



## **Chapter VIII**

# **Strategic Alliances and E-Commerce Adoption: Does Partnering with Other SMEs Affect E-Commerce Adoption?**

In the previous four chapters, we examined four different aspects of e-commerce adoption in some detail. The drivers, barriers, benefits, and disadvantages of e-commerce adoption were analysed across the three locations with mixed results, indicating that the SME sector is far from homogeneous. In the subsequent three chapters, we will study the effects of three business characteristics on e-commerce adoption, namely whether the SME belongs to a strategic alliance, the gender of the CEO, and the education level of the CEO. Our research has found a number of interactions between these characteristics and e-commerce adoption, and we will now examine these in detail, beginning with strategic alliance membership.

## **Background**

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In the late 1990s, a number of Western governments (see Blair, 2000; European Commission, 2000), realising that e-commerce might be a mechanism whereby SMEs might gain a larger share of the marketplace, thus increasing employment and reducing trade deficits,

developed a variety of initiatives to encourage SMEs to become “wired to the marketplace.” These initiatives consisted of a series of step-wise strategies through which an SME might move in order to achieve e-commerce adoption and use. Together with these steps were a set of benefits deemed achievable through the adoption of e-commerce. In most cases, these government initiatives were prefaced with the view that SMEs should cluster or form strategic alliances such that they may pool resources and knowledge in order to compete with larger businesses in the marketplace.

However, the development of strategic alliances has been criticised in the literature because it failed to adequately consider the effects of various business characteristics on the formation of alliances or networks. Indeed, the view that SMEs, which belonged to alliances would be able to compete with large businesses is based on the incorrect assumption that SMEs are really “small large businesses,” which is clearly not the case. Under such models, business characteristics such as business size, business age, business sector, geographic location, and level of internationalisation are simply removed and replaced by the simplistic notion that all SMEs are intent on gaining a proportion of the global market share. Furthermore, such an approach fails to take into account substantial research (Hadjimonolis, 1999; Lawrence, 1997; MacGregor & Bunker, 1996; Quayle, 2002; Westhead & Storey, 1996; Walczuch, Van Braven, & Lundgren, 2000), which suggests that many SMEs have little desire to reach a wider marketplace either alone or in some form of an alliance. Thus, while strategic alliances might be a valuable source of technical or marketing information (see Copp & Ivy, 2001; Jarratt, 1998; O'Donnell, Gilmore, Cummins, & Carson, 2001; Tetteh & Burn, 2001), this does not presuppose that such alliances are part of any attempt to reach global markets or are part of the decision making process for the adoption of e-commerce.

The criticisms having been noted, we will now examine the nature and role of SME strategic alliances in e-commerce adoption.

## **The Role of Strategic Alliances**

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It could be argued that by the very nature of business, all organisations relate to others and are thus part of some form of cluster or alliance arrangement. On the surface, these relationships may appear to be nothing more than exchanges of goods and payments but relationships with customers, suppliers, and competitors can never be simply described in terms of financial transactions. Dennis (2000) suggests that any dealing with other organisations must impinge on the decision making process even if these decisions only involve the strengthening or relaxing of the relationships themselves. Nalebuff and Brandenburg (1996) state that for a relationship to be truly an alliance it must be conscious, interdependent, and cooperating toward a predetermined set of goals.

Viewed then as “self designing” partnerships, Eccles and Crane (1998, *cited in* Dennis 2000), suggest that strategic alliances are a dynamic arrangement evolving and adjusting to accommodate changes in the business environment. Achrol and Kotler (1999) take this a step further by stating that strategic alliances:

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