprise or business to form electronic relationships with their distributors, resellers, suppliers, and other partners (Turban, Lee, King, & Chung, 2000). A number of studies have reported on the benefits of information exchange between the various constituents of the supply chain (Cachon & Fisher, 2000; Garvirneni, Kapuscinski, & Tayur, 1999; Li, 2002). These benefits include improved ordering and inventory allocation. Lack of trading-partner trust has been identified as a significant factor contributing to the slow adoption rate of business-to-business e-commerce in the developing research that reports on interorganisational trust between firms conducting business online (Aschonmeit & Lenz, 2002; Hsiao, 2001; Keen, 2002; Scott, 2000). In a recent study of supply-chain information sharing, Lee and Whang (2000) identified confidentiality as one of the major hurdles that prevent firms in the supply chain from sharing information, and stress the importance of establishing trust to encourage information sharing within the supply chain. Some researchers propose that the issue of trust is the biggest obstacle to information sharing in business (Lewicki & Bunker, 1996; Li 2002), and there has been some speculation that geographic location may have an influence on the development of trust in online collaborations (Pavlou, Tan, & Gefen, 2003; Ratnasingham & Kumar, 2000).

This study goes beyond existing literature that focuses primarily on the role of trust in business-to-consumer transactions (Pennington, Wilcox, & Grover, 2004) to explore the nature of trust, its development and influences within direct, intermediated, and direct/intermediated business-to-business (B2B) e-commerce collaborative relationships in a unique Australian environment. The objective of the research is to provide some guidance for those currently involved in, or considering future adoption and participation in business-to-business electronic commerce, and to provide empirical evidence to the current body of literature. We begin by presenting definitions of interorganisational relationships and trust, and follow with a discussion of previous trust and e-commerce literature. Next, research design, data collection, and analysis processes are described. Finally, findings are presented, along with conclusions and suggestions for practice and future research.

DEFINING CONCEPTS

Interorganisational Relationships

It is widely held that to survive and thrive in competitive environments, organisations must seek cooperative relationships with other organisations (Kumar, Stern, & Anderson, 1993). These cooperative relationships are regarded as interorganisational relationships (IORs) or inter-firm partnerships (Kumar et al., 1993). Recently, technology has begun to support the development and maintenance of IORs through the introduction of interorganisational systems (IOS).

Collaboration through IOS can cover a variety of activities, such as supply-chain management, outsourcing, strategic planning logistics, and demand forecasting (Kwok, Lee, & Turban, 2001). Factors such as technology, leadership, and culture have been shown to influence the process

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