Motivational Factors for Growth in Small and Medium Sized Enterprise: (SMEs)

Information Technology Perspective

Paper within: Masters in IT and Business Renewal

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ABSTRACT

Small and Medium Size Enterprises (SMEs) constitute the backbone of many economies in the world today. This is because they are creating new jobs and contributing positively to their respective economies in which Sweden is not an exception and particularly the municipality of Jonkoping. SMEs invest in IT to gain access to integration of transactions oriented data and business processes.

This thesis, motivational factors for growth in SMEs – (IT perspective) give an overview of how SMEs grow as a result of the introduction and implementation of IT. Information Technology (IT) is seen to be a motivational factor for the growth of SMEs. This is because it acts like an enabler to their businesses and the current business environment.

To answer the research question, I conducted an empirical study of some companies in Jonkoping that are using IT as a motivational factor for growth. Interviews were conducted through the use of a structured questionnaire and to a lesser extent, unstructured questionnaire.

Results from studies portrayed that, these companies introduced and implemented IT as a motivational factor for similar reasons though with different objectives.
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1 Introduction

The introduction is meant to assist readers understand the subject of research in this Masters Thesis. In this piece of work, Small and Medium Size Enterprises (SMEs) will be described and how Information Technology acts as a motivational factor for growth in SMEs. This is actually why the research is being carried out.

1.1 Background

The world today has become one due to globalization. The competitiveness of enterprises be it large and or SMEs is based on the ability to effectively utilize Information System (IS). Globalization has become a reality and competition is more dynamics (Poter, 1998) as firms source material and manufactured goods in many locations, while innovation is vital for the future business growth.

Information today is seen as critical in the management and growth of SMEs. Information is viewed by many as what is processed and provided by the computers and other electronic devices. True but not all, for a large amount of information is not captured or represented by this computer based systems, but embedded in the minds of managers. Manager’s use this computer based information as well as their accumulated knowledge and expertise to evaluate and make decisions regarding the future of the enterprise.

The information that managers use which is not embedded in the computers resides in the minds of the staff and it is true of high-level information. That is, knowing where information resides in the organization. Some of the information is gotten by either talking to people face-to-face or by telephone. Tacit knowledge is therefore difficult to be stored by the computer-personal knowledge which makes it hard to formalize and communicate.

Information Management (IM) is therefore vital in this research work. This is because information is not usually gathered for its own sake but used in the enterprise and this is the premise on which decision making is based.

Extensive research has been carried out in large organizations but little has been done in SMEs.

1.2 Problem

Over the last 10-15 years, the world has witnessed a rise in SMEs. Small organizations are seen to be the best reluctant users of IT and the author feels it is a misguided concept for some fail to see and recognize the benefits that IS can bring to the Enterprise. Some SMEs fail to invest in IT, not because they do not realize the long term benefits but because the cost being incurred is too high for the survival of the firm.

The literature suggests that some small businesses are beginning to realize that IT can be useful to gain competitive advantage. (Pollar & Hayne, 1998). To this effect, many SMEs are spending hundreds of dollars putting in place or trying to implement information and information technology into their businesses. When this is appropriately done, then, the organization will share a common goal and vision that does not tamper with the business. However, it is not completely true that by investing in IT the enterprise must meet its organizational goal.
This study offers an opportunity to investigate and know exactly the role information technology plays in enterprises, what it means by investing in IT before taking up the venture.

1.3 Research Question

The main concern of this thesis is how Information Technology acts as a motivational factor for growth in Small and Medium-Sized Enterprises. With this in mind, I have identified two research questions:

1. What are the benefits for strategic alignment for the growth of SMEs?
2. What are the most common motivational factors for growth among SMEs?

There can be a relation in terms of properties found in different kind of exchanges within an organization and inter-organization. These exchanges here could be social economic, business, coordination, information exchanges, etc. These exchanges could only be carried out with the help of Information System, most especially when one is dealing with different types of firms.

Social exchanges do establish trust in the relationships by performing transactions step-by-step which leads to long term cooperation between the business partners (Johansson and Mattsson, 1987). In coordination of planning and strategies, information is required and these maybe preferably face-to-face communication. Information is therefore needed because it’s a core to business transactions.

1.4 Purpose

"Information is transitional: Like money information has no “fatherland”. Because information knows no national boundaries, it will also form new transitional communities of people….who are in communion because they are in communication” (Drucker, 1989).

Considering the increase use of IT in enterprises and the huge investments on it, the focus now is whether it really contributes to the growth of SMEs? The objective of this study is to investigate how Information Technology acts as a motivational factor for growth in SMEs.

1.5 Delimitations

This Masters Thesis is going to investigate on how IT acts as a motivational factor for Growth in Small and medium Size Enterprises in Jonkoping Community in Sweden.

The reason why the author has decided to investigate on this topic is to know how SMEs benefit from IT investments. It is further going to expand on what IT implementers should expect when they venture into the field of IT investments.
1.6 Interested Parties

There is a widely-held view (Galliers, 1987; King 1987) that Information System Strategy (ISS) can play a critical part in helping organizations to increase efficiency, effectiveness and competitiveness (Sinclair, 1986). Furthermore ISS can provide the means to achieve truly innovative approaches to many organization and competitive challenges.

This research is design for a variety of audience with different interest and technical know-how. It is titled, Motivational Factors for Growth in SMEs, can be of interest to companies planning to implement it, those already implementing it and also to companies having problems with its implementation. It could also be of interest to the scientific community as a foundation of further research. It is also good for prospective future businessmen and students who intend to become managers.

1.7 Disposition

The analysis below gives the reader an understanding of how the different chapters are linked together.

- Introduction: The problem statement which was transformed into the main objective is the guideline on which this research work is carried out.

- Method: In addition, the method deals with how references were gotten as well as empirical findings.

- Theoretical Framework: This is basically the collection of literature from other researchers which is summarized here. It is the spring board for empirical findings.

- Empirical findings: It is composed of field studies of what I got from the surveys.

- Analysis: This is simply the interpretation of findings.

- Conclusion: This is the summary of what has been discussed in the entire work.
2 Method

In this chapter I intend to explain the method that I have used in carrying out this study. I am going to start with the methodological approach to be closely followed by the case study, and it is being designed, how data was collected, the quality of the research, then, selection of respondent and interviews procedures, the reliability and validity of the studies and finally how the analysis are going to be conducted.

The objective is to examine how information technology acts as a motivational factor for growth in SMEs. An extensive research will be undertaken to achieve a profound understanding in this area. With regards to literature, a search will be conducted using library resources, e.g. academic publications, books, electronic material, and a full text approach. With this in mind, a random selection of five companies will be taken and analysis made. The research method chosen here is more of a qualitative approach.

2.1 Research method

For the objective of this research work to be achieved, a qualitative study is going to be conducted. This piece of work has the objective of making a deeper analysis of what happens to five SMEs when they apply Information Technology and how it acts as a motivational factor for the growth of SMEs and how growth can be sustained when IT is actually being implemented. Patton (1987), explains how appropriate is qualitative research for a thesis such as this arguing that qualitative research is the effort of the researcher to understand situations and these situations uniqueness as a greater part of a situation (cited in Merriam, 1988). Strauss and Corbin (1998) buttress the appropriateness of a qualitative research for this kind of a study by arguing that qualitative research is “any type of research that produces findings not arrived at by statistical procedures or other means of quantification”. Merriam (1988) mentioned characteristics of qualitative research:

The first one concerns the vitality of seeing and understanding events through the eyes of the participants.

The second feature concerns the fact that it is the researcher that is the principal instrument responsible for the collection of data and analyzing the data that has been collected.

The third attribute of qualitative research is that it requires the need for field work through the observations of situations and people own eyes.

The fourth attribute is the reality of qualitative research whose focus is on building new theories rather than testing old ones.

Finally, the last characteristic concerns the presentation of results from the study.

