Chapter XI

SME Barriers to Electronic Commerce Adoption: Nothing Changes–Everything is New

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ABSTRACT

In this chapter we look into earlier empirical research on the barriers to e-commerce (EC) adoption and diffusion for small and medium-sized enterprises (SMEs). We explore research conducted in the context of information and communications technologies (ICT) in general, as well as EDI and Internet-based e-commerce. What we are interested in is whether these barriers are something new created by the new wave of Internet based technologies. We divide the barriers, inhibitors, or factors slowing down the diffusion of new
technologies found in previous literature into those internal to an organization and those imposed by external forces. The basic premise of this chapter is that technologies advance or change, but the barriers for SMEs to adopt them do not. The authors hope that understanding this will help researchers, small companies, and policy makers to move on and do something active to reduce such barriers.

**INTRODUCTION**

As a majority of the large businesses now have entered the “new information society,” the small and medium-sized enterprises are expected to be next in turn. SMEs have undoubtedly an important role in most economies and are fundamental, especially in less developed countries and peripheral European regions. For example, in UK SMEs represent over 95% of all businesses registered for VAT, employ 65% of the work force, and produce 25% of gross domestic product (Ballantine, Levy, and Powell, 1998). SMEs play a key role in the economy by generating employment, engendering competition, and creating economic wealth (Hay and Kamshad, 1994). They are also fundamental in promoting new innovations (ibid.) and providing society with new products (Walczuch, van Braven, and Lundgren, 2000). At the same time SMEs are characterized by a high degree of failures (Ballantine et al., 1998). Within five years 80% of all new small businesses have failed (ibid.). Because of their importance, small businesses need to be embraced in the new information society as the Internet in the long run might affect their productivity, market access, and competitiveness (Walczuch et al., 2000). To be able to survive and prosper SMEs need to keep up with their larger counterparts’ way of doing business.

In recent years one of the most apparent trends in business is e-commerce. Even if the growth in e-commerce still has not been able to fulfil the optimistic prognosis, it is certainly here to stay. E-commerce in SMEs has become an important subject both in policy formulation and in research. For example, OECD (1998) believes that the adoption and diffusion of e-commerce among SMEs could contribute to increasing substantially their competitive advantage. Often e-commerce or electronic business is seen almost as the latest “miracle cure” for SMEs. Various national and regional (e.g., EU) projects on “SME awareness” to facilitate SME involvement in e-commerce are becoming more and more common on national and regional political agendas. Research studies on this subject are increasing as well (e.g., Chen and Williams, 1998).

It is feared, however, that because of a number of barriers and inhibitors, SMEs are left out of the developments in the information society. The high capital
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