Chapter 7

An Investigation into the Adoption of Electronic Commerce Among Saudi Arabian SMEs

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ABSTRACT

Despite the proliferation of e-commerce adoption by SMEs and the world-wide growth of e-commerce, in general there is a paucity of empirical studies that examine the adoption of e-commerce by SMEs in the Middle East. In this paper, the authors provide insights into the salient e-commerce adoption issues by focusing on Saudi Arabian SMEs. This research was designed using a qualitative approach through in-depth case studies selected from firms in Saudi Arabia. The findings contribute toward a better conceptual and practical understanding of the main factors driving SMEs to adopt e-commerce. The authors find that the level of e-commerce implementation has yet to mature and customer readiness for Internet shopping must improve before e-commerce reaches the levels of maturity seen in other regions of the world. This study highlights directions for future inquiry and implications for information and technology managers and policymakers in developing Arab nations.

INTRODUCTION

The Internet has become the foundation for electronic commerce. Electronic commerce (e-commerce) is a revolution that many industry and academic observers believe will transform the conduct and structure of business. In the context of this paper a broad view of e-commerce is taken, that is, that it is not just about buying and selling goods and services through the internet, but also about using Internet technologies, such as e-mail and web sites, for servicing customers, sharing

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business information, maintaining business relationships, collaborating with business partners and conducting business transactions, either within the organisation itself or with external stakeholders to better manage its knowledge (Alonso-Mendo et al., 2009).

Today e-commerce plays a major role in the world’s economy and Small and Medium Enterprises (SMEs) are increasingly realising the potential benefits of e-commerce technologies as they continue to adopt e-commerce to create and sustain competitive advantages. SME definitions vary from country to country. MacGregor and Vrazalic, 2004 R. MacGregor and L. Vrazalic, Electronic Commerce Adoption in Small to Medium Enterprises (SMEs), A Comparative study of SMEs in Wollongong (Australia) and Karlstad (Sweden), University of Wollongong (2004). For example, North American industry uses measures such as number of employees and total turnover. On the other hand, the European Union (EU) has proposed a uniform definition that views SMEs as independent companies with fewer than 250 employees and with turnover of less than 50 million Euros (European Commission, 2005). In the case of Saudi Arabia, small enterprises are those which employ between 10 and 25 workers and operate with capital ranging between 200,000 SR and 1 million SR. In contrast medium-sized enterprises employ between 26 and 100 workers with operating capital ranging between 1 million SR and 5 million SR (Ministry of Economy and Planning, 2005). SMEs are important contributors to national economies and play a critical role in creating employment opportunities. For instance, in the USA, small businesses generate two-thirds of new jobs and produce 39% of the gross national product (GNP).

A number of studies have been conducted in the context of developed countries to explore the factors that influence and hinder the adoption and diffusion of e-commerce by SMEs (Grandon & Pearson, 2004). However, it is widely acknowledged that theories and management practices developed in the context of industrialized and developed countries in the West need to be re-examined in the context of developing countries to fit the cultural context of the recipient nation (Austin, 1990). This is because issues which might seem trivial for developed countries may play an important role for e-commerce adoption in developing countries. For instance, the major issues in developing regions are slow speeds, the high prices of Internet service providers (ISPs), an insufficient regulatory environment and poor infrastructure; whereas in developed countries, the main issues are privacy and taxes (Molla & Licker, 2005).

In addition, Ein-Dor et al. (2004) conducted a four-country study that included Finland, Israel, New Zealand, and Singapore. Their study indicates that differences in culture, attitudes toward information and communication technology (ICT), and socioeconomic status impact the adoption of e-commerce. In fact, studies conducted in Western countries tend to embody the values, attitudes, and beliefs of the West, which are different from those of non-Western cultures. Yet, it seems that there is a paucity of writing in the context of developing economies in the Arab world and the patterns of organisational adoption of e-commerce remain a largely unexplored area. Particularly, few studies have explored e-commerce growth in the high-income economies in the Arabian Gulf region (Alrawi & Sabry, 2009). Thus, the present study attempts to address this gap in the extant literature and shed some light on e-commerce adoption among SMEs in the context of the Gulf Cooperation Council (GCC).2

This paper focuses upon Saudi Arabia. In fact, Saudi Arabia forms an interesting context and domain for the study. This is because economic liberalisation programmes initiated in Saudi Arabia in the 1980s have resulted in attempts at overall transformation of technology usage among Saudi industries. Despite this, prior research in Saudi
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