It should be noted here that in contrast to quantitative research, qualitative research is highly descriptive for text and pictures are used rather than numbers in the presentation of knowledge gained throughout the research studies.

Although a distinction is usually made between quantitative and qualitative aspects of investigations, it has been argued that the two are highly correlated and therefore go hand in glove.
2.2 The Case Study approach

In this case study approach, Schramm (1971) p.71 says “The essence of a case study, the central tendency among all types of case studies is, it tries to illuminate a decisions or a set of decisions: why they were taken, how they are implemented and with what results?

This projects intention is therefore to make an investigation on how IS/IT acts as a motivational factor for growth in SMEs.

Yin (2003) argues that case studies should be used:

1. when the form of research question begins with “How or Why”
2. When there is no need for control of behavioral events.
3. when there is a high degree of focus on contemporary events

“The how and why questions are exploratory and this might likely lead to case studies because such question deals with operational links which are needed to be traced over time instead of mere frequencies. In addition, the case study includes observations of events being studied and interviews of the persons involve in the same events (Yin, 2003).

The above description of case studies strengthens the usage of a case study in this thesis. In this work, interviews will be conducted with the directors, top managers, chief information officers (CIO) and those who hold strategic positions in the company based on grounds that, they have been participants in the company when IS/ IT were introduced or that, they might have even done it themselves.

The case studies strength is its capacity to employ various methods such as interviews, participants’ observations and of course field studies (Hamel, Dufour, and Fortin 1993).

Some researchers argue against this strength by putting up the argument that it is a less desirable form of inquiry than either experiments or surveys for the simple reason that there is lack of rigidity in a case study research. Too often the researcher has been careless, has not followed systematic procedures or has let its own view affect the directions or findings making the research biased (Yin 2003). Furthermore, one of the major issues of a “case do not provide large basis for generalization. Bryman and Burgess (1999) are advocates of this idea as they put forth the question how is it possible to form one, two, or even three cases that have been studied? They further made their argument stronger from the citation in (Yen 2003) that it can never be a fair representative.

2.2.1 Selection of Cases

There are different types of cases that are being taken into consideration when research is concern. Each of these is highly supported by the researcher why he or she decides to use a particular case study. Yin (2003) highlights the importance of context, adding that, within a case study, the boundaries between phenomenon being studied and the context within which it is being studied are not clearly defined. He distinguishes between four case study strategies and is as follows: (i) Single case study, (holistic) design (ii) single case (embedded) design (iii) multi-case (holistic) design (iv) multi-case (embedded) design.

One rationale for a single case is when it represents a critical case in testing a well formulated theory. The theory has specified a clear set of proposition which is believed to be true. A single case can meet all the conditions for testing a theory.
The next rationale of a single case is one which represents an extreme or a unique case common in clinical psychology where a specific injury or disorder may be rare that any single case is worth documenting and analyzing. For example one clinical syndrome is the inability of a certain clinical patient to recognize familiar faces. This syndrome appears to be due to some physical injury to the brain. Yet the syndrome occurs so rarely that scientist has been unable to establish a common pattern (Yin, 1970, 1978).

The last rationale is the revelatory case. This is when the investigator has the opportunity to observe and analyze a phenomenon previously inaccessible to scientific investigation. For instance, one can study the problems of unemployment which can form a significant case study. This could be difficult for scientist. Such conditions justify the use of a single case study on grounds of its revelatory nature. Generally a single case is usually used where it represents a critical case or alternatively an extreme or unique case. This is as opposed to the multiple cases.

A multiple case study incorporates many cases. The evidence from a multiple case is often considered more compelling, and the overall study is therefore regarded more robust (Herriott & Firestone). If similar results are obtained from a number of cases, replication is said to have taken place. The reason for using multiple cases is based on the need to establish whether the findings of the first case occur in the other cases and as a consequence, the need to generalize from these findings. Contrasting results can still be produced but for predictable reason. To this effect Yin (2003) argues that multiple case studies maybe preferable to a single case study and that where you choose to use a single case study, you will need to have strong justification for your choice.

I am more focused on using multiple case studies. The simple reason as Yin also defines it, is to establish whether the findings in the first company selected occur in subsequent companies in which the research was being conducted. This will give me an opportunity to make generalizations from my findings. I will have to come back to this either to confirm similar results for the different cases or contrasting results and why each of them takes place.

2.3 Data Collection

The data collection for this thesis is through interviews with those who hold strategic positions of some selected companies. Bryman and Burgess (1999) explain that the design of a verbal interview varies depending on what the researcher intents to get out of the interview. They talk about two extremes: one involves a situation where there is little structure and the other is where there is a lot of structure. The third is “Semi-Structured” and it involves a combination of the two extremes.

**Structure:** Here, the researcher has more command and control in the interview. A highly structure interview is usually used when he/she lacks information that can direct him/her to very specific questions but rather mind searching and a little bit of broader questions are asked. A major limitation here is that the researcher needs to be excellent in order to manage the flexibility that could arise from this type of interviews. A clear advantage is its possibility to get perspectives where the past and the future can be discussed; also the ease of organizing and analyzing data is an advantage (Bryman & Burgess, 1999). In this type of interview design, Holloway (1997) state that the interviews have a formal design. An interview is said to be formal when it is planned far ahead of time in contrast to informal interviews which takes a conversational form.
Unstructured: As already mentioned above, the objective of an unstructured interview design is that it is oriented towards a more conversational approach. Its mostly characterized by open ended questions which results to more conversational like interviews where discussions can arise and new questions are born to give an insight to areas that are being discussed (Bryman and Burgess,(1999). Holloway (1997) suggests that unstructured interviews can be seen as a “conversation with a purpose”. In the course of the interview the researcher has a check list with key identified points which acts as remembrance of what type of information he/she wish to get from the conversation.

The strength of the unstructured design lies on the fact that there is the ease to follow up the conversation in a desired way wanted by the researcher. This is good but the little loophole is that information can be different since the conversation is with different people and logically there will also be an expectation of different answers and this can also make the analysis of data different. This is in contrast to a structured design where there is the high chance of getting just the required information. What is very much interesting about the unstructured design is that it can become too unstructured, leading to a high possibility of getting off track, time wastage, and not enough information maybe tapped as expected by the researcher. This thesis is therefore more oriented towards or based on structured questionnaire.

Semi-structured: This is a combination of both extremes. This third method can resolve the problems of the two methods already discussed above. Holloway (1997) claims that the semi-structured interview is more focused in comparison to the two. His argument is based on the fact that the researcher is certain to collect all vital information but still giving the responded latitude to answer the questions in their own way. The researcher can blend the two and a mix of questions asked such as open ended questions with questions which were predetermined and the questions can be flexible as well as structured. I will use the structure questionnaire though with a few unstructured aimed at tapping information embedded in the minds of the respondents. The objective is to get additional information to what is actually intended.

2.4 Selection of respondents and interview procedures

As earlier stated, I selected my respondents from top management, directors, chief information officers and those who hold strategic positions in their companies. The simple reason is that they are involve in the adoption and implementation of IS/IT in their respective companies. These people are part of the strategic decision making in their respective enterprises, so I have the strong conviction that they would be able give details of information necessary for this study. My selection criteria for companies were based on the above set of people who could communicate in English since the author is an international student who could not communicate in Swedish.

Since I am not familiar with the Swedish companies, one of the lecturers Ulf Larsson assisted the author in identifying some of the companies and I made appointments through the telephone. In this way I was able to know those respondents who could communicate in English. Copies of the questionnaires were forwarded to the respondents before the appointment day in order to let them be acquainted with the questions before the real interview date.
This made them to prepare for the interview. A chance was also given to the respondents to highlight vital issues which they deemed would be of vitality to my study. Interviews are estimated to last for at least one hour.

