

## Chapter 7.19

# A Unified View of Enablers, Barriers, and Readiness of Small to Medium Enterprises for E-Business Adoption

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### **ABSTRACT**

SMEs have been looking at expanding their market share by extending beyond their geographical boundaries and this is where electronic business has come to the forefront. The path to e-business adoption is ridden with barriers and understanding these along with the benefits it offers to SMEs is important. This chapter has reviewed the existing literature of barriers and benefits of e-business adoption by SMEs to identify the various enablers that can facilitate adoption. The chapter also provides an insight into e-readiness and analyses six existing tools that are used globally to measure e-readiness. Based on a comprehensive analysis,

an holistic framework (Motivation Application Measurement Support (MAMS) e-readiness assessment framework) has been proposed. The framework can be utilized as a reference to assess, design and implement a supplementary strategic approach for the assessment of e-business readiness of SMEs. Further empirical research to test, amend and improve the MAMS framework can be undertaken in the future.

### **INTRODUCTION**

Small to medium sized enterprises (SMEs) play an important role in any country's economy and can be considered as the backbone or engine of the national economy. The European Union has

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around 23 million SMEs that provide around 75 million jobs and represent 99% of all existing enterprises (European Commission, 2005). Almost 90% of the total number of businesses across the world are classed as SMEs accounting for more than 60% of employment in their countries (Hall, 2002; Organisation for Economic Cooperation and Development [OECD], 1997) and also account for 80% of global economic growth (Jutla et al, 2002). Australian figures are similar to the global figures with more than 95% of companies classed as SMEs (Data Monitor, 2004). In 2008, UK's Department for Business, Enterprise and Regulatory Reform reported that SMEs together accounted for 99.9 per cent of all enterprises. Internationally, approximately 99.5% of all businesses have 100 or less employees while 99.8% of all businesses have 200 or less employees (OECD, 2005). In almost every country, SMEs play a vital role in contributing towards the national economy by job creation, income generation and overall competitiveness.

SMEs, worldwide, are seen as major contributors to a nation's economy and the Gross Domestic Product (GDP) of their countries. However their contribution to the GDP has been declining over the past few years (Abernethy, 2002). With the financial turmoil that has currently engulfed most countries, this situation is unlikely to show any major improvements in the near future. The decline of SME contribution to GDP needs to be reversed by adopting some strategic goals for long term growth. To achieve long term growth, SMEs have been looking at expanding their market share by extending beyond their geographical boundaries and this is where electronic business (e-business) has come to the rescue. SMEs have been adopting e-business, in the past, for their business operations yet it needs to be adopted with more rigour and vitality to improve the situation. Undoubtedly, in today's global networked world, e-business has the potential to become a major source of competitive advantage for SMEs. Conducting business online will help to lower operational costs, allow small

companies to come at par with larger competitors on an international scale, and help serve customers more efficiently.

Moving from bricks to clicks is becoming a matter of existence for most organisations today and SMEs are no exception. E-business is often touted as a global phenomenon that provides businesses with strategic advantages in the present competitive environment by enabling their processes online using Information and Communication Technologies (ICT). Thus its adoption by organisations, irrespective of their size and location, cannot be overlooked. As with the adoption of any technology, despite their benefits, the adoption of e-business by SMEs is slow and is often accompanied with various barriers. The slow adoption of e-business by SMEs can be attributed to a range of factors that include, but are not limited to, lack of physical infrastructure, high operational costs, external forces, poor guidance, lack of government support and often management who is not aware of the potential benefits of e-business. To add to these difficulties, the barriers to e-business adoption by SMEs vary between developing and developed countries, necessitating a review of these barriers. This would allow the enablers to be presented in a holistic context to promote successful adoption of e-business by SMEs globally rather than a contorted view that does not encourage and enhance universal adoption.

A disparity seems to exist in diverse empirical findings that have reported the level of adoption of e-business in SMEs (Parish et al, 2002; Ramsey et al, 2003; Xu et al, 2007). It can be argued that SMEs that do not adopt the Internet to execute their business processes will not survive. Conversely adoption may not necessarily provide a competitive advantage until it becomes part of the overall business strategy (Porter, 2001). While the problems constraining e-business adoption are considered more complex and diverse in developing countries and hinder their economic development, a range of studies have indicated that

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