

# **The Importance of a Comprehensive Adoption Decision in the Presence of Perceived Opportunities — The TestResults Case**

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## **EXECUTIVE SUMMARY**

This case discusses the adoption of an e-business initiative by Ashvini Hospitals Group (AHG), a leading integrated healthcare provider in India. It illustrates how adoption decisions are motivated by bandwagon effects and result in a non-comprehensive adoption plan, which results in unforeseen problems later on. The initiative, Testresults, was aimed at enhancing the services offered to patients, and in the process, also provide significant benefits to two other initiatives of the organization. However, a change in the fortunes of those initiatives led to a lack of motivation for AHG to continue

with Testresults, even though the service required very little investment of any kind and was technologically quite simple. The case also demonstrates how, in the absence of formal contracts between organizations involved in the adoption process, coordination may become a casualty when there is a change in motivation of one or more parties. Finally, the case also highlights the importance of creating clear value propositions for internal as well as external stakeholders in order to get the required cooperation.

## THEORETICAL BASIS FOR THE STUDY

The literature on adoption of technology innovations suggests that IT acquisition and implementation is a complex process that cannot be understood without careful attention to the individual, organizational, technological and environmental context within which it takes place (Carter et al., 2001). Adoption of innovations by organizations has been typically viewed as a three-stage process — initiation, adoption, and implementation (e.g., Rogers, 1995). Initiation includes pressures to change, and gathering and evaluation of information, which leads to the adoption stage. Adoption involves the decision to commit resources to the innovation. Finally, implementation includes development and installation activities to ensure that the expected benefits of the innovation are realized.

Many management scholars believe that the process used to make strategic decisions affects the quality of those decisions in terms of their comprehensiveness in addressing various issues (Fredrickson, 1985). Studies in both organization innovation and IT literature have found that a well-developed investment rationale is more likely to enable firms to assimilate technological innovations (Dougherty & Hardy, 1996; Van de Ven, 1986). It is also important to understand the events in the initiation stage, or the motivation behind adoption, as the literature on strategic decision-making suggests that differences in motivation impact the comprehensiveness of the decision-making process. Much of the early work (Cyert & March, 1963; Ansoff, 1965) has focused on how a strategic-level decision is motivated by the managerial perception of problems facing an organization. However, a strategic decision process may also be motivated by proactive, opportunity-seeking behaviour or by the personal interests of powerful members of the organization (Fredrickson, 1985). Thus the initial stimulus for the decision process can lie anywhere on a continuum having opportunity at one extreme and crisis at the other, with problem lying somewhere in between (Mintzberg et al., 1976). In the specific context of technology adoption, an opportunity-based motivation is similar to the “technology-push” (TP) concept, whereas a problem-based motivation is similar to the “need-pull” (NP) concept (Chau & Tam, 2000). A TP adoption may often be the result of the bandwagon effect, defined by Abrahamson & Rosenkopf (1993) as the pressure to adopt or reject an innovation, created by the sheer number of adopters or rejecters. A bandwagon is said to occur when certain organizations adopt an innovation because of such pressures, rather than their individual assessments of the innovation’s efficiency or returns. As Porter (2001) puts it, “It is understandable, when confronted with a new business phenomenon, to look to marketplace outcomes for guidance. But in the early stages of the roll out of any new technology, market signals can be unreliable.”

It is important to understand the difference between opportunity-motivated decisions and problem-motivated (or crisis-motivated) decisions, since research suggests

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