

Chapter 21

Does the Technological Sophistication of a Firm Influence an Owner–Managers Choice of Exit Mode

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ABSTRACT

In a small firm, access to information is linked with strategic awareness, a growth orientated mindset, and better performance. The advent of communication technologies has significantly changed the amount of information available, how it is being accessed, and the cost of collecting and using this information. To exploit this resource, individuals, firms, and governments must be e-ready. In this chapter, the authors examined the technological sophistication of a sample of mature small and medium sized enterprises in Scotland and analysed whether there is a link between this, some other firm-specific factors, and an entrepreneur's succession choice. The evidence suggests while firms located in urban and suburban areas have access to ICT and may benefit from e-government services targeted at assisting them through the transfer process, older more rural firms have limited access and will only benefit if government policy is directed towards providing ICT access and making them e-ready.

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INTRODUCTION

Small firms are quickly becoming the driving force of the modern economy (Loveman and Sengenberger, 1991; Audretsch et al., 2000; Acs and Audretsch, 1993). Fynes *et al.* (2001) argue that the viability of these small firms is dependent on their technological sophistication. In today's highly advanced world, PCs, e-mail and the Internet have now become fundamental and basic technologies for many firms. Indeed, information technology has become a critical organisational resource that supports and adds value to a firm. The advent of the World Wide Web and other communication technologies has significantly changed how we access information, the amount of information available to us, and the cost of collecting and using this information. Today, individuals, small and large firms and governments alike use Information and Communication Technologies (ICT) to participate in discussions and debate, to advertise/collect and store knowledge, to buy/sell products and to interact with the global community on the information super-highway.

Over the last decade, governments have invested vast sums of money into developing ICT. For example, in Scotland E-government¹ took a major leap forward with the unveiling of a GBP39.5m programme of innovative public sector partnership projects in 2002 (EuropeMedia, 2002). In 2004, a further GBP38.45 million was allocated to public sector projects designed to help contribute towards a more efficient government. Small and medium-sized enterprises (SMEs) have benefited from these developments and many now have access to electronically distributed information resources that until very recently were largely the preserve of large enterprises. As of December 2005, 61% of United Kingdom SMEs used broadband to access the internet (Ofcom, 2006) and all the major database hosts now provide access to their content using the World Wide Web.² Today SMEs have access to a wealth of potentially valuable information. However, an important question

arises as to whether many of these companies have employees skilled enough to make best use of these resources. Uhrbach and van Tol (2004) argue that small firms, which do not have access to, or utilise, information technology may be at a competitive disadvantage.

The issue of digital inclusion has become pressing in an era where the lack of access to digital technologies has major implication for all aspects of life from employment to government services. The Scottish Government (2006) states that it is undemocratic to move their services fully online until they can be available to all. They argue that this will not be possible until computer literacy is more widespread. De Saulles (2007) supports this view and argues that the issue of information literacy within the workplace is of growing importance, as business leaders and educators express increasing concern about the need for workers and students to be able to navigate the multiplying streams of information available over the internet. Indeed, he shows that £3.7 billion is spent by SMEs in the UK on time wasted looking for information that they cannot find.

In this chapter, the authors examined the technological sophistication of sample of SME's in Scotland. If these firms are not E-literate then it may slow down the move towards E-Government. With this in mind, they examined whether the technological sophistication of SME's impacts on one decision taken by entrepreneurs – that is their decision to exit/transfer their business. Upon leaving his business, the owner-manager has a number of options; he can transfer the business to a family member, he can sell the business to an employee/manager(s) or to an outsider, or he can close down the business and dispose of its assets. In 1994, the European Commission acknowledged that small business transfer was a major issue of concern. By 2002, the Employee Ownership Organisation estimated that 30,000 owner-managed businesses in the European Union, involving around 300,000 employees, close each year due to a lack of succession planning. These firms do

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