

Chapter 6.4

Exploring Relationship between Information Systems Strategic Orientation and Small Business Performance

R. Rajendran

Sri Ramakrishna Institute of Technology, Coimbatore, India

K. Vivekanandan

Bharathiar University, India

ABSTRACT

Businesses invest in developing information systems resources to gain competitive advantages. Literature has demonstrated the requirement of strategic alignment in converting these competitive advantages into sustained superior business performance. The knowledge of information systems strategic orientation and its relationship with business performance will enable these businesses to fine tune their strategic information systems applications portfolio in achieving required strategic alignment. This study focuses on the information systems strategic orientation of small businesses and investigates its relationship with their perceived business performance. The organizational impact of adoption of the initial stages of electronic business development is also examined. The data were collected from

small businesses on nine strategy areas, through mail survey. The result reveals three multifaceted dimensions of information systems strategic orientation. These dimensions of strategic orientation have significantly influenced their business performance. For the adopters of Web presence, all these three dimensions remain significant in explaining their business performance.

INTRODUCTION

Small businesses are an important and integral part of every nation's economy and their contributions are significant in the present business environment of globalisation and digitization. In response to changes in their environment, these small businesses are investing in information technologies at an increased rate to develop

information systems to support their business strategy. The small businesses use the Internet and establish Web presence as a complement to traditional way of competing. Weill (1990) found that investment in strategic information systems, rather operational information systems, was risky but with a potential for high payoff in the long term. The Internet architecture has turned information systems into a far more powerful tool for strategy (Porter, 2001).

The translation of information systems investment into the attainment of competitive advantage and increased business performance are the focus of the attention of these small businesses. The knowledge about the extent to and manner in which information systems complement company strategy will help small firms to prioritize relative information systems investments. This enables small businesses to adjust portfolios of strategic information systems so that they could provide more business support that leads to superior business performance.

The present study examines the information systems strategic orientation in small businesses and explores its relationship with business performance. To study further the consequences of

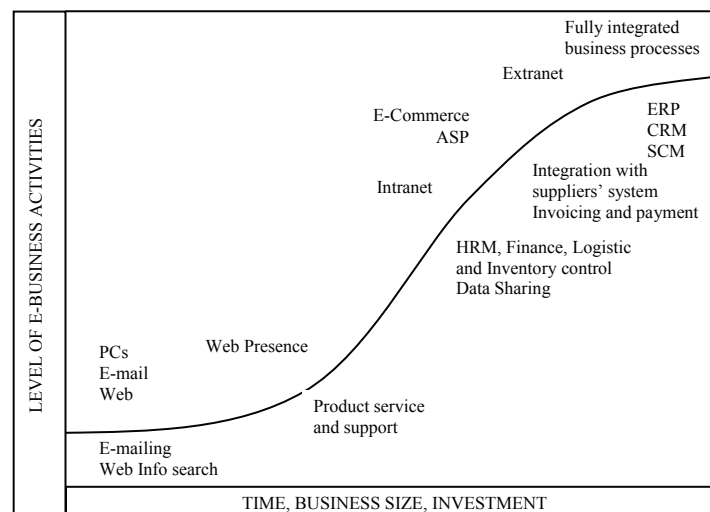
adoption of Web presence, one of the earlier stages of electronic business development (Figure 1), the impact of Web site ownership on the degree and the direction of this relationship is investigated.

The subsequent sections present the review of literature on strategic management of information systems in small businesses and describe the methodology used by the present study and it is followed by the presentation of results. Then the research findings and their implications are discussed. The article concludes with the summary of the study and its contributions.

Literature Review

Businesses allocate resources to develop information systems because it is believed that these investments provide them with competitive advantages and economic returns. While small businesses have been traditionally seen reluctant to develop information systems strategy (Hagmann & McCahon, 1993; Mehrtens, Cragg, & Mills, 2001), evidence over the past decade shows an increase in strategic use of information systems in small businesses (Naylor & Williams, 1994; Poon, 2000).

Figure 1. E-business development (Source: E-Commerce and Development Report 2004, United Na-



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