### 2.5 Quality of Research

In qualitative research, four tests are usually considered when assessing the quality of empirical social study: The tests according to Kidder & Judd (1986) are:

- **Construct Validity**: This establishes operational measures for the concepts being studied. This method is limited by the fact that critiques put forth the argument that researchers here fail to establish sufficiently operational set of measures and that subjective judgments are used to collect data.
- **Internal Validity**: This is establishing a causal relationship, whereby certain conditions are shown to lead to other conditions as distinguished from spurious relationships. Here an investigator may erroneously concludes that there is a causal relationship between x and y not taking into consideration that there could be a third factor z.
- **External Validity**: This one puts forth an arena where findings from studies are being generalized. In order to have high external validity, a replication of several cases must be conducted. In this study in order to attain high validity, I selected five cases for this study. The reason for the choice of the five cases was due to time constraint and I felt that the cases could be considered optimal to make a faire study.
- **Reliability**: Demonstrating that the operations of a study such as data collection procedures can be repeated with the same results. (Kidder & Judd 1986). Yin (2003) discussed several tactics for dealing with these tests while doing case studies and that these tactics should be used throughout the conduct of the case study. A good rule for carrying out case studies is to conduct the research in such a way that allows an auditor to repeat the same procedures and arrive at the same results (Yin 2003). In order to attain high reliability, the intention was to conduct each case in the same way using the same questions and interviewing the same people with the same or similar positions in all the SMEs companies. Reliability of studies has been highly criticized for the fact that it lacks in-depth analysis.

#### 2.5.1 Reliability and Validity

According to Joppe (2000), reliability is defined as the extend to which results are consistence over time and an accurate representation of total population under study is referred to as reliability and if results of a study can be reproduced under similar methodology, then, the research instrument is considered to be reliable. Validity just determines how truthful the research results are.

One vital factor in reliability and validity of results lies in the bias of the interview and the interviewee. Data that is gathered during interview is very much influenced and dependent on the interviewer (Patton, 2002). Holloway (1997) gave an explanation on how an interviewer can have a significant impact on the results. One can also observe from a critical point of view that the studies can be influenced negatively or positively and this again depends on how the influential factors are being treated.
Based on Joppe (2000), I strongly believe that the study would be reliable and valid. This is because the companies selected have the same operational terrain of Jonkoping in Sweden.
3 Theoretical Framework
This chapter takes a look at the relevant terms that will be used in this work for empirical study. This encompasses the background area of study, definition of some terms, the role of IS/IT and explanation of some basic concepts which I find necessary to my studies.

3.1 The Evolution of Information Systems
At every basic level, technology forms and shapes the way we view ourselves, our role in the world, our relationships with others and our view of nature and the world. Between 1965 and 1975 managers were highly concentrated on automating those functions in which large efficiency gains could be made. Typical of these were the ones which could processed many routine transactions, for example payrolls, stock controls, and invoices. During this era, department managers often delegated responsibility to information management to an emerging IS department, which became skilled in running large, routine and usually centralized systems. This function also became very influential as managers of the main operating departments left matters that concern IS to specialists, and during period management was scarcely involved, (Boddy et al 2002). Ward and Peppard (2000) call this period of time—the era of processing (DP)

Immediately after this period automated systems spread very widely. Technical development made smaller systems possible and more attractive to managers in the organization. Departmental managers at this time discovered many new applications of information systems and accordingly became familiar with issues of budgeting for hardware, requesting support, defining requirements, and setting priorities. (Boddy et al (2002). Ward and Peppard call this period- The era of management information systems (MIS).

Information technology environment has continued to change rapidly since mid 1980s. Technical developments have brought information system to the foreground of corporate policy. Information systems at this juncture support manager’s professional staff directly. This made non-technical staff or small business owner to depend on computer based information. In the mid 1990 there was a rise in the internet which furthers this development. In this era, there was the challenge to traditional organizations to innovate their processes, and business (Boddy et al 2002). Ward and Peppard (2002) call this period of time-the era of strategic information systems. The focus of this era is towards network relations with electronic linkages between business partners. Information system is strategic and therefore there is need to redesign existing business processes among partners in a company.

3.2 Definition of terms

3.2.1 Information
Information is a strategic resource which plays the dual function as a yardstick in the measurement of business success and gives room for diversification of business. Information from the organizational sense is more complex than its frequent use by a common man. From Edwards and Finlays (1997) they put it as: ‘Without an efficient means of filtering and aggregating data, a manager could be …data rich yet information poor. Turban et al (1999) defines information as data that has been processed so that it has meaning and value to the recipient. Information is subjective because it needs to be understood by the recipient.
The concept of information is a subtle one and one which there is by no means complete agreement. Information is highly needed because it supports the organization. Information therefore refers to what is processed and provided by computers and other electronic devices. Although this is true that most organizations rely on information technology in support of their information processes, much of the information that is not captured by computer based is embedded in the minds of managers. There is a process of thought and understanding that a given message can have different meaning to different people. It follows that data which has been analyzed, summarized processed in some other fashion to produce a message which is conventionally to be management information, only becomes information when it is understood by the recipients.

In summary, information is knowledge and understanding that is usable by the recipient. It reduces uncertainty and creates surprise value for it tells the recipient something not already known and which could not be predicted. A message that lacks this quality as far as the recipient is concerned contains merely data and not information. A report by Reuters called “Dying for Information” confirms the fact that a manager maybe data rich but information poor. Research and experience portray that good information has the following attributes.

- Relevant for its purpose.
- Sufficiently accurate for its purpose.
- Complete enough for the problem.
- From source to which the user has confidence
- Communicated to the right person
- Communicated in time for its purpose
- That which contains the right level of detail.
- Communicated by an appropriate channel of communication
- That which is understood by the user

### 3.2.2 Information System / Information Technology (IS/IT)

These two terms (IS/IT) are often used interchangeably and I will do same in this thesis but it is necessary to have a clear demarcation on what is Information System (IS) and Information Technology (IT).

IT refers specifically to technology that is essentially hardware, software and telecommunication network. It encompasses both tangibles for instance, severs PCs and network cables and intangibles like software of all sorts.

The UK Academy of Information Systems (UKAIS) defines information systems as the means by which people and organizations, utilizing technology, gather, store, use and disseminates information. It is therefore concerned with the purposeful utilization of IT.

IT is technologies that act as an engine to organizational growth. This is because it consolidates and integrates all the business functions. For instance in Finance, management of sales etc

Information Technology can also be defined as any equipment or interconnected systems or subsystems of equipment that is used in the automatic acquisition, storage, manipulations, management, movement, control, display, switching, interchange, transmission, or reception of data, or information etc The information technology includes computers ancillary equipment, software, firmware, and similar procedures including support devices
and related resources. IS/IT provides new opportunities to develop innovative support systems as with the internet and World Wide Web. This generally means that it has revolutionary practices in business. It should be noted that there has been considerable research on how large companies use IS/IT, but it is rather unfortunate that less attention has been paid to the adoption of IS/IT in small businesses.

To (Berman 1997), improvement in both IS/IT and communication equipment has been a major contribution to the growth of small and medium size enterprises.

Igbaria et al (1997) have found that good external support provided by vendors and or consultants such as technical support, training and a harmonious working relationship can reduce the risk of IT failures in Small businesses.

The above definition suggest that IT investments do generate and are still expected to generate a substantial benefit to the organizations and keep pace the competitive pressure and exploit market opportunities.

### 3.2.3 Small and Medium Size Enterprises (SMEs)

It is usually difficult to come out with a precise definition of SMEs most especially when size, structure and objectives are being considered. Defining the SME sector and particularly small business is fairly difficult as there are differences in what is appropriate to be described as “Small” in different industries (Burns, 2001; Story, 1994).

The main criteria that predominates to define the SME sector are the number of employees, turnover and the balance sheet total (Burns, 2001). The Organization for Economic Co-operation and Development (OECD) takes employees numbers of less than 20 to be Micro-firms, 20-99 as small and 100-299 as medium. (Burns, 2001; Story; 1994) are of the opinion that firms with employees of less than ten constitute or falls within the framework of SMEs.

