



## **Chapter X**

# **Comparison of Factors Pertaining to the Adoption and Non-Adoption of Electronic Commerce in Formally Networked and Non-Networked Regional SMEs:**

## **A Study of Swedish Small Businesses**

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## **ABSTRACT**

*This chapter examines the adoption and non-adoption of electronic commerce (EC) by formally networked and non-networked small to medium enterprises (SMEs) using the findings from a study of 339 Swedish SMEs. The results of the study indicate that there are no considerable differences between formally networked and non-networked SMEs in terms of EC adoption. This raises a number of questions concerning the nature and role*

*of formal networks in the small business arena, and how these impinge upon the perception of the benefits, usefulness and problems of adopting and using EC.*

## INTRODUCTION

The adoption and diffusion of electronic commerce (EC) in small to medium enterprises (SMEs) remains a critical area of investigation in the information systems (IS) literature. Studies pointing to a technologically uncertain and globally focused economy have examined both the adoption of EC by SMEs as well as perceived barriers preventing adoption. A number of studies (Miles et al., 1999; Overby & Min, 2001) have suggested that in order to accommodate these changes brought on by EC, many small businesses are turning towards some form of strategic alliance or network where the locus of the impact of change is inter-organisational rather than organisational. These authors suggest that through involvement in formal networks (alliances that have a defined set of shared values, roles, responsibilities and governance) SMEs not only find a ready source of technical and marketing expertise, but that the very nature of the network “buffers” the impact of global market turbulence.

Despite the view of these studies that formal networking is vital to the successful adoption of EC, a number of authors have found that many SMEs avoid such arrangements, opting instead to remain self-directed where EC use is concerned. A number of reasons are suggested in the literature. Drakopoulou-Dodd et al. (2002) found that in studies of European SMEs more than 50% reported that they derived their technical support, financial advice and business know how from family and friends. Gimeno et al. (1997, cited in Dennis, 2000) found that many SME owners negatively affect potential networks by withholding necessary information to their network partners. McBer & Company (1986, cited in Dennis, 2000) found that SME owners refuse to trust or cooperate with similar business owners in the same industry. Added to this are the findings of a number of studies that have shown that factors such as size of the business, age of the business, market focus and business sector impinge both on EC adoption as well as formal network membership.

This chapter will begin by briefly examining the special circumstances of SMEs. It will then examine the nature and role of formal networks in the small business arena. The chapter will then present data gathered from 339 regional small businesses in Sweden, which profiles those SMEs that are part of a SME network and those that have decided to remain independent (in terms of number of years in business, number of employees, type of business, market focus, gender of the CEO and the educational level of the CEO). Finally, the chapter will present a set of comparisons between formally networked and non-

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