Chapter VII

Disadvantages of E-Commerce Adoption:
What Types of Problems do SMEs Face from E-Commerce?

Like any other technology, e-commerce has both positive and negative effects on the organisation. While the positive effects were discussed in the previous chapter as benefits experienced through e-commerce adoption, this chapter will focus on the negative effects or disadvantages associated with e-commerce. Like the previous chapter, this chapter does not contain data from the U.S., as there were insufficient responses to the questions concerned with disadvantages from the U.S. sample group. This is the final chapter, which concludes our examination of the four aspects of e-commerce in SMEs:

- Criteria (the reasons why SMEs are adopting e-commerce) – Chapter IV
- Barriers (the obstacles that prevent SMEs from using e-commerce) – Chapter V
- Benefits (the advantages experienced by SMEs as a result of implementing e-commerce) – Chapter VI
- Disadvantages (the problems encountered by SMEs following e-commerce adoption) – Chapter VII

Together, these four chapters provide a multi-faceted perspective of the key issues faced by SMEs in different locations in relation to e-commerce. In this chapter, we will examine the difficulties, which SMEs have reported following e-commerce adoption so that useful strategies and programs can be developed to provide support to SMEs and resolve these difficulties. We will begin with examining the literature in this area.

Background

Unlike previous technological innovations, e-commerce brings with it changes to both procedures within the organisation as well as changes to the structure of the organisation itself. These changes include the way businesses interact, their approaches to marketing, products, and customers, and the way decisions are made and disseminated, particularly decisions concerning technology adoption and use. For SMEs, these changes can have both positive and negative effects. Lawrence (1997), Tetteh and Burn (2001), and Lee (2001) contend that e-commerce adoption fundamentally alters the internal procedures within an SME. Meanwhile, studies by Raymond (2001) and Ritchie and Brindley (2000) found that, while e-commerce adoption has eroded trading barriers for SMEs, this has often come at the price of altering or eliminating commercial relationships and exposing the business to external risks. Clearly, e-commerce adoption has brought about both internal and external changes to the organisation, some with adverse effects.

E-commerce inevitably brings with it changes in communication (Chellappa, Barua, & Whinston, 1996), the ways of doing business (Henning, 1998), the approach to marketing (Giaglis et al., 1999), as well as changes in day-to-day activities (Doukidis, Poulymenakou, Terpsidis, Themisticleous, & Miliotis, 1998). These changes are exacerbated in the SME sector as few organisations have an integrated implementation plan and, for the most part, they fail to understand the need for competitive strategies (Jeffcoate, Chappell, & Feindt, 2002). Introducing e-commerce into an SME is not simply a matter of installing the relevant hardware and software components. It involves a number of changes to the business itself and to the way business is done. If e-commerce implementation is not approached as a fundamental strategic change in the organisation, it is highly likely that SMEs will experience difficulties in managing the business following implementation. The research into this aspect of e-commerce has been limited with fewer studies examining e-commerce disadvantages than those looking at e-commerce drivers, benefits, and barriers.

A closer examination of some of the studies, which have examined e-commerce implementation, shows that the results are sometimes conflicting. Raymond (2001), in examining the removal of business intermediaries by e-commerce, noted a deterioration of relationships with business partners and customers. He termed this effect as "disintermediation." Stauber (2000) also noted the negative effect of e-commerce on SMEs. Specifically he found that many firms felt that there was a decline in contact with customers and in some cases managers felt that this had led to a loss of revenue.

By comparison, a study by Poon and Swatman (1997) found that e-commerce had led to an improved relationship with customers, but not with suppliers. In the same study, they reported that SME operators complained about e-commerce failing to meet expectations

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