ABSTRACT

The adoption of e-commerce technologies is an organization-learning process. Existing literature on the adoption has not been adequately addressed on this nature. This study develops a model and instrument to investigate the determinants of both initial adoption of e-commerce and its sophisticated extent in small and medium enterprises (SMEs) in less developed countries’ context. A model is tested empirically by using the data collected in Saudi Arabia. Since the sophistication of e-commerce is essential to gain full benefits from the technology, it is important to understand well influential factors of a decision of sophisticated adoption. Therefore, this present study is a necessary contribution to the literature.

Keywords: e-Commerce, Initial Adoption, Institutionalization, Less Developed Countries, SMES

INTRODUCTION

The literature on e-commerce reveals that e-commerce adoption brings potentially significant benefits to SMEs (Santarelli & D’Altri, 2003; Johnston & Wright, 2004; Gunasekaran, et al., 2009; Renna & Argoneto, 2010). The evolution of the strategic role of e-commerce is closely linked to the sophisticated extent of the technology in terms of technology, information, management and usage. Literature consistently demonstrates that the sophistication of a technology innovation significantly and directly affects the operational performance, the business performance, and the service performance of enterprises (Bûrca, et al., 2006; Rai, et al.,...
In other words, in order to gain full benefits and maximize potential advantages from e-commerce technologies, businesses must firstly accept, adopt, use and then sophisticate fully the technology. However, in both developing and developed countries, the diffusion and adoption of e-commerce in SMEs has fallen far below expectations. Most SMEs adopt the technology only at the simple but not integrated level (I. Raymond, et al., 2008; AlGhamdi, et al., 2012). In light of this, studies on the factors that speed up enterprises move from an entry-level adoption to sophistication of e-commerce is an important consideration for an understanding of the adoption and success of e-commerce.

Most of previous studies focused generally on the general e-commerce adoption, but not adequately addressed on the nature of the adoption process when investigating determinants of the adoption. These studies underestimated the essential difference between the initial adoption and its more sophisticated extent. Recent literature suggests that adoption of e-commerce in developing countries’ context can be better understood by breaking it down into two levels: entry-level adoption and sophistication (i.e. institutionalization). Some evidence indicates that determinants of initial adoption of e-commerce are very different from that of institutionalization in developing countries’ context (Molla & Licker, 2005b; Tabor, 2000).

Moreover, it is worth noting that the literature is lacking of a robust model and instrument to study the determinant of e-commerce institutionalization in less developed countries and firm-level empirical evidence to explicate these factors (Molla, et al., 2005b).

Therefore, this present study is pursued to: (1) suggest an underlying model of e-commerce adoption to identify the factors that could affect decisions of initial adoption and institutionalization of e-commerce in SMEs in less developed countries; and (2) develop a sufficiently validated measurement instrument to show the utility of the proposed model.

**E-COMMERCE INITIAL ADOPTION VS. INSTITUTIONALIZATION**

In attempt to identify/assess determinants of adoption of e-commerce technologies, previous empirical studies consider the adoption under a general view and they posit generally decisions of early adoption and of its extent were influenced by the same factors (Chang & Wong, 2010; Li, 2008; Teo, et al., 2009; Le, et al., 2012). Very little empirical studies adequately addressed on the progressively multi-process nature of e-commerce adoption. While Molla, et al. (2005b) investigated factors influence on the initial adoption vs. institutionalization of e-commerce in developing countries, Saprikis (2013) focused on supplier’s behavior on the post-adoption phase of B2B e-Reverse Auction in Greece. K. Zhu and Kraemer (2005) was to investigate determinants of initial adoption vs. post-adoption of e-business in retail industry. Tran and Huang (2014) was a specific study on initial adoption vs. institutionalization of e-procurement in construction industry in developing countries. Their evidence suggests that adoption of e-commerce can be better understood by breaking it down into two levels: entry-level adoption and its sophisticated adoption (Molla, et al., 2005b; Saprikis, 2013; K. Zhu, et al., 2005). Only examining the initial adoption of an innovation cannot understand well post-adoption activities (K. Zhu, et al., 2005).

In fact, many unanswered questions still exist in the literature. For example, given the same the level of resources and operating environment, while several firms have implemented more sophisticated e-commerce innovations but others do not (Tran & Huang, 2014). In addition, several enterprises have adopted initially one or multiple simple e-commerce innovations for a long duration, and even though they have mature resources supportive for e-commerce, but they did not conduct any subsequent extent of the technology (Ng Kim, 2005).
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