Recommendation Act 2005/361/EC on the 6th of May 2003 taken by the European Commission on the 6th of May 2003 to take effect from the 1st of January 2005 define SMEs as:

- **Medium Size:** Enterprises should have less than 250 employees. Their annual turnover should not exceed 40 million euro.
- **Small Size Enterprises:** They should have 10 -49 employees. Their annual turnover should not exceed 7 million euro and annual balance sheet total not exceeding 5million euro.
- **Micro-Size Enterprise** is enterprises which have less than 10 employees.

A lot of research has been done on strategic IT with regards to growth in large enterprises but little in SMEs. Large firms have realized that IT should be changed when business demands changed (Magoulas and Pessi 1998, pp 59). Small firms may not even realize that IT can support the business and therefore strategic insights are blurred, due to the situation which the decision-maker and the firm are in. (Junghagen 1997). The central distinction between small and large firms is the greater exter-
nal uncertainty of the environment in which small firms operates, together with internal consistency of its motivation and actions (Story 1994).

I have chosen the definition of SMEs from the European commission though other definitions are still included. The simple reason is that European Commission Recommendation addressed member states of which Sweden is one. The Recommendation Act defines SMEs following the table below.

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>Head count</th>
<th>Turnover</th>
<th>Balance sheet Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-Sized</td>
<td>&lt; 250</td>
<td>≤ € 50 million</td>
<td>≤ € 43 million</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ € 10 million</td>
<td>≤ € 10 million</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ € 2 million</td>
<td>≤ € 2 million</td>
</tr>
</tbody>
</table>

Figure 3.1

This new definition was effective since January 1st 2005, reflects the economic developments since 1996 and a growing awareness of the many hurdles confronting SMEs.

In contrast, in the USA, small business is composed of less than 100 employees, while medium sized business often refers to those with less than 500 employees. However, the most widely used American definition of Micro-business by the number of employees is the same as that of the European Union with less than 10 employees.

It should be noted here that local offices of larger chains are also considered as SMEs.

3.3 Use of IT in small and medium sized firms

Recent studies of IT in small firms seems to emphasize the firm owners attitude towards implementation of IT in the business and how the firm owner experiences IT as strategic alternative for the firm (Winston and Dologite, 2002) Decision making and how to execute control are a matter of personal Management. The subjective opinion of the manager is the key to strategic insight for information technology implementation in the SMEs.

It is also important to note that whether a firm has highly sophisticated technology or less, the attitude towards technology remains the same. The uses of IT are:

- Business process redesign. In this process, IT is used to realign activities and their relationship to achieve performance breakthrough.
- Business network redesign. This is mainly concern with changing the way information is used by the organization and its trading partners; this goes a long way in changing how the how the firm overall carries out the value adding process.
• Business scope redefinition. This involves the extension of the market of product set based on the information or changing the role of the organization.

These can successfully be implemented if the following are put in place:

• Stable structures. A more stable structure will definitely lead to a good and quick use of IT. A stable structure is for instance a concern relationship with companies.

• Stable relationships. They are characterized by the use of IT to reduce uncertainty and to maintain a strong relationship with business partners. They are common in value networks where a long relationship can be supported by the use of IT.

• Adaptive change. Firms in this area can also use IT and there will also be a reduction of uncertainty. This is because changes in business are sometimes triggered by events in the business environment and the strategic perspective takes the form of being reactive.

3.4 IS/IT strategy and Business strategy in enterprises

Research have shown that different approaches to information systems management have been undertaken meaning that a wide range of issues needs to be considered in an attempt to formulate an IS/IT strategy. This is important because of the heterogeneous environment and the dynamic aims of the enterprise.

It is therefore necessary to understand the enterprise current structure, relationship and its composition of people. The environment needs to be understood, and its dexterity, resources, values, culture and social interactions not putting aside management style. These aspects become increasingly vital when magnitude and pace of change have implications for all aspects of the business. (Ward and Peppard, 2002). These factors need to be considered when IT/IS strategy formulation is concerned.

![IS/IT strategy process](image)

Figure 3.3 IS/IT strategy process.

3.4.1 Business strategy

In order to formulate an organizations business strategy, it is usually very important to have an outline of the business. The business driver needs to know where the business is going which is the objective of the business and why it is taking that direction? Business decisions, objective and directions and aspects of change are the
key elements in the business strategy. (Ward and Peppard 2002). The elements are composed of:

- Business scope. They include the markets, products, services, groups of customers/clients and locations where the enterprise compete. Competitors and potential competitors are also here which generally affects the business environment.
- Distinctive Competencies. The critical success factors and core competence that provides the firm with a potential competitive edge. What are included here are the brand, research, manufacturing, and product development, cost and pricing structures, and sales and distribution channels.
- Business Governance. It is concerned with how companies set the relationship between management, stockholders and the board of directors. It is also important to note here that government regulations may affect the company and how the firm manages its relationships and other alliances with strategic partners should also be included.

In order to develop and plan a good business strategy, there are some common concepts of the business strategy that needs to be considered and are:

- Low-cost strategy. All business enterprises are out to maximize profits. Therefore enterprises needs to first identify the lowest cost approaches where the activities of the business can be directed to and hence minimize overhead cost expenses and provide management with a detailed report on all the activities of both fixed and variable costs incurred as well as their recovery. Low cost can be achieved through structure and conformity and value engineering the processes of the business. Cost leadership here is mostly undertaken by the most efficient firm.

- Differentiation strategy. This is a situation where the majority needs to follow a differentiation strategy because only one firm can have cost or price leadership of a service at a time. This does not mean that there is no competition but what is essential is that at the end of the day only one firm need to take on this leadership. What is also essential are the innovative and creative ability of the firm, its approach towards market orientation and people driven, rather than systems drive, management controls.

- Niche/focus. A niche is a small market consisting of an individual or a small group of customers that have similar attributes. In effect it is the identification of the customer’s needs and or wants. The company now needs to look for a low cost strategy in order to have the long term success in the niche.

### 3.4.2 Information system/Information Technology strategy

IS/IT strategy is primarily concerned with aligning IS development with business needs and seeking competitive advantage from IT. Earl (1998), Ward and Peppard (2002), Mats Hugosson (2007) lecture notes identify the most common purposes for organizations to adopt an IS/IT strategy:
- Alignment of IS/IT with the business in order to identify where IS/IT can contribute most and the determination of prioritized investments.
- Gaining competitive advantage from the business opportunities created by using IT/IS.
- Building a cost effective-yet flexible technology infrastructure for the future.
- Developing the appropriate resources and competence in order to deploy IS/IT successfully across the company.

There are two parts involved in this strategy. There is the IS strategy which basically defines the company’s requirements or the demand for information and the system to support the overall strategy of the business. It also defines and prioritizes the investments required to achieve the ideal application portfolio.

The IT strategy major concern is to outline a vision on how the organizations demand for information and systems will be supported by technology. Basically it is concerned with IT supply and addresses the provision of IT capabilities and resources and services such as IT operations, system development and user support.

### 3.5 Strategic alignment between business and IT

It will be necessary in this section to briefly have a definition of what strategy is before getting into the concept of alignment IT and the business. I will use Mintzbergs (1998) definition following his reasoning of corporate strategy.

“A strategy is the pattern of plan that integrates organizations corporate goal, policies and actions sequences into a cohesive whole.”

Mintzbergs (1998) defines the five Ps for strategy:

- **P** -Strategy as plan deals with how leaders try to establish directions for the organization, to set them on predetermined courses of action.
- **P** -Strategy as ploy takes us into the direct competition, where threats and feints as well as other maneuvers are being put into use to gain competitive advantage.
- **P** -Strategy as pattern is consistency in attitude intended to allow the organization achieve congruence in actions.
- **P** -Strategy as position meaning the location of an organization in the environment.
- **P** -Strategy as perspective which is internally bound meaning that an organization clarifies the views they have in the environment.

