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.

Keywords: business performance; e-business in SMEs; organizational impact; strategic alignment; Strategic information systems; strategic planning; strategic orientation; Web presence

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
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.

Figure 1. E-business development (Source: E-Commerce and Development Report 2004, United Nations, Geneva, 2004, p 53)
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