

Chapter XIV

Barriers to E-Commerce Adoption in SMEs: A Comparison of the Perception of Barriers in a Developed and a Developing Country

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ABSTRACT

It has long been known that small businesses have realised enhanced profits through the adoption of e-commerce. However, a number of recent studies have suggested that it is the larger businesses that are reaping the rewards of e-commerce rather than the smaller businesses. This slow growth of e-commerce adoption in SMEs has been attributed to various adoption barriers that are faced by small business owners/managers. These barriers have been well documented in numerous research studies. However, the relationship between these barriers has not been fully examined, particularly in developing countries. Of particular concern is the fact that the conclusions concerning the nature and role of barriers to e-commerce adoption have simply been transferred from studies in developed economies to those in developing ones. 96 non-adopting SMEs in Indonesia are compared to 129 in Sweden to determine whether the perception of importance of barriers differs between the two locations. The data is also analysed to determine whether the underlying factors of these barriers differs across the two locations.

INTRODUCTION

The importance of the small to medium enterprise (SME) sector as the cornerstone of most economies is widely recognised (Abdullah and Bakar, 2000; Hall, 2002; NOIE, 2002). This is not only borne out by the number of SMEs (almost 90% of the total number of businesses across the world), but also by their significant role in creating employment opportunities (Hall, 2002). This is no less the case in developing countries. A number of studies (Abdullah & Bakar 2000, Urata 2000, Kartiwi & MacGregor 2007) suggest that SMEs are vital to the emergence of healthy private sectors in developing countries. However, research has indicated that the SME contribution to the GDP of many nations has fallen over the past few years (Abernethy, 2002). While the reasons for this decrease are diverse, SMEs, both in developing and developed countries are attempting to reverse the trend by turning to global markets. This development has been enabled by the advent of electronic commerce (E-commerce) technology. E-commerce, defined as “the buying and selling of information, products, and services via computer networks” (Kalakota and Whinston, 1997) is radically changing the dynamics of the business environment and the way in which people and organizations are conducting business with one another. There are numerous studies suggesting that, for SMEs, e-commerce has the potential to provide competitive advantage. However, Molla & Heeks (2007) suggest that many of these studies, particularly those focused on developing economies, often lack an empirical basis and simply assume that the adoption and use of internet technologies is the same for all users.

While clearly many small businesses have realised enhanced profits through the adoption of e-commerce (Scupola 2003, Khiang & Chye 2002, MacGregor & Vrazalic 2007), studies (Macgregor & Vrazalic 2005, 2007, IEI 2003, Magnusson 2001) suggest that it is the larger businesses that are reaping the rewards of e-commerce rather

than the smaller businesses. This slow growth of e-commerce adoption in SMEs has been attributed to various adoption barriers that are faced by small business owners/managers. These barriers have been well documented in numerous research studies. However, the relationship between these barriers has not been fully examined, particularly in developing countries. A number of studies (Kaynak et al., 2005; Stockdale and Standing, 2004; Taylor and Murphy, 2004) have suggested that much of literature concerned with e-commerce use (or lack of use) in SMEs have been undertaken in developed countries (particularly, but not exclusively US, Europe and Scandinavia). They argue that the wholesale application of these findings to developing economies is not justifiable because the driving forces for SMEs to adopt E-commerce, as well as the barriers preventing adoption differ widely from location to location (UNCTAD 2004, Molla & Heeks 2007, Molla & Licker 2005).

In line with these criticisms, the aim of this chapter is threefold: to analyse the correlation between various e-commerce adoption barriers in order to identify any underlying factors; to examine whether there are any significant differences in the rating of importance of barriers to E-commerce between SMEs that are located in a developing country (Indonesia) and those located in a developed country (Sweden); and to determine whether the underlying factors themselves differ between SMEs in a developed and a developing economy.

This chapter begins by examining the nature of SMEs and identifying features that are unique to SMEs. This is followed by a discussion of factors pertaining specifically to developing countries. As the study compares the perception of barriers to e-commerce adoption in a developing country (Indonesia) and a developed country (Sweden), a brief synopsis of the role of SMEs in each location is provided. A discussion of barriers to e-commerce adoption based on previous research is then presented and the barriers are mapped to

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