This is his definition at corporate level, but Ward and Griffith (1996) defines the functional strategy; Strategic management of IS/IT as:

“The planning of long-term management and optimal impact of information, in all its forms, information systems (IS) and information technology (IT), incorporating manual and computer systems, computer technology and telecommunications. IT also includes organizational aspects of the management of IS/IT throughout the business.”

Advocates of information technology say it is a critical resource and therefore needs to be understood as an enabling technology for the organization for the accomplishment of business objectives.
Alignment generally is about value realization from the inter-relationship of IT and the business strategy. Alignment is not static: for most firms there is a constant dynamics as they adapt and change (Henderson and Venkatraman, 1993). Business dynamics means there is a likelihood of business transformation at any moment when need arises. Frameworks for IS strategy has been developed for the past years. A clear example is the growth model by Galliers and Sutherland, (1991) is a dynamic representation of the IS planning process within an enterprise. The model also laid emphasis on the economic environment considerations.

Lockkamy and Smith (1997) proposed that managers should aim for a good fit between customers, IT strategy and the organization, and current information systems. They advised managers to ensure that:

- Strategy is driven by customer’s needs and expectations.
- Processes selected for redesign by IS create value for the customers; and
- IS support those processes in a way which supports the strategy.

Earl (1989) proposed a multiple methodology to translate IS/IT strategy into an application development strategy. An IT strategy is mainly concerned with outlining the vision of how the company demand for information and systems will be supported by technology. The multiple methodologies are made up of basically three things: what are the business needs, what are the technology opportunities, and what are the firm’s capabilities and current position?

Alignment between IS/IT and business strategies in form of functional integration between organizational infrastructure and processes and IS/IT infrastructure and processes is emphasized by Henderson & Venkatraman (1993) in the strategic alignment model they propose for successful IS/IT implementation in organizations.

The objective of this model address issues that concerns both the internal and external domain. See graph below

![Strategic alignment models](image-url)

Figure 3.2 Strategic alignment models.
What is of interest here is the combined external activities in business and IS with internal structures and processes in the organization. When alignment of IT business is taken into consideration, implementation may now start.

### 3.6 Planning and Establishment of an IS/IT strategy

According to the Ward and Peppard (2002) developing an IS/IT strategy is two fold activity. It starts with the formulation of an IS/IT strategy and followed by the making of plans for establishment. Immediately the strategy has been formulated, an implementation can be constructed which is the IS/IT planning process. Once a strategic perspective on IS/IT is established and a strategic process instituted, it should become a continuous evolving process where the strategies and plans should be refreshed regularly. The simple reason and objective is that the organization faces external forces, business needs, and opportunities, the culture of the organization and of course the benefits delivered by establishment. Earl (1989) is an advocate of this multiple methodological approach. Depending on the scope of the strategic process, the main deliverables, hard or soft, maybe virtually unchanged or may be completely revised. For instance:

- Plans arising from the IS/IT strategy needs to be updated as required, the frequency determined by the underlying pace of change.
- The development or acquisition is likely to take place in responds to demands which have been prioritized and tightly linked to broader business initiatives.
- The supporting IT infrastructure, once defined which is to meet the business strategy should have a relatively long lifespan.
- The mechanism for monitoring internal and external business and IS/IT perspective are essential elements in the strategic management process and once put into place, are likely to stay in place although the parameters monitored may vary.

It should also be noted that IS/IT planning as well as being a continuous process, strategic IS/IT management is also a learning process in companies (Earl, 1989; Ward and Peppard 2002; Sprague and McNurlin, 2002). Specialists both in IS/IT are now becoming more and more aware of technological issues and business issues and making an effort in learning how to identify and exploit opportunities within the cooperative environment. What is happening is that at best the culture of partnership between the IS/IT function and the rest of the organization re-orients itself to treat information, systems and technology as a core resource in the day-to-day life of the business and its continuing development. This also takes place alongside the continuing evolution in the maturity of the IS function. It is necessary to understand that in the field of strategic IS/IT management, it requires a multi-disciplinary involvement of enterprise resources to be successfully used. It should also be noted that there is no single methodological approach to the use of IS/IT strategy formulation.

### 3.7 Strategic Information System Success Factors

The following are some of the factors that frequently occur and underpin success.
- External, not internal focus: IS/IT issues were traditionally focused on internal issues. Today there is a focus on customers, competitors, suppliers, even other companies and their relationship with other companies as well as the outside world.
- Adding Value not cost reduction: costs reduction may occur due to a fall in marginal cost because of economies of scale. Doing it better not necessary cheaper is seemingly the maxim. This makes companies to differentiate themselves from their competitors by providing better products, better services in order to succeed. IS/IT is normally seen as a way through which efficiency could be achieved which is vital but not the only way to succeed.
- Sharing the benefits: This could be within the organization, other suppliers, and customers and even competitors. System benefits have not been shared within the organization in the past but rather given to departments or functions to leverage over each other. Sharing benefits implies a “buy in” a commitment to success, a switching cost. This may prevent barriers to entry into the industry. e.g. In the banking sector, the introduction of debit credit replaced cheque books.
- Understanding Customers: Here there is need to know what they do with product or services and how they obtain value from it as well as problems that they may encounter. This will go a long way to increase the market for the products.
- Business-driven innovation, not technology: The pressure from market place drove development in most cases. This tend to cast doubt on the idea of competitive advantage from IT but in practice it simply means that new IT enables a business opportunity to be converted into reality. It is just of late that latest technology has been of interest to managers and its good identification and implementation will always lead to success.
- Incremental technology not the total application vision turned into reality. This is a situation where a step by step approach is being followed. That is, doing one thing at a time and building up and extending success by further technology.
- Using the information gained from the systems to develop the business. This is when retail firms segmented in accordance with the purchasing patterns of customers by providing different catalogues.

IS/IT is evolving and therefore, implementers needs to be thinking about new techniques to uncover all opportunities and new approaches to the management of these applications to ensure success.

### 3.8 Critical Success Factors for Implementing IS/IT

In terms of IS/IT projects, a critical success factor is what a system must do to accomplish what it is being designed for. Referring to previous research, they generalized critical success factors (CSFs) can be put into three categories. They are strategic factors, tactical factors and operational factors.
3.8.1 Strategic factors

- Business Vision. This simply means the clarity of the business model implementation of the project and is mostly concerned on how the organization should work. The goals of the company should clearly be identified.

- Top management support: Research from previous studies have shown that IS/IT implementation is in general top-down management decision and the success of such an implementation is solely depended on the alignment of the IS/IT and the strategic business goal. What top management needs in an organization is to make sure that there are available resources to support the projects of the organization.

- Project schedule. This is the plan of the project in terms of milestones, critical paths, and a clear view the limit of the project.

3.8.2 Tactical factors

- Effective top management: An effective accomplishment of an IS/IT system needs the support of top management. Top management takes into considerations the planning, coordination and control of projects.

- Re-engineering business process. Taking business re-engineering into consideration, it is vital to know the extent to which the enterprise needs to re-engineer its current business process to meet the compatibility of the IT software.

- There should be close monitoring and feedback in terms of exchange of information among members of the project team.

3.8.3 Operational factors

- Education and training: Some IT projects do fail despite millions of dollars and time invested in it. This is because of lack of education and training. When IS/IT systems are up and running, it is necessary for end-users to be acquainted with its usage. This usually takes a long time. They need to know the concepts and the logic as well as the features of the systems. At times it is difficult and hence consultancy assistance may be needed in its implementation process and the other aspects if they could be explained and transferred to end users.

- User involvement: This means participating in the system development and implementation hence giving them time to understand the entire system. They could be involved in defining IT systems and also participate in its implementation process.

