The Role of Strategic Alliances in the Ongoing Use of Electronic Commerce Technology in Regional Small Business

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ABSTRACT

A number of recent studies have suggested that for small businesses to maximise the benefits and minimise difficulties when adopting electronic commerce, they should be involved in some form of strategic alliance (network) with other small firms. This study compares the benefits gained and the difficulties encountered by SMEs that were part of a strategic alliance and those that were not. The results show that while difficulties are minimised by involvement in a strategic alliance, there are no significant differences in the benefits gained.

Keywords: strategic alliances; electronic commerce; small to medium enterprises, SMEs

INTRODUCTION

The diffusion and assimilation of electronic commerce (EC) in small to medium enterprises (SMEs) represents a critical area of investigation. As SMEs confront an environment, that is increasingly complex, technologically uncertain and globally focussed, there is a growing need to be flexible and pro-active in business dealings. Miles et al. (1999) have suggested that this has prompted many businesses (both large and small) to turn towards some form of strategic alliance, where the locus of the impact of change is interorganisational rather than organisational. There are many studies that advocate the importance of strategic alliances in the early adoption of EC, par-
particularly by SMEs (see Jarratt, 1998; Donckels & Lambrecht, 1997; Overby & Min, 2001). These studies not only suggest that strategic alliances provide a ready source of technical information, market expertise and business know-how, but that the strategic alliances provide a more flexible arrangement in dealing with environmental turbulence.

Despite the proposed advantages of strategic alliances in adopting EC in the SME environment, little research has been carried out concerning the ongoing success with EC under such arrangements. Even less work has been done comparing those SMEs that work within strategic alliances and those that have opted to remain outside such arrangements.

Accordingly this paper compares the use of EC by those SMEs that are part of a strategic alliance with those that are not. The paper begins by examining the benefits and disadvantages EC poses for the SME sector. The paper, then, defines and examines the role of strategic alliances in the small business environment. Finally, the paper presents a study of 176 Swedish small businesses that have adopted EC technology in their day-to-day activity. The study compares the rating of benefits and disadvantages arising from electronic commerce use between those SMEs that are part of a strategic alliance and those that are not.

**BENEFITS AND DISADVANTAGES OF EC USE BY SMEs**

Unlike previous technological initiatives electronic commerce is a ‘disruptive’ innovation that is radically changing the way firms do business. Where previous innovations have sought to minimise dependency on other organisations, allowing the business to dictate production, marketing, etc., EC has forced organisations to reassess their boundaries and to focus their attention interorganisationally rather than organisationally. Not only has the focus shifted, but also the nature of that focus has been altered. Where, in the past, technology tended to be applied to production, and adaptation to the technology was predictable, sequential and measurable, the advent of electronic commerce has turned the focus of technology towards the marketplace. As such, adaptation to the technology has become unpredictable and non-sequential in nature.

For small businesses these changes have produced both positive and negative effects. Studies by Raymond (2001) and Ritchie & Brindley (2000) found that while EC adoption has eroded trading barriers for SMEs, this has often come at the price of altering or eliminating commercial relationships and exposing the business to external risks. Lawrence (1997), Tetteh & Burn (2001) and Lee (2001) contend that EC adoption fundamentally alters the internal procedures within SMEs; Lee (2001) adds that the biggest challenge to small business is not to find the best e-commerce model, but to change the mindset of the organisation itself. For those who have developed an organisational-wide strategy, these changes can lead to an increase in efficiency in the firm, for those who have not, this can reduce the flexibility of the busi-
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