The Nature of Trust in Virtual Entrepreneurial Networks

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ABSTRACT

The purpose of this article is to explore the nature of trust in virtual entrepreneurial networks by asking the research question, “What types of trust can be found in these networks?”. The authors argue that globalization, the pervasion of ICT, and the growth of entrepreneurial e-trade encourage the use of virtual networking by entrepreneurs. Networks are seen as a social device to extend and embed entrepreneurs, but depend on trust for governance and operation. Through a critical thematic analysis of literature on trust and virtual networks, the authors propose a conceptual theoretical model of multidimensional trust, with emphasis on its relational characteristics. The authors find that trust largely depends on close contact among entrepreneurs for its development. Only swift trust, which is a limited form, is likely to exist in purely virtual networks. Practical implications of this theoretical article can be based on the authors’ argument that entrepreneurs must augment virtual networks with more personal contacts to realise the full benefits of networking.

Keywords: Entrepreneur, Networking, Trust, Types of Trust, Virtual Networks

INTRODUCTION

The purpose of this article is to explore the nature of trust in virtual networks. It is a theoretical study which attempts to use the extensive body of literature about trust to develop an understanding about what sorts of trust we might expect to find in virtual networks. This topic is particularly relevant for entrepreneurship on several counts. First, we note how entrepreneurship is no longer seen as an individualised practice (Hoang & Antoncic, 2003; Dodd & Anderson, 2007; Anderson & Starnawska, 2008), and thus signifies the importance of networks for extending entrepreneurial resources (Jack et al., 2008). Secondly, trust and morality play the critical role in social capital formation within these entrepreneurial networks (Bagnasco, 2001; Anderson et al., 2007; Anderson & Smith, 2007). We must also note how increasingly entrepreneurship crosses time and space (Anderson, 2005; Chorev & Anderson, 2006; Sarason et al., 2006), and cultures (Li et al., 2003; Dodd & Anderson, 2001; Anderson et al., 2000), with close customer relationships remaining paramount (Anderson & McAuley, 1999; Merrilees, 2007). Increasing these networks as virtual re-
reflects a response by entrepreneurs to the parallel growth of internationalization and ICT (Harbi et al., 2009). Globalization implies an increase in on-line trade and general e-commerce (Oh et al., 2009), far places becoming closer, so that very few businesses operate without some international linkages; the internationalization of suppliers, customers or collaborators means that the organizational context of many entrepreneurial businesses is now global (Ka Young et al., 2009). This globalization and the adoption of e-commerce have been facilitated by the increasing sophistication of communication (Eastin, 2002), so that physical presence seems no longer necessary. Thus, we see the emergence of the new phenomenon of virtual networking.

However, despite the growing popularity and use of virtual networking, we know very little about its operation. In particular, the role of trust appears to play a significant role in the operation of an entrepreneurial virtual network, but there is limited research conducted in this area.

To begin answering the research question “What types of trust can be found in entrepreneurial virtual networks?”, we analyse the concepts of virtual network and trust. Then, we proceed to review trust literature from a range of angles, and conceptualise a relationship between virtual network and various types of trust.

The extensive trust literature is complex, reflecting the problems inherent in the deceivingly simple concept of trust itself. However, previous studies can be usefully categorised to take into account the dynamic nature of trust (Jack et al., in press). Seen as a dynamic phenomenon, it becomes clear that we can employ a range of dimensions, definitions and descriptions of trust to show the emergence of trust as process. In this way, we can argue that trust is a necessary condition of an effective virtual network. The practical aspect of the article, and our contribution, lies in the development of a conceptual framework, which, in combining and synthesising the literature, shows how robust and enduring trust can be as a quality rooted in affective ties.

Our argument is that a virtual network will initially operate upon a presumption of trust (Anderson & Smith, 2004). This presumption is founded upon beliefs about competence within the network and is based upon the notion of a common purpose. This cognitive-based trust, according to Newell and Swan (2000), is conditional, but based only on a supposition that there are no obvious grounds for mistrust. In consequence, such swift trust is functional, but shallow. If the expectations of network competences continue to be satisfactorily realised, swift trust can sustain network interactions. However, because this form of cognition-based trust is only anchored in one dimension of a relationship, it is likely to be fragile and, consequently, temporary. In contrast, what we will describe as organic forms of trust, affective trust, is multidimensional, empathetically rooted in individuals, and is likely to be robust, and able to be sustained through difficulties. The course of formation, development and maintenance of trust is therefore processual. An understanding of this progression, therefore, depends upon knowing trust processes.

**Methodology**

The foregoing sets our research agenda. The study aims to answer a succession of research questions: What is trust? Can we categorise its different types? How is trust manifest in virtual organisations? Is it cause or outcome? Is it process or content? Finally, what are the key features in developing trust in a virtual network?

This is a conceptual article, in which our research objective is to understand the likely nature of trust in virtual networks. To achieve this, we conduct a critical review of the literature on trust to explore and understand what types of trust, the dimensions of, and how trust can be expected to impact in the very different context of virtuality. The analysis of the extensive trust literature enables us to establish the key features of trust and trust processes. Our critical review begins by examining the significance of trust, then moves to explore the nature of networks and their relationship with trust. This provides a
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