- Top management support: Duchessi, P.Schaninger & Hobbs, D (1989) conclude that apart from commitment from top management, there is need for adequate training which a critical success factor is needed for implementation. The support of top management is very critical in a project's life. The roles for top management of IS/IT implementation includes:
  - Establishing reasonable goals for the organization.
  - Developing and understanding of the capabilities and limitations of IT systems.
  - Exhibiting strong commitments to successful introduction of IT
  - Communicating the corporate IT strategy to employees
- Senior management must be involved including the required people, necessary time in completion of projects as well as putting in place adequate resources to be used for its implementation.

- Project management: This is simply the application of knowledge, tools and techniques to projects to meet projects requirement. This could be achieved by initiating planning, executing as well as control.

- Business Process Re-engineering (BPR): It is defined by Hammer & Champy (2001) as: “The fundamental rethinking and radical design of business process to achieve dramatic improvement in critical, contemporary measures of performance such as cost, quality service and speed”. It does an analysis of the organizational process in order to identify the best way of doing things. It is very vital in collection of data, storing, generating useful reports to management and above all achieving data for future references. In a business process there are two types of processes:
  - Operational in the accomplishment of functions including product development, order management and custom support.
  - Infrastructure processes more of administrative such as establishing and implementing strategy and managing many aspects of the organization including human resource, physical assets and IS systems. (Olson, 2004).

3.9 Benefits of information system/information technology

A cross section of businesses normally expects benefits at the end of the day. Before this is done, they must have come out with approximately reasonable costing for the business. It is easier to estimate cost but benefits are completely a different matter. This depends on the countless number of factors some of which may go beyond the control of the project team. IS/IT projects are not different from this judgment. Some of the parameters in the name of factors, most especially the critical success factors have already been discussed above. The successful implementation of these factors will lead to the success of enterprise. If it thus happens, then one will not doubt its possible benefits. Below are some of the possible benefits of IS/IT according to David Boddy et al (2002)

3.9.1 Direct cost savings

This could be done by automating processes which people have done in a sluggish way and more expensively. With the introduction of IS/IT, there could be a more accurate and timely distribution of work. For instance, using document imaging and workflow or mere telephone calls can greatly reduce operators waiting time and so can lead to efficiency-based cost reductions. This can also lead to fewer staff and hence cost reduction but a disadvantage to some of the employees because some of them may have to lose their jobs.

3.9.2 Quality improvements

One major benefit here is that the computer systems greatly reduce errors when they replace manual systems. Manual systems can provide more flexible systems but the one major limitation is that it is more liable to mistakes and at times can be inconsistent. There maybe preferential treatment in manual work which may make customers to be more crossed and hence the enterprise may risk losing them. The cost of these errors maybe so
expensive for the customer may need to be compensated. In the determination of quality factors, some of the following factors may need to be taken into consideration.

- What economies of scale will result from consistency standardized processing?
- What reduction in re-working and compensation costs will be achieved?
- What savings will accrue from the reduction in lost customers?

### 3.9.3 Avoiding costs increases

This could be achieved if manager accept the fact that old worn-out systems needs replacements. This is because an ageing system will incur high maintenance cost just to keep it going. Breakdowns are frequent and most often disrupt operations which may annoy customers and to crown it all some spare parts may be hard to find. In this situation, there is need to replace the systems with modern ones but before this is done, there should be a careful evaluation of the new system to be installed.

### 3.9.4 Revenue increases

Advocates of a new system always points to the prospects of increased sales through offering new services, delivery channels, promotional activities or market penetration. This benefit is good but limited by the fact that there may be changes in sales which may result to a variety of other factors not related to the new system.

### 3.9.5 Staying in business

At times the introduction of a new system is necessary for an organization to continue to survive. In a highly regulated environment, there may be need to operate in a certain manner just to be allowed to continue to provide the services. The new information system will only help manage the relationship with customers or lose the business. Most of these firms at this juncture may just be breaking even while hoping for a better future.

### 3.9.6 Communication and customer satisfaction

This is between the staff, suppliers, distributors, customers, or investors. Information systems may often enable organizations to react more quickly and easily to changes in the marketplace. When this is appropriately done, it will build a reputation for learning and the firm may definitely increase sales.

Information systems enable organizations to learn valuable lessons about current practices, and their effect on the market; as well as learning about external events and be better placed to take advantage of new development.

### 3.10 Limitations of IS/IT

The advantages of IS/IT have just been discussed above but this does not means that it goes without that limitations. The following are some of its limitations.

#### 3.10.1 Emphasis on purchase cost

In the planning of IS/IT investment projects most of companies usually pay attention to cost. The most obvious costs are those related to the purchase of necessary equipment
and software. This is just initial purchase costs which may even be lesser than the overall cost of the whole system.

3.10.2 Under-estimation of the implementation time

The project is not completed when the system is purchase or built. It needs time to be rolled to the operational areas of the company for it to start functioning and hence delivering the anticipated benefits. This costs incurred in the implementation stage is usually misunderstood.

3.10.3 Poor communication with user and customers

Misunderstanding may arise over the functions and uses of a new system. This many add to the cost incurred. Alienation of staff during the process of changing the operations can lead to reluctance in the use of the new system. These problems are caused by lack of communication between the staff.

3.10.4 Unrealistic benefit predictions

Managers are always enthusiastic about the benefits. They may be guilty of over estimating the benefits expected from their new systems. Careful analysis of the extent of the expected benefits to be achieved may reveal weaknesses if the actual benefits anticipate are not actually realized.

3.10.5 Unexpected demand levels

When a new system is being introduced that can be accessed directly by customers, for example a call centre, a web site, it can be difficult to anticipate the level of demand which will be experienced in the first few days of the operations. In this case managers must take the decision on whether to prepare for high level of demand and perhaps pay for too much of capacity or choose a lower capacity level and risk being unable to cope with demand. Any error in either direction is expensive.

3.10.6 Training. One of the most important limitations of the use of IT is training. Many companies find it getting users to be acquainted with the new systems as well as training of new users. This is also evident in the companies in which my interviews were carried out.

3.11 Requirements necessary for a successful implementation of IS/IT

For a successful implementation of IS/IT to take place, there needs to be some structures put in place. According to David Boddy et al they are composed of the hardware and software. IT should be noted that initial cost needs to be incurred here. The hardware is composed of the following:

- Front end.-Users interfaces and peripherals (monitors, keyboards, control equipment, printers, scanners etc)
- Middleware-networking equipment (cabling, routers, switching devices, encryption devices, and other communication linkages.)
- Back end processing equipment (servers, mainframes, desktop PC units.)

The software is composed of: In house development, operating software system, application development tools, networking and communication software, systems Middleware-networking equipment (cabling, routers, switching devices, encryption device etc management software, data and database management software, etc
4 Empirical Study

Basically, this chapter is composed of field studies. This section will present findings from each company that was examined. I will present the strength of each company as well as the strategic growth of the company. These companies are: John Bauer hotel, Nordea, SDR, and Ekholm.

4.1 John Bauer Hotel

This is a partnership business entirely owned by the family. This is one of the biggest hotels in the city of Jonkoping and the managing director is one of the owners. John Bauer Hotel was built in 1986. At that time there was a hamburger bar where we now have our restaurant Ester Kok & Bar, said the managing director officer. They really started in 1998 and the family has been the owner since then and have been a member of Best Western Hotel since 1992. This hotel has one hundred hotel rooms, five conference rooms, a restaurant and a lobby bar. The hotel celebrated its 20th anniversary last winter and because of this the reception and lobby bar were renovated. The hotel basically sale hotel rooms, conference rooms in addition to their restaurant and the bar. This hotel has been existence for twenty one years and has thirty employees. This hotel is located at the heart of Jonkoping and its customers are found everywhere in the world.

4.1.1 Strategic growth

The Managing director and part owner strongly argue that the growth of the hotel has been strongly due to the fact that IT has been adopted as an integrated solution to the company. The decision was based on the fact that it is the only easiest way through which they could carry out their financial decisions accounting etc as well as customers access to the hotel. “We have been using our homepage for over 10 years built since 1999” said the managing director. For the guest they use internet for information, for instance, road description, flight times and hotel reservation as well as many more activities.

