

Chapter 4.17

Factors Affecting E-Business Adoption by SMEs in Sub-Saharan Africa: An Exploratory Study from Nigeria

Princely Ifinedo

University of Jyväskylä, Finland

ABSTRACT

The use of information communication technologies (ICT) especially the Internet by small- and medium-sized enterprises (SMEs) is on the increase in many regions of the world, including Africa. Nevertheless, empirical evidence from Sub-Saharan Africa (SSA) regarding the factors that affect the adoption of e-business is scarce. In that regard, the main objective of this chapter is to fill the research gap with an exploratory study that is aimed at eliciting views from SMEs in Nigeria. This article made use of a theoretical framework encompassing organizational, external and technological contexts to deliberate the issue. A survey is conducted in three Nigerian cities and the findings of the study are presented. The implication of the study is discussed and future research directions also given.

INTRODUCTION

The use of information communication technologies (ICT) by small- and medium-sized enterprises (SMEs) is already an established way of life in the developed countries (Beck, Koenig, & Wigand, 2003; Bunker & MacGregor, 2002; Lockett & Brown, 2003) and has been extensively studied in extant information systems (IS) literature (see, for example; Beck et al., 2003; DeLone, 1988; Kalakota & Robinson, 2001; Montazemi, 1988; Pigni, Faverio, Moro, & Buonanno, 2004; Poon, 2002; Scupola, 2003). In contrast, only a few research have surfaced wherein e-business in the developing countries including Sub-Saharan Africa (SSA) are discussed (Chifwepa, 1998; Heeks & Duncombe, 2001; Masten & Kandoole, 2000; Okoli, 2003; Okoli & Mbarika, 2003; Travica, 2002). We want to add to these few available

studies by looking at the possibility of e-business adoption by SMEs in Nigeria. In this chapter, a business with up to 250 employees is categorized as an SME according to the European Parliament's definition (OECD, 2002). On the whole, SMEs are characterized by informal and inadequate planning, strong owner's influence, lack of specialists, small management team, heavy reliance on few customers, limited knowledge and so forth (Bunker & MacGregor, 2002; Reynolds et al., 1994; Yap, Soh, & Raman, 1992). Further, the term e-commerce is often used interchangeably with e-business by many, though some experts have pointed out a difference. For example, Turban, Lee, King, and Chung (2000) assert that the former refers to buying and selling electronically and it is a subset of the latter, which is broader and includes the servicing of customers, collaborating with entities both within an organization and outside it. Zwass (1996) defined e-business as "the sharing of business information, maintaining business relationships, and conducting business transactions by means of the telecommunication networks" (p. 3). Here, both concepts are referred to as e-business.

The adoption of ICT by SMEs reported widely in literature tend to focus attention on the developed West (see Beck et al., 2003; Bunker & MacGregor, 2002; Poon & Strom, 1997; Scupola, 2003). Examples of countries in the West include the US, Australia, and Italy. On the whole, these studies pertaining to ICT and SMEs or e-business in general have deliberated ICT deployment, organizational and environmental factors concerning ICT use in business, success issues and so on (Abell & Lim, 1996; DeLone, 1998; Lockett & Brown, 2003; Poon & Strom, 1997; Walczuch, den Braven, & Lundgren, 2000; Yap et al., 1992). This chapter will attempt to look at some of those factors from the perspective of SSA. Importantly, many development research and reports have noted how ICT usage and adoption in

the developing countries (and their by SMEs) could redress some of the inequalities resulting from the emerging "digital divide" currently existing between the developed North and the developing South (Avgerou, 1998, 2003; Balamoune-Kutz, 2003; Castells, 1999; Mbarika, Jensen, & Meso, 2002; Molla, 2000; Okoli, 2003; Singh, 2000; Travica, 2002; WSIS, 2004).

Moreover, it is important to have some understanding regarding the diffusion of e-business (if any) in SSA in light of the fact that some aspects of that society may impact the adoption of ICT in general and e-business, in particular. Further, among the few studies on e-business adoption in SSA, the work of Okoli (2003) has discussed the impact of cultural factors. He asserts that "Africans do not have the culture of buying a product without tactile contact . . . where the consumer can feel and examine the product before haggling. . ." (Ibid, p. 16). Thus, a research study of e-business in the SSA region may be useful for both theory and practice.

Thus, the objective of this chapter is to present the preliminary findings relating to the perception and adoption e-business by SMEs in Nigeria. Primarily, this study is exploratory in nature and uses a survey. It is hoped that this article would contribute to knowledge as it seeks to assess e-business and/or the use of the Internet/IT by SMEs in Nigeria, and perhaps serve a base for further discussions and studies on the issue. Answers to the following questions will be provided in the chapter. Firstly, what are the state of preparedness and/or readiness of Nigerian SMEs for e-business? Secondly, in which specific ways do SMEs currently use the Internet? Thirdly, what benefits do SMEs in Nigeria seek as they contemplate using—or currently use—the Internet in their business operations? And, in generic terms, what are the main barriers to e-business adoption in Nigeria?

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