


# Chapter 11

## Strategy for ICT Adoption in SMEs

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### ABSTRACT

*Adoption of ICT can help SMEs cut costs by improving their internal processes, improving their product through faster communication with their customers. In retrospect, even with such information as indicated above, and the importance of ICT as an enabler to other sectors and to economic development having long been recognized, SMEs seem slow in its adoption and use as compared to other sectors. While there has been growth in ICT use by large enterprises to gain a competitive edge, there is little evidence of its adoption and use by SMEs which continue to be faced by limited access to information and markets. As a result of this phenomenon, the study into deterrents of ICT adoption by SMEs is warranted. By adopting descriptive research design, the study employed stratified random sampling technique, the target population for the study being auto components manufacturing SMEs within Pune region in India.*

### INTRODUCTION

Entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism. Transforming ideas into economic opportunities is the decisive issue of entrepreneurship (Baporikar, 2018a; 2018b). History shows that economic progress has been significantly advanced by pragmatic people who are entrepreneurial and innovative, able to exploit opportunities and willing to take risks (Hisrich, 2008). It makes sense therefore to conclude that, throughout the world entrepreneurship is the tap root from which Small and medium enterprises (SMEs) emerge, converting later to big enterprises in the world today. The rapid development of information and communication technologies (ICT) which changes the existing business structures and ways of communication extremely influence metamorphosis and the growth- spread of SMEs. It is known that the adoption and use of ICT represents fundamentals of

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competitiveness and economic growth for companies, organizations and even countries that are able to exploit them (Steinfeld, LaRose & Chew, 2012).

On the other hand, technology has been a key element in the growth and development of societies. It is a combination of knowledge, techniques and concepts; it is tools and machines, farms and factories. It is organization, processes and people. The cultural, historical and organizational context in which technology is developed and applied is the key to its success or failure. In short, technology is the science and the art of getting things done through the application of skills and knowledge (Baporikar, 2016). SMEs, Small business entity is widely known and recognized in India next only to agriculture. In terms of its overall contribution to the Indian economy, Small and Medium Enterprises or Small sector, in fact, is better placed than India's agricultural sector. SME often have limited IT/IS resources as well as they are lacking in expertise, these limitations often culminate in SMEs being incapable of exploiting their use of IT to its full potential or developing the information system (IS) (Chan and Chung, 2002). Technological innovation is a key factor in a firm's competitiveness. Technological innovation is unavoidable for firms which want to develop and maintain a competitive advantage and/or gain entry in to new markets (Becheikh, Landry and Amara, 2006). SMEs find it difficult to make the upgrades as they need to stay competitive in both domestic and international markets (Rao, Phani kumar, Kalpana and Hymavathi, 2011). Among organisations different organisations of different sizes are more agile towards the changing situation and are ready to adopt new ideas for the development. The flexibility of SMEs, their simple organizational structure, their low risk and receptivity are the essential features facilitating them to be innovative; therefore, SMEs across industries have the unrealized innovation potential (Chaminade and Vang, 2006).

In this globalised environment the government of India has felt that, there is a need to enhance the global competitiveness of the SMEs by simplifying systems and procedures, easy access to capital and taking the SMEs in the global value chain by increasing their productivity. To promote and develop the SMEs, the government has implemented several schemes/programs to cater to the needs of the sector (Rai, 2009). Technological progress has been the key driving force in industrialized countries, accounting for a lion's share of productivity growth. Technological advancement has enabled newly industrializing economies such as Korea, Taiwan, Singapore and Hong Kong to effectively compete against firms based in industrially advanced countries (Kim and Nelson, 2000). Inevitably, the turbulent digital business environments in which small and medium sized enterprises (SMEs) operate from necessitate SMEs to adopt ICT in an effort to develop series of competitive activities required to generate a superior firm performance. ICT can play a very important role because it can help SMEs both create business opportunities and combat pressures from competition. Therefore adoption of ICT can help SMEs cut costs by improving their internal processes, improving their product through faster communication with their customers. In retrospect, even with such information as indicated above, and the importance of ICT as an enabler to other sectors and to economic development having long been recognized, SMEs seem slow in its adoption and use as compared to other sectors (Baporikar, 2018c). While there has been growth in ICT use by large enterprises to gain a competitive edge, there is little evidence of its adoption and use by SMEs which continue to be faced by limited access to information and markets. As a result of this phenomenon, the study into deterrents of ICT adoption by SMEs is warranted.

The study sought to investigate factors affecting the ICT adoption in small and medium enterprises especially focusing on SMEs manufacturing auto-components in Pune region, India. The study adopted a descriptive research design where the population of interest in the SMEs was visited. This study employed stratified random sampling technique, the target population for the study being SMEs entrepreneurs

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