They also use different reservation systems where customer can book hotel online and information system is also used for reservation statistics for other hotels in the city of Jonkoping. This makes them to be able to have a comparable analysis of different hotel rooms in the city and hence places them at a better position to decide whether to increase their own price for the rooms or drop them. For marketing purpose, they use a service called Kund-generator (customers search). They also check prices of other hotels in their inter-organisational link for some adjustments to be made. They are able to see other companies that have visited them, their addresses, as well as telephone numbers and names of managing director, and this makes them to keep in touch with these people for future visits. They are able to keep contacts through e-mails or by phone with the very objective for eventual and future visits. They are also able to see other customers that are equally interested in them.

To get our customers, we use just a lot of internet for example kundgenerator. The marketing director search information on the internet on daily basis. To advertise the hotel, they use about twenty different reservations that they pay for as well as all pages that are free, the hotel always try to have a link. They also pay for a link to their webpage for about twenty related hotel sites at internet and sometimes advertisement is done through the local news paper.

The hotel management do give room for employees to participate in decision making though not in all cases but most especially for the concerned personnel. Information in
our company comes from top management to employees and from employees to top management. The have regular meetings where they write a protocol and this is being communicated to other employees through the e-mail. This is one of the tactics for growth, for they feel as being part of the enterprise. Many of their contributions are very useful. They feel engagement and they are given the power or mandate to influence their own work and or department. They have the powers to make decision as well as listen to proposal. In most cases the staffs have the best solutions because they have most knowledge about their work. The managing director also makes mention of the fact that they try to educate their employees so that they are competent with IT matter. She further buttresses the fact that they try as much as possible to have a constant dialogue with employees, hotel colleagues and hotel chain Best Western about the importance of information technology.

4.1.2 Benefits of strategic alignment

Our company has actually realized so many merits with the introduction and implementation of IT and are:

- Easier correspondent with the customers.
- The hotel can reach the whole world with their homepage and give out information.
- They have a lot more information about their guest and for instance credit safe (capacity to pay). They can simply get into the system fast and see ranking of capacity to pay if customer want.
- Fast and easy to give information to their hotel guest when they are here.
- Cooperation with our hotel chain Best Western is now much easier and better. They have a loyalty program where they can give information of all Best Western guest worldwide. (Hotel chain) that is privately owned and there are approximately 3500 of them in the world and Sweden has 62.

The Managing director also said there will definitely be an increase in turnover this year since Jonkoping is a growing city and the hotel is constantly being improved. This could only be gotten if they do not get more hotel rooms in the city. In the longer perspective I am more optimistic of the turnover because of the growing nature of the city.

For the moment, everything is getting faster and we do follow the trends of change. The way to make reservation in our hotel is endless. They get a lot of new customers and they cannot account from where they come from. She also confessed that in the past they use to depend on travel agency but today the situation as changed completely. Customers fine the hotel now on the internet which makes it easier to work more with revenue management and also try to find new ways of functioning with it.

4.1.3 Expected performance of IT

As to what motivated the managing director for the introduction and adoption of IT systems, she generally came out with the following which are also generally considered by other authors as the perceived future of the IT systems and can be presented in the graph below. In analytical terms, 1 is the strongest and 8 the weakest.
3. Provide better management tools (5). 4. Increase customer satisfaction (1)
4. Improve efficiency (3) 6. Easy access to information for decision making (6)
7. Increase revenue and reducing costs (2) 8. Solve the 2YK problems. (8)

Figure 4.1 Graph of John Bauer Motivational Factors

From figure 4.1 above, it shows that increase customer satisfaction comes first which the company had to adopt. To her IT is not only an enabler as many authors puts it but also strategic to the modern business environment. She laid emphasis on the other three factors which are most vital and can influence the adoption of IT systems. These includes: increase revenue and reducing cost, improve efficiency, and modernize company IT. To her, the implementation of the above takes care of the other three factors and that is why they come last. Provide better management tools, easy access to information and decision making, and solve the solve 2YK problems, are in order of less vitality.

The managing director also made me to understand that there are little or no problems with the introduction and running of the IT systems. She stressed that the introduction of IT into the business was quite early enough and that their webpage has been running now for over ten years. Now, they only try to take it easy and wait until the hotel chain gives them information.

4.2 Nordea (Jönköping)

Nordea is admittedly one of Sweden’s more recent bank names and its commemorating its 5th anniversary this year. The history of the bank can be traced as far back as 186 years. The formation of Nordea was based on creating new possibilities that can provide better financial solutions.-better customers in the face of its competitors and doing this at lower cost and high quality. Nordea Jonkoping is just one among many Nordic banks within Sweden and in the Nordic region. This bank is located in the heart of the city. 80% of their shares are privately owned and 20% owned by the state. However there are plans
underway to completely get the 20% from the state and it will be completely owned by
the private. Nordea offer services and this is through the types of accounts they offer.
These are: savings account, deposited account, forest account, savings accounts for cor-
porations, stock deposited account, salary account, just to mention a few. The overall
ambition is encapsulated in the mission statement “make it possible”. This means making
customers to achieve what they are aspiring for. Nordea has a total number of employees
of 33. The household marketing manger is the one who was interviewed in Nordea

4.2.1 Strategic Growth

According to the household market manager, the introduction of the internet has been
the very pivotal for the accelerated growth of the bank. This has just replaced the manual
work which used to take a lot of time in processing of accounts. We have been using the
internet for over ten years and information system plays a vital role on our bank said the
manager. The type of information system we use is composed of the internet, newspaper
though not so regular, billboards are also being used, and direct marketing. We do send
out statement of accounts to customers after every three months and usually we enclose
newspaper advertisement in them. The information flow in this bank is from top to bot-
tom for the marketing manager get information from his supervisor. At times is horizon-
tal and generally we learning from each other.

Strategic growth also comes from the fact that we usually give room for all our employees
to participate in decision making. Employees have the right to carryout operations in their
units since they run it themselves though with a limit. This makes them happier and feels
as being part of the business. Their ideas equally are very useful. They update manage-
ment on what is working as well as those that are not working. There is a suggestion elec-
tronic box where proper manager areas get the suggestions, examines them and give
feedback to employees. Incentives are being given to those whose suggestions are ap-
proved most especially when it helps to improve the business. “You can become rich if
your suggestion is cost minimizing” said the manager. These makes the employees more
committed and they feel being part of the business.

With the changing technology, IT has become more structured and organised for we are
able to sort out our customers. Changes have been made in the last two years in the IT
domain and this makes us more focus on right things. “Right offer, Right Client, at the
right time,” is the slogan. We are very sure of achieving our goal.

The household marketing manager also stressed that there is a strategic alignment be-
tween the business and IT. We are directly in charge of the operational strategy. The IT is
decided by the central Nordea in Stockholm and the business strategy is taken locally. The
IT department led by the CIO is closely related to the General Manager and they work
hand in glove for the realization of the entire goal

4.2.2 Benefits of strategic alignment

The introduction and implementation of IT has not gone without advantages to Nordea.
These are:

- IT facilitates decision making. Decisions are based on the type of information
  system, and this makes us able to track down records of activities in terms of cus-
  tomer data, follow them up etc.
- There is sustainability of efficiency. This is through our webpage page where you could follow up your activities as well as pay bills where ever you find yourself without necessary going to the bank.

- Costs efficiency. Cost is actually minimized and again it depends on the number of users.

- As a manager, it is easier for me to follow up activities of the present and the previous activities as compared to the past when we used to do this manually.

Despite this we have some environmental factors that may retard growth. We have keen competition from other banks. Just around here; there are 4 or 5 of them. It is a tough market but good because it makes us innovative and constantly looking for ways of getting new customers as well as maintains old ones. We could have equally move out of Jonkoping but that will make things more difficult because we may not know the characteristics of people in other areas as compared to what we have here.

