

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Many academics and practitioners have admitted that Information and Communication Technology (ICT) has brought a significant transformation to business practices (Sebora et al., Vijayaraman and Bhatia, Sam and Sam, Abu-Musa). The impacts of ICT are also caused a profound in Business-to-Business (B2B) sectors. It cannot be denied that there have been studies conducted regarding e-Business adoption by businesses. However, most of these focus on large companies and in developed countries (Williams, Dwivedi, Lal, & Schwarz, 2009; Daniel & Grimshaw, 2002). Studies that focus on SMEs in developing countries are rarely found. As commonly known, there is a difference between developing countries and developed countries. These differences are not only from an economic standpoint, but they also concern political, environmental, social, and cultural factors. Therefore, research findings obtained from developed countries cannot be applied directly to developing countries. Similarly, large companies are also different to small companies. SMEs are not just a little big business' (Walsh & White, 1981), and so, because of their size, they exhibit unique features and behaviours such as centralized management control and decision making, being more likely to be risk-averse, lacking resources and only having a limited share of the market (MacGregor & Vrazalic, 2007), all of which make it difficult for the SME to apply 'large company' strategy and especially an e-Business strategy developed initially to fulfil the need of large businesses in developed countries.

The situation outlined above is why this study investigates those factors that influence SMEs in growing their business. In this regard, Indonesia was chosen as where the research was conducted. Firstly, Indonesia is one of the developing countries in Asia, and is recognized as having the 4th Kartiwi & MacGregor, 2008 largest population in the world. It also has the largest geographical area in Southeast Asia. Therefore, Indonesia might reflect other developing countries in Asia, particularly in Southeast Asia. Secondly, Indonesia is also recognized as the biggest archipelago country globally, consisting of more than 13 million islands. Like any other country globally,

SMEs form over 95% of all businesses in Indonesia. The sheer size of the population and vast territory are good reasons for businesses in Indonesia to grow within e-Business, especially SMEs. In line with the number of SME firms that dominate Indonesian businesses, the application of e-Business by Indonesian SMEs has grown significantly.

1.2. Research Issues and Problem Statement

Regardless of e-Business proliferation and the benefits offered, Indonesian SMEs still ignore and hesitate to adopt e-Business, which they consider a new phenomenon. Furthermore, issues such as poor infrastructure and inadequate online policies (Shakir et al.) have made Indonesia lagging behind in terms of networked readiness, particularly in adopting e-Business. The report from World Economic Forum and INSEAD in 2012 has ranked Indonesia in 80th position (from 142 countries) based on its Networked Readiness Index (NRI), which made Indonesia in a lower position compared to other Asian Pacific countries (Singapore, 2nd; Malaysia 29th, China 51st and Thailand 77th). The ranking of the NRI was assessed on four factors, including environment (political and regulatory; business and innovation), readiness (infrastructure, affordability, and skills), usage (individual, business and government) and impact (socio and economic).

Although currently, Indonesian SME have the same opportunity to expand their market and seize the benefits of e-Business, yet SME participation and adoption in e-Business are still considered low due to several barriers such as (1) risk-averse and strong influence from the owner or manager in adopting IT (Matlay & Addis, 2003), (2) slower adoption towards new technology due to its unfamiliarity with ICT (Thong, 18), (3) the lack of resources in IT knowledge, experts and financial resources (DeLone; Zhu, Kramer and Xu, [20]; Eriksson et al., 2001), (4) SME have restricted control over the business environment and power to influence their partners to implement e-Business and (5) avoid investing on sophisticated application or software (Sutanonpaiboon and Pearson; Writz and Wong; Jones & Beatty, 2001).

In fact, SMEs play an essential role and are crucial growth engines in the global economy, where generally, SMEs constitute more than 90 percent of the businesses in a country (Sutanonpaiboon and Pearson et al.; Thong). Therefore, it is essential to

heed that great attention should be given to Indonesian SMEs since, in 2010, the total amount accounted for approximately 53 million SMEs, which comprises 99.99 percentage of the total businesses in Indonesia (Indonesian Ministry of Cooperatives and Small Medium Enterprises Indonesia DEPKOP, 2010). However, the number of Indonesian SMEs who have adopted e-Business is still considered very low, which is a crucial issue to be addressed to improve Indonesian economic growth and international trade.

Therefore, the purpose of this study is to analyze B2B e-Business adoption for influencing SME growth in Indonesia and examine the effects of owners characteristics on the benefit after adopting B2B e-Business to their business using a qualitative method by relating perceived benefits, technology readiness and owners IT the ability to the adoption of B2B e-Business among people in Indonesia.

1.3 Objective of the Study

The research objective is what the researcher expects to achieve in the research of study. A research objective is usually expressed in lay terms, which are words or statements that someone outside of a specific field can understand. This part may be linked with the hypothesis. In general, the objective of this study is the influence of B2B e-Business adoption on SME growth during the pandemic. Specifically, the objective of this study is:

1. To adds a better comprehension of B2B e-Business adoption in SME growth.
2. To propose an integrated framework that explains the impact of B2B e-Business adoption in SME growth during the COVID-19 period in Indonesia.
3. To encourage SME adoption of e-Business, SMEs need to be more receptive to adopting new technology and innovation.

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1.4. Research Hypotheses

In this study, there are several research questions required to be answered:

- 1) Is there any relationship between Perceived Benefits and SME Growth?
- 2) Is there any relationship between Technology Readiness and SME Growth?
- 3) Is there any relationship between Owner IT Ability and SME Growth?

1.5. Significance of the Study

This study will be undertaken to determine the relationship between perceived benefits, technology readiness and owners IT the ability to the SME growth among people in Indonesia. Furthermore, this study encourages SMEs in future research and enriches their knowledge about B2B e-Business. Some only recognize that e-Business is essential to enhance their business growth. From this study, SMEs could adopt B2B e-Business in their daily uses. In addition, the researcher hopes that this study will be helpful in terms of providing knowledge that can be used as a source for potential SME growth in Indonesia.

1.6. Scope of the Study

This study aims to identify B2B e-Business adoption for SME growth and what factors influence the SME, especially for their growth in Indonesia. The researchers choose Indonesia because Indonesia has a large number of people. In 2022, Indonesia's government has set the target to make 70% of Indonesian to create SMEs as a step to improve the nation's economic status.

1.7. Proposod Chapter Organization

This research will consist of chapter one, the introduction, background of the study, problem statement, research questions, research objectives, study's significance, the study scope, and operational definition. Chapter two is a literature review; it will explain the literature review findings and research framework containing the independent variables, dependent variables, research objective, research question, and hypotheses between the independent and dependent variables. Chapter three covers the research methodology, research design, population and sample, sampling technique, research instrument, data collection, and data analysis used for this research. This research involves 130 respondents that work in SMEs Indonesian. Next

in, chapter four includes the collected data from the 130 respondents conducted through an online survey and analyzed using IBM-SPSS. This chapter also includes the correlation variable consisting of the independent and dependent variable dent variables. Besides, the results of the tested hypotheses were accepted. Lastly, chapter five consists of the findings of the relationship on each variable besides mentioning the limitation in this research and recommendation for future research on this topic.

1.8. Summary

This chapter is a summary of the research study plan. It forms the basis of the research project and its operation. The background of the study and problem statement, research questions, research objectives, the significance of the study, the scope of the study, and the chapter layout for each chapter were clearly defined. The research will be discussed in the next chapter of the literary