

Chapter 8.1

Future of Small Business E-Commerce

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INTRODUCTION

The use of the Internet for business purposes among small businesses started quite early in the e-commerce evolution. In the beginning, innovative and entrepreneurial owners of small businesses attempted to use rudimentary Internet tools such as electronic mail (e-mail) and file transfer protocol (FTP) to exchange messages and documents. While primitive, it fulfilled much of the business needs at the time. Even to date, e-mail and document exchange, according to some of the latest research findings, are still the most commonly used tools despite the fact that tools themselves have become more sophisticated.

There has been a plethora of research on small-business use of the Internet and e-commerce in general. Some of the earlier research can be traced back to the mid-1990s, when small-business e-commerce was in its infancy (e.g., Abell & Lim, 1996; Cronin, Overfelt, Fouchereaux, Manzvanzvike, Cha, & Sona, 1994; Fuller & Jenkins, 1995; Poon & Swatman, 1995), and when

this chapter was written, articles were still being published in this area around the world. While the findings are many and varied, there are a number of highlights. Essentially, four groups of factors had been commonly found to influence the adoption of e-commerce among small businesses (see Figure 1).

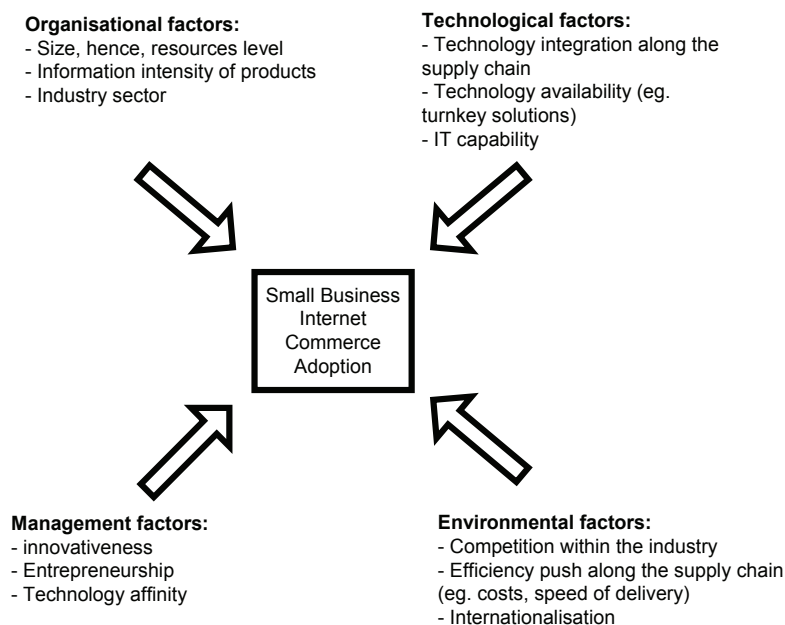
1. **Organizational factors:** Demographic factors such as size and the industry sector had been found to have an influence on the level of adoption (Poon & Swatman, 1999; Thong, 1999). The information intensity of products was also found to be a determining factor influencing adoption (Hui & Chau, 2002). While there was evidence that the nature of a product did not necessarily determine e-commerce success (Poon, 2000), anecdotal evidence suggested that small businesses offering digital products or products with high information intensity seem to benefit more from e-commerce.

2. **Technological factors:** The level of IT adoption within an organization as well as along the supply chain of an organization was suggested to be good predictors of success in small-business c-commerce adoption (Mehrtens, Cragg, & Mills, 2001). Research has shown that the technical competence of key personnel within a small firm also related to the perceived success when adopting IT (Thong, 1999).
3. **Management factors:** Studies into IT and e-commerce adoption have repeatedly identified the importance of management's involvement in facilitating adoption. Findings generally point out that the proactive attitude and actions of management, as well as the innovativeness of their strategy toward e-commerce, had led to success (Poon & Swatman, 1998; Thong, 1999). In the case of a small business, the dominant role of

the owner or director means management is often the determining factor of e-commerce success.

4. **Business-sector factors:** The level of IT adoption and the expectation to use IT for interfirm activities within the industry sector a small business is in also seem to influence the level and extent of e-commerce adoption (Premkumar & Roberts, 1999; Raymond & Bili, 2001). If there is a lesson from electronic-data-interchange (EDI) adoption to be learned, it is that small businesses were often under the influence of more powerful business partners along the supply chain to adopt interorganizational technologies such as EDI. Similar patterns have been observed in c-commerce adoption cases.

Figure 1. Four groups of factors commonly found to influence Internet adoption among small businesses



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