Chapter III

Developing Trust for Electronic Commerce

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While much attention is currently being devoted to solving technological challenges of the Internet, for example increasing the bandwidth on existing narrowband network platforms to overcome bottlenecks, little attention appears to be given to the nontechnical aspects. This has been a mistake in the past as human resistance to, or incompetence during, the introduction of new Information Technology (IT) often caused Information Systems (IS) to fail. By focusing on a broad range of technical and nontechnical elements early in the adoption of Internet technology, we have the opportunity to avoid the mistakes made in the past.

The Internet has given rise to electronic commerce (e-commerce) through the use of the World Wide Web (Web). E-commerce, by its nature, offers enormous possibilities but in an uncontrolled environment. Therefore, for e-commerce to be accepted, trust must be established as soon as interaction with a Web site begins. In the virtual environment of the Web trust has become even more important because the parties are not in physical proximity. There are no handshakes or body language to be observed when closing a deal. Furthermore, jurisdiction is unclear. Developments on a global scale are required that provide assurance that e-commerce can be conducted in a ‘trusting’ manner.
E-commerce can be defined as the process of conducting business between entities (organisations, persons) using appropriate electronic methodologies and procedures. Simply stated, e-commerce is a means of exchanging products, services and information over electronic networks that make up the Internet. The Internet can be described as a non-hierarchical, democratically structured, collaborative arrangement entered into by millions of network users. This informality and lack of overall control creates the perception in many people that the Internet is inherently insecure and cannot be trusted.

The question of trust and related concepts has occupied our minds for many decades. In 1958 Morton Deutsch wrote, “The significance of the phenomenon of trust and suspicion in human life is attested to not only by past preoccupations but also by current problems.” (p. 265) Today we can categorise as a ‘current problem’ the trust or lack of it associated with e-commerce. In this chapter we will again examine the concept of trust and apply it to the environment and needs of e-commerce.

**THE NEED FOR TRUST**

Fink (1999) surveyed final year university students, the future business leaders, to capture their perceptions of e-commerce. The study hypothesised that the success or failure of e-commerce will be determined by the trust that they would show towards the use of the Internet. In other words, the students would weigh up their perceptions of the capabilities of e-commerce against perceived concerns and risks. His findings indicated that business students believed that the capabilities of e-commerce were not currently fully achieved because of the high levels of concerns and risks that exist. Fink (1999) concluded “As a consequence, the trust students currently have in e-commerce is relatively low.” The students, however, were optimistic about future prospects of e-commerce, which they believed would significantly improve over the next few years.

The importance of trust has been widely acknowledged, but difficulty has consistently been encountered on how to define the concept. In the words of Hosmer (1995, p. 380), “There appears to be widespread agreement on the importance of trust in human conduct, but unfortunately there also appears to be equally widespread lack of
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