

An Empirical Study of Determinants of E-Commerce Adoption in SMEs in Vietnam: An Economy in Transition

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ABSTRACT

Experts and business pundits forecasted drastic changes in Vietnam's fledgling e-commerce when the Southeast Asian country became an official member of the World Trade Organization (WTO) in 2007. Over the past few years, as part of the Reform – called Doi moi – some Vietnamese enterprises have adopted e-commerce and already benefitted from it. In this research, the authors adapt the Technology-Organization-Environment (TOE) framework and test a model of e-commerce adoption including numerous internal and external factors identified in empirical studies. The final sample of 926 small and medium-sized enterprises in Vietnam includes both adopter and non-adopter firms. The policy implications of this study on promoting e-commerce adoption by SMEs in transition economies, such as Vietnam, are discussed.

Keywords: *B2B, B2C, E-Commerce Adoption, Innovation, Small and Medium-Sized Enterprises (SMEs), Technology-Organization-Environment (TOE) Framework, Transition Economies, Vietnam*

1. INTRODUCTION

With the implementation of its open-door policy in 1986 the Vietnamese government sought to move away from its dependency on foreign financing and influence by developing local markets and economic infrastructure sustain its economic growth. One of the potential growth

areas sought was via the development of small and medium size enterprises (SMEs), long recognized worldwide as engines of economic growth not only in the developed but also in the developing countries (McMillan & Woodruff, 2002). Many transition economies have accelerated growth via supporting more small business entrepreneurial activities (Watkins, 1993; Friedman, 2004). This often coincides with the adoption and use of e-commerce.

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For firms domiciled in developed economies the adoption of e-commerce is an essential tool. But how would such adoption play out for small firms in a transition economy? In this paper, we look at Vietnam as one case of a transition economy wherein the adoption of e-commerce is growing among SMEs. Using a regionally balanced sample of firms within Vietnam this paper addresses two research questions. They are:

RQ1 – What are the factors driving the adoption of e-commerce in Vietnam from a managerial perspective?

RQ2 – What are the insights we can learn from within a transitional economy?

Although there have been previous studies related to the adoption of e-commerce by SMEs around the world (Thomas & Simmons, 2010), most of these previous studies had been conducted in relatively well developed economies; Malaysia, S.E. Wales, Switzerland, The Netherlands, and Italy (Thomas & Simmons, 2010); the United Kingdom (Simpson & Docherty, 2004); New Zealand (Al-Qirim, 2007), South Africa (Cloete, Courtney, & Fintz, 2002) and parts of Asia (Sharma & Sheth, 2004). Only a handful of studies have focused on the e-commerce adoption by SMEs in a transition economy, notably China (Li, Lai, & Wang, 2010). Even fewer studies have focused on Vietnam. In this respect, this paper reports on the first large-scale empirical study on e-commerce adoption by SMEs in Vietnam. We will explore various factors that influence the adoption process and attempt to understand and explain the phenomenon through the lens of the Technology, Organization, and Environment (TOE) framework. In doing so, this paper crosses two domains and contributes to building knowledge about e-commerce and the adoption of information technology and developing countries (Checchi, Loch, Straub, Sevic, & Meso, 2012). More specifically it addresses the case of SMEs in a dynamic economy in transition.

This paper is organized as follows: next, in the literature review section, we contextualize

the Vietnamese small-to-medium-enterprise and the nature of e-commerce in a transition economy while comparing the relevant extant literature examining e-commerce adoption in Asia in general and Vietnam in particular. In this section we also examine models for studying technology and e-commerce adoption in the current literature. The third section describes how these models are adapted for this research, and presents the research model and the research hypotheses. In the fourth, research methodology, section the paper describes the sample selection, instrument development and analyses approaches. Fifth, the paper presents the findings and discusses those findings giving further consideration of the context. This last section also identifies the implications and limitations of the work and offers policy recommendations and future research options.

2. LITERATURE REVIEW– ADAPTING A MODEL OF E-COMMERCE ADOPTION IN THE VIETNAMESE CONTEXT

2.1. SMEs and E-Commerce in a Vietnamese Context

Prior to Vietnam's reunification in 1975, North Vietnam, as a socialist state had a centrally planned economy. After the reunification, a consistent economic policy was instituted in the North and South wherein state-owned enterprises were the key component in the country's economic system. However, at its Sixth Congress in 1986, the Vietnamese Communist Party adopted the open door policy commonly known as *doi moi*¹. This adoption of *doi moi* policy jump-started a series of fundamental transitions in Vietnam's economy. One of such transition was the economic liberalization in which private and individual ownership of businesses was allowed. However, the development of small and medium enterprises was not a top priority in the initial versions of this policy. But when in 1997, the Asian currency crisis caused a sharp decline in foreign investment in Vietnam and severely hampered the growth in its economy,

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