Chapter XII

The Role of Small Business Strategic Alliances in Small/Medium Enterprises (SMEs)

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Abstract

Despite advances in Internet technology, small to medium enterprises (SMEs) are reporting relatively low rates of e-commerce adoption. In response to this, government organizations are putting in place a number of initiatives to promote e-commerce use by SMEs. One of these initiatives is the formation of strategic alliances between businesses in order to pool resources and facilitate e-commerce adoption. This chapter examines the role of strategic alliances in e-commerce use by SMEs by presenting the results of a study of 313 Swedish businesses and by comparing the e-commerce adoption criteria, benefits, and disadvantages among those who are members of a strategic alliance and those who are not. The results of the study indicate distinct differences between the two groups in relation to specific aspects of e-commerce.
Introduction

The diffusion and assimilation of e-commerce in small to medium enterprises (SMEs) represents a critical area of investigation. A number of studies (Donckels & Lambrecht, 1997; Miles, Preece & Baetz, 1999) suggests that more and more SMEs are confronting an environment that is increasingly complex, technologically uncertain, and globally focused. These studies have suggested that some SMEs are turning toward some form of strategic alliance in which the locus of the impact of change is interorganizational rather than organizational. Indeed, these studies have prompted government initiatives (e-Europe, 2005; NOIE, 1998) that suggest that disadvantages and difficulties associated with e-commerce adoption may be reduced through joint technical information, market expertise, and business know-how, and that the structure of the strategic alliance provides a more flexible arrangement than the hierarchy in dealing with environmental turbulence.

Yet, despite the proclaimed advantages of small business strategic alliances, little research has been carried out to determine whether these structures promote the benefits and/or cushion the disadvantages that arise from e-commerce adoption for member businesses. Indeed, few studies have examined the role of strategic alliances in the decision-making processes leading up to the adoption of e-commerce.

This chapter examines both adopters and nonadopters of e-commerce. For the nonadopters, the chapter compares the perception of barriers to e-commerce between respondents that are members of a small business strategic alliance and respondents that are not. For those respondents that have adopted e-commerce, the chapter compares the perception of the importance of criteria in the decision to adopt e-commerce as well as the perception of benefits and disadvantages derived from the adoption of e-commerce by SMEs that are part of a small business strategic alliance and those that are not.

The chapter begins by examining the nature of SMEs, which is followed by a brief overview of the adoption of e-commerce by SMEs. The chapter then examines the criteria for adoption of e-commerce, the barriers that lead to nonadoption, the benefits derived from e-commerce adoption, and the disadvantages incurred through the adoption of e-commerce. Finally, the chapter presents a study of 313 Swedish small businesses, 176 of which have adopted e-commerce and 137 have not. The study compares the rating of criteria for adoption, barriers precluding adoption, benefits derived from adoption, and disadvantages incurred through the adoption between those SMEs that are part of a small business strategic alliance and those that are not. Finally, the limitations of the study are presented along with the conclusions and future research directions.

The Nature of Small and Medium Enterprises (SMEs)

There are a variety of definitions pertaining to what constitutes a small to medium enterprise. Some of these definitions are based on quantitative measures such as staffing levels,