The Effects of Strategic Alliance Membership on the Disadvantages of Electronic-Commerce Adoption: A Comparative Study of Swedish and Australian Regional Small Businesses

Robert C. MacGregor, University of Wollongong, Australia
Lejla Vrazalic, University of Wollongong, Australia

ABSTRACT

Despite the proclaimed advantages of small business strategic alliances, little research has been carried out to determine whether these structures “cushion” the disadvantages arising from e-commerce adoption for member businesses. There has also been a lack of research into comparing e-commerce use in those small businesses that are members of a strategic alliance to those that have opted to remain outside such arrangements. This article aims to correct the situation by presenting the findings of a study of 177 regional small businesses in Sweden and Australia that investigated the impact of strategic alliance membership on disadvantages associated with e-commerce adoption. The results of the study indicate that e-commerce disadvantages are often dissipated through a strategic-alliance structure more easily than through a single self-directed unit. However, the cushioning effects of a strategic alliance membership are not uniform and they differ depending on organisational factors such as the size of the business, the market focus, and the business sector.

Keywords: business sector; business size; disadvantages; e-commerce adoption; market focus; strategic alliance

INTRODUCTION

Small businesses are defined as organisations that employ less than 50 people (Europa: The European Commission, 2003). Yet despite their size, small businesses are seen as significant contributors to the prosperity of national economies. The European Commission views small businesses as the backbone of the European economy (Europa). Similarly, the Australian government recognises that small businesses are a “powerhouse” of economic potential whose employees account for almost 5 million members of the workforce (National Office for the Inform-
mation Economy, 2002), making them a major source of jobs. In recent years, small businesses have faced a number of challenges. With the establishment of free-trade agreements between countries worldwide, small businesses are increasingly competing in global markets. This has been made possible by the advent of electronic commerce (e-commerce) technology.

E-commerce involves the application of Web-based information technologies toward automating business processes, transactions, and work flows, and buying and selling information, products, and services using computer networks (Kalakota & Whinston, 1997). E-commerce technology has the potential to become a major source of competitive advantage for small businesses because it is a cost-effective way of reaching customers globally and competing on par with larger counterparts. Governments worldwide have recognised this and have created funding schemes and initiatives to facilitate e-commerce adoption in small businesses. However, a number of studies (Raymond, 2001; Ritchie & Brindley, 2000; Sparkes & Thomas, 2001) has found that e-commerce adoption by small businesses can often lead to ongoing disadvantages with the technology, as well as changes in day-to-day business activities brought about by e-commerce.

Unlike previous technological initiatives, e-commerce is a “disruptive” innovation that is radically changing the way firms do business. Where previous innovations have sought to minimise dependency on other organisations, allowing the business to dictate production, marketing, and other business functions, e-commerce has forced organisations to reassess their boundaries and to focus their attention interorganisationally rather than organisationally. As small businesses confront an environment that is increasingly complex, technologically uncertain, and globally focused, there is a growing need to be flexible and proactive in business dealings. Miles, Preece, and Baetz (1999) have suggested that this has prompted many businesses (both large and small) to turn toward some form of strategic alliance, where the locus of the impact of change is interorganisational rather than organisational. There are many studies that advocate the importance of strategic alliances in the early adoption of e-commerce, particularly by small businesses (see, for example, Donckels & Lambrecht, 1997; Jarratt, 1998; Overby & Min, 2001). These studies suggest that small business strategic alliances provide a ready source of technical information, market expertise, and business know-how, and a more flexible business structure for dealing with environmental turbulence.

Despite the proclaimed advantages of small business strategic alliances, little research has been carried out to determine whether these structures “soften” the disadvantages arising from e-commerce adoption for member businesses. Furthermore, there has been a lack of research into comparing e-commerce use in those small businesses that are members of a strategic alliance to those that have opted to remain outside such arrangements. This article aims to correct the situation by presenting the findings of a study of regional small businesses in Sweden and Australia that investigated disadvantages of e-commerce adoption (amongst other things). One of the aims of the study was to compare the disadvantages of adopting e-commerce in those small businesses that were members of a small business strategic alliance and those that were not.

The article begins by examining the nature of small businesses and identifying features that are unique to the sector. Small
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