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Chapter V

Modeling Technological Change in Small Business: Two Approaches to Theorizing Innovation

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INTRODUCTION

Many small businesses are quite entrepreneurial in their operation, and are prepared to consider the advantages conferred by information technology. On the other hand, some are still quite happy to continue to do things in the same way they always have, and see no need to investigate use of this technology. How and why these businesses differ in this way, and why they adopt some technologies and not others, is investigated in this chapter.

The introduction of a new information system into a small business, or the upgrading of an existing system, should be seen as an innovation and so considered through the lens of innovation theory. The most widely accepted theory of how technological innovation takes place is provided by innovation diffusion, but most of the research based on this model involves studies of large organizations or societal groups. This chapter argues that another approach, that of innovation translation, has more to offer in the case of innovations that take place in smaller organizations–those employing less than 20 people (Burgess, Tatnall, & Darbyshire, 1999).

This chapter appears in the book, Managing Information Technology in Small Business: Challenges and Solutions by Stephen Burgess.

INNOVATION AND SMALL BUSINESS

There are some important differences in the processes by which small and large enterprises choose to adopt, or reject, computers and information technology (IT). Most small businesses have few spare resources available, and generally do not have a separate IT department. This means that they typically have less formalized planning and control procedures and, in many cases, the owner/manager does not have the time, the resources, or the expertise necessary to formalize the evaluation of IT projects. Often, a reliance on whatever internal IT expertise may be available has meant that small businesses are only aware of the cost savings that can be provided by computers and not of other potential benefits that innovative use of IT may provide (Burgess, Tatnall, & Darbyshire, 1999).

The link between entrepreneurship and the commercial success of small enterprises is generally acknowledged (Guzman-Cuevas & Santos-Cumplido, 1999), but the term 'small business entrepreneur' is used differently by various writers. In the context of this chapter, it will be used to denote those dynamic individuals who may be seen as responding to, or creating, new conditions and applying new knowledge (Nystrom, 1999)–individuals who are considered to be innovative.

The *Shorter Oxford English Dictionary* defines innovation as "the alteration of what is established; something newly introduced" (Oxford, 1973). The *Macquarie Dictionary* adds "introducing new things or methods" (Macquarie Library, 1981), and *Roget's Thesaurus* offers the synonyms 'newness' and 'change.' As the introduction or improvement of an information system in an organization *necessarily* involves change, it should be considered as an innovation.

Changing the way things are done is a complex affair and one that is difficult to achieve successfully. Success in innovation is always doubtful because people who are prepared to support the innovator can be difficult to find and to convince. Although writing of *political* change almost 500 years ago, Niccolò Machiavelli summed this up as follows: "There is nothing more difficult to handle, more doubtful of success and more dangerous to carry through than initiating changes ... The innovator makes enemies of all those who prospered under the old order, and only lukewarm support is forthcoming from those who would prosper under the new. Their support is lukewarm partly from fear of their adversaries, who have the existing laws on their side, and partly because men are generally incredulous, never really trusting new things unless they have tested them by experience" (Machiavelli, 1995 :19)

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