

# E-Business Adoption by Small Tourism Firms and Shadow Economic Practices



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## INTRODUCTION

Few innovations have such an immense potential as the e-business for increasing firms' efficiency and sales (Blake, Sinclair, & Campos Soria, 2006), improvement of internal processes, cost saving, and greater customer satisfaction (Falk, 2005). In spite of these advantages, the use of e-business in small firms is still insufficient (Eikebrokk & Olsen, 2007). Most often this was explained by small size related shortages such as weaker resources (Riemenschneider, Harrison & Mykytyn, 2003).

During the past ten years the tourism sector experienced a huge rise in online bookings, which was supported by the development of sophisticated IT networks (WTTC, 2011, pp. 22). In this online market many small tourism firms (STF) have been threatened by disintermediation. To prevent it the STF have to become more customer-oriented (Bennett & Lai, 2005). There is sufficient market share for small *tour operators* and *travel agencies* who can deliver personalised and competitive packages (Buhalis & Jun, 2011, p. 19).

The e-business adoption is a distinct topic, under which many research questions can be investigated such as "adoption factors, adoption barriers, adoption theories, and adoption differences across units, regions, and cultures" (Chen & Holsapple, 2013, p. 262). Most of the researches on e-business adoption explored the factors (barriers and drivers) that influence SMEs owner decisions. As Gibbs, Kraemer & Dedrick (2007) stated, however, there is a need to develop further an integral theoretical framework for explaining the IT adoption by small firms. Thomas, Shaw & Page (2011) also underlined the necessity of more empirical researches on the e-business adoption by small tourism firms in *different contexts*.

Among the factors influencing the e-business adoption less attention was given to specific *institutional conditions* in which the firms operate. An important institutional dimension in the emergent and transition economies is the variety of shadow economic practices. Many small tourism firms in these economies succeed to survive out of the online tourism market. In some cases it is due to specific products, like a religious tourism in Egypt (Abou-Shouk, Megicks & Lim, 2012, p. 206), or other cultural features (Gong, 2009, p. 92). In other cases the non-adoption of e-business might reflect a specific institutional feature: the opportunity of the small firm manager to keep a business *non transparent* in order to avoid taxes or social security. To our knowledge, however, there were no researches on the connections between the e-business adoption by small tourism firms and the spread up of the shadow economic practices in the sector.

While in less developed countries the informal sector reflects the unregistered small businesses, in the developed countries the informality refers to practices such as undeclared work, undeclared deals, and sales under-reporting by legally registered firms. The shadow economy includes all market-based legal production of goods and services that are deliberately concealed from public authorities in order to avoid: 1) payment of income, value added or other taxes; 2) payment of social security contributions; 3) having to meet certain legal labor market standards, such as minimum wages, maximum working

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hours, safety standards, etc.; and 4) complying with certain administrative obligations, such as completing statistical questionnaires or other administrative forms (Schneider, 2012, p. 6).

This article aims to contribute to the knowledge of the factors influencing the e-business adoption by STF with an accent on the role played by the shadow economic practices in this process. Based on a literature review, the study attempts to reveal: 1) the main factors, which impact positively or negatively the e-business adoption by STF; and 2), the influence of the perceived shadow economic practices in the sector on the e-business acceptance by STF.

The article includes: literature review; factors influencing the e-business adoption, including shadow economic practices; solutions and recommendations; future research directions; and conclusion.

## **LITERATURE REVIEW**

### **E-Commerce and E-Business**

The notion of e-business is larger than that of e-commerce as the latter comprises only “the process of buying and selling products or services using electronic data transmission via the Internet and the www” (Grandon & Pearson 2004, p. 197). Besides customers, the e-business enlarges the connectivity of the organization to include suppliers, employees and business partners (Pavic, Koh, Simpson & Padmore, 2007). The World Tourism Organisation (WTO, 2001, p. 10-11) gives the following definition of e-business for the tourism studies: the e-business includes the improved connectivity both externally, through the Internet, and internally, through intranets. The external dimension links tourism suppliers to the customers and their own suppliers, which results in e-marketing, e-commerce, and e-procurement. The internal dimension refers to the organisational transformation, enabling it to work in a fully integrated way through the use of common systems.

### **Main Theories of E-Business Adoption**

Hong and Zhu (2006) found that more than ten theories have been applied to study the e-business adoption. Parker and Castleman (2009, pp. 170, 175) identified the commonly used e-business adoption theories such as: resource-based theory; Porter’s generic strategies, industry forces; theory of planned behaviour; technology acceptance model (TAM); and Rogers’ innovation diffusion theory (IDT). They proposed an additional *social network theory* (SNT), which stress on the influence of social context. A comprehensive review of main theories for investigating the IT and e-business adoption by small firms was given by Ramdani and Kawalek (2007), Oliveira and Martins (2011) and others.

According to the TAM, the adoption of the new information system (IS) depends on the users’ attitudes in terms of perceived usefulness and ease of use (Davis, 1993, p. 475). Subsequently a unified theory of acceptance and use of technology has been proposed, which includes additional variables such as experience, age, and subjective norms (Venkatesh, Morris, Davis G. & Davis F., 2003, p. 21). Other studies, however, reported that attitudes toward technology are influenced also by external factors (Lee, Kozar & Larsen, 2003). Because of that the TAM should be integrated into a broader model, which could include variables related to human and social processes (Legris, Ingham, & Collette, 2003).

Many researchers claimed that at the *firm level* the TOE framework is the most suitable (Chong, Ooi, Lin & Tang, 2009; Ifinedo, 2011; Chen & Holsapple, 2013). According to Ramdani, Chevers & Williams (2013) the TOE model is a robust tool to predict the adoption of enterprise applications by

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