Strategic Intent and E-Business in SMEs: Enablers and Inhibitors

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ABSTRACT

Small firms’ use of e-business is limited, and little is known about what drives them to embrace e-business. Using survey data from 354 small and medium-sized enterprises (SMEs) in the UK West Midlands, this paper investigates e-business use and drivers. It first discusses different growth strategies adopted by SMEs and then reviews Internet adoption in SMEs. Drivers and inhibitors of e-business are identified. Three research questions are derived: Does strategic intent drive e-business adoption, and is it a factor of market position or product innovation? Is this consistent across sectors? How is strategic intent and industry adoption influenced by the enablers and inhibitors of e-business adoption? This research demonstrates that strategic intent influences decisions to invest in e-business. Those SMEs remaining in their existing markets are the least likely to invest, primarily due to the Internet not being seen as necessary for growth. Product innovation rather than market penetration drives e-business, and e-business drivers and inhibitors provide insights into this.

Keywords: e-commerce in SMEs; e-commerce managerial issues; e-commerce problems; e-commerce risks; small to medium-sized enterprises (SMEs)

INTRODUCTION

Small to medium-sized enterprises (SMEs) (firms with 10 to 249 employees under the EU definition) are a vital and growing part of many economies. The Internet is seen as a critical technology by governments around the world to support the development of this sector. Governments have instigated intervention projects and offer financial incentives to encourage SMEs to adopt the Internet and subsequently to develop e-business systems that will enable them to trade more effectively with business partners (Evans, 2002; Zhu et al., 2003). Despite this ef-
fort, penetration of e-business in SMEs is slow (Kendall et al., 2001).

The limited research into Internet adoption and e-business in SMEs reveals perceived benefit as the major driver (Mehrtens et al., 2001; Poon & Swatman, 1999). Other factors, however, may influence SMEs’ decisions to invest in e-business. For example, research identifies SMEs’ adoption of information and communication technologies (ICT) to manage and grow as either cost or valued-adding (Levy et al., 2001), largely depending upon the firm’s strategic intent. This paper investigates whether and in what way strategic intent affects SMEs’ attitudes toward Internet adoption. It also considers drivers and inhibitors of e-business adoption to determine any relationship between these and strategic intent. Here, strategic intent encompasses two dimensions: markets and products. Most SMEs plan growth through some combination of these (Storey, 1994).

The paper surveys SMEs in the UK West Midlands to investigate these issues. It first discusses different growth strategies adopted by SMEs and then reviews Internet adoption in SMEs. Drivers and inhibitors of e-business are identified. Three research questions are derived: Does strategic intent drive e-business adoption, and is it a factor of market position or product innovation? Is this consistent across sectors? How is strategic intent and industry adoption influenced by the enablers and inhibitors of e-business adoption? Survey data is used to address these questions, and the implications are analyzed.

**SMES AND STRATEGIC INTENT**

Strategy is action taken by the firm once in business (Storey, 1994); market positioning; new product introduction, and technological sophistication are usually the key drivers. Storey suggests that it is the relationship between the entrepreneur, the SME’s strategy, and its context that is important for growth. Strategic intent in SMEs may be understood using Ansoff’s (1965) framework. He identifies four strategies for growing businesses (Figure 1).

Market penetration is defined as continuing to sell current products into current markets. Market development is selling current products into new markets. Product development is selling new products into current markets. Diversification is selling new products into new markets.

This model is relevant to SME’s strategic intent as it focuses on growth. The model uses the current growth strategies of the firm to consider the direction it is taking in relation to the current mix of product and market development. Understanding the growth direction enables business strategy to be better directed toward achieving growth. The strategic focus either may be toward product development or toward market development. The fourth

![Figure 1. Strategic intent framework (Adapted from Ansoff, 1965)](chart)
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