Definitely there is always need of bringing in new technology to meet up with the radical changes in the business environment. The real issue is trust on the system which again depends on the taste and demands of the customers. The focus group is the customer and IT has to be tested on them to make sure that this is what they want. If it is positive then we do not hesitate to invest on it.

### 4.2.3 Expected performance of IT

As to what motivated Nordea to adopt the IT systems, he ranked the perceived promise and future of IT as below:

1. Replace ageing legacy systems (7).
2. Modernized company IT environment (6).
3. Provide better management tools (5).
4. Increase customers satisfaction (2).
5. Improve efficiency (1).
6. Easy access to information in decision making (4).
7. Increased revenue and reduced costs (3).
8. Solve year 2YK problems (8).

![Bar chart showing expected performance of IT](image)
Figure 4.2 Graph of Motivational Factors

According to him, the most important factor is to improve efficiency. The other three factors which are equally important and can influence the adoption of IT are; increase customer satisfaction, increase revenue and reduce costs as well as easy access to information and decision making. Replace ageing legacy systems, modernized company IT environment and solve 2YK are not so important and that concentrating on the first four already takes care of the rest. With this in mind “I am very confident of the usual positive turnover.” said the household marketing manager.

Nordea has little or no problems with the implementation because they have available resources. The major problem I have is the varied age group I deal with. The younger one adapt easily to changes while it takes much longer time for the old to get use to the system.

4.3 Svensk Direkreklam (SDR)

Svenska Direkreklam is a franchise company in Sweden. It has its headquarters in Uppsala. The one in Jonkoping is entirely a partnership owned by my family said the Director who is a part owner. The company with its headquarters in Uppsala has been franchised to different cities in Sweden among which Jonkoping is one. SDR is basically concerned with the distribution of papers for advertisement. This is done usually over the weekend for the simple reason that people are at home and will have time to read what has been advertised in different companies for the following week. It is the largest paper distribution company in Jonkoping. It has 90000 households. It covers the following areas: Habour, Mullsjö, Vaggeryd, Nassjo, Eksjo and the entire Jonkoping city. The company has been in existence for 31 years since its creation in 1976 till present. The branch in Jonkoping started that very year and we bought it over in 2003. In effect, we have been running the company for 4 years now. This company is operating under the umbrella of Mediamix AB. It is composed of the TV, radio, media, and newspaper. The company basically is dealing with ADR-address, Direkreklam; GR-Group reclaim and GF Forsandese which is community information related to local politics health, traffic etc. The company has approximately 250 employees. 7 workers are on full time, 10 do operate on calls and they work on hourly basis giving a total of 17 the rest of the workers are entirely distributors whose job is limited to weekends.

4.3.1 Strategic Growth

Our business is one that we cannot actually do without the internet for it plays a very important part considering the growing nature of the city. We have been using the internet since we took over the business said one of the top managers. The system has been programmed in such a way that all the households and boxes are in the database. For marketing purposes, the company uses newspaper, the internet, direct marketing as well as the TV. Our company normally give room for employees to participate in decision making. In the past I used to do everything myself but today, the contribution and delegation of functions has increase the scope of the business. The employee’s ideas are very useful for we now have mix of thoughts in open discussions on what is happening in the company. To this effect I do encourage them in so many ways. For instance, I do send them to seminars in other similar companies, seminars abroad and the most common seminars take place on Barcelona and Amsterdam. This also helps to refresh their memories and they bring in new ideas from the seminars. Financially, a budget is always set aside to mo-
tivate assiduity at the end of the year. This goes mainly to distinct hard working employ-
ees.

According to the manager of SDR, at times the businesses goals may not necessary align completely with the IT strategy and hence we do go out to the field our self to review the counting of households and next input it into the system for complete alignment. This data now is used just in upgrading the codes. At the end of each second year we make sure that we update the system and meet the challenging needs of the customers.

4.3.2 Benefits of strategic alignment

The top manager of SDR confessed that, they are really enjoying a lot of advantages with the introduction and implementation of IT in our business and are:

- Right data for right codes. This is a reality today in our streets as compared to the past and this makes distribution easier.
- Cooperation with the community. We do cooperate with the housing company either through the phone or the internet as well as the households thanks to the advent of IT.
- Customer satisfaction. Coding of houses facilitates distribution and customers have both the e-mail of the company and the phone number, In case they fail to receive flyers, they directly call and the company does so with immediate effect.
- Increase efficiency. In fact we are proud of the quality and value of our distribution. This is because we do just so much in terms of pre-preparation prior to delivery. We do have lists that are made for each district as well as the maps which assist our distributors in the location of different households. And this helps to reduce the number of errors distributors could make on the field.
- Communication. There is good communication between our company and employees, as well as customers. Our distribution is mostly carried out by employees between the ages of 13 – 19 years. They use messaging for reporting after delivery and these messages are being retrieved every Monday morning for adjustment s to be done in houses that were not delivered for one reason or the other. This again increases our efficiency.

SDR is facing little or problem considering the continuous expansion of the city. There are so many small stores that need to be advertised as well as companies. Competition is not stiff which places the company in a better position for growth. “I am confident of the constant increase of 25% turnover each year or even more.” said the manager.

The enterprise is changing with the challenging changes of IT. As earlier said, the enterprise has 90000 household with 2500 check points. There is a good intention to introduce internet telephone next year for it is cheaper than using the ordinary telephone. There is an intention of upgrading the system for better quality. We do not really have any difficulty with the implementation of IT in our company.

4.3.3 Expected performance of IT

According to the manager, there are some motivational factors which made the company to adopt IT. He ranked, the perceived promised and future of IT as below:
1. Replace ageing legacy systems (7) 2. Modernized company IT environment (6)
   3. Provide better management tools (4) 4. Increase customers satisfaction (3)
   5. Improved efficiency (2) 6. Easy access to information for decision (1)

Figure 4.3 Graph of motivational Factors

Easy access to information for decision making comes first which the company had to adopt. This is strategic to him for it facilitates the coding of his houses and this will definitely lead to increase efficiency in his company. If efficiency is taken care of, then one should not doubt increase customers satisfaction. The other factors could come in any order for instance, provide better management tools, Increase revenue and reduce costs, modernized company IT, Replace ageing legacy systems and Solve 2000 Problems are of less important. He was very optimistic on a continuous improvement in his business with the implementation of IT systems.

4.4 Ekholms Farqcenters

Ekholms is a private family business that started as early as 1900 and has been running for the forth generation. The director of this company is the proprietor of the company. The company is basically concerned with the sales of wall papers, painting and flooring. The customers of this company are located in the jurisdiction of Jonkoping. The target market is the private individuals with private residence though we still sale to private companies. These companies and private persons are in charge of building and innovations. Ekholm has a total number of twelve employees.

4.4.1 Strategic growth

Information technology is considered to be strategic and an indispensable tool for the growth of our business said the managing director. The company has been using IT for the past ten years. The role played by IT cannot be overemphasized. The company use internet and has developed a webpage where product are being displayed. It is designed in
such way that the customers need to feel the product and be sure that it is the right one before even coming to the company. They are in such a way that what they see in our webpage is exactly what the fine in the company and this has been a source of inspiration to our customers. The company also uses newspaper very often though again it depends on the season. It is mostly done in summer where many people are free and this is also the time the company normally realize very high sales. Direct marketing is also used and this is in conjunction with the advertisement carried out by the producing companies. This again is seasonal.

The director also made me to understand that information flow is mostly from top to bottom. He has put on a website where employees can have access and get information with regards to their activities, for examples, holidays, new products, as well as all types of information regarding their job. According to the director, they are a small company and he can talk to each of the employees at any time. He also said, his employees normally participate in decision making but not so often. However their contributions are very useful for many at times they update me on what is happening, what could be done, either in meetings or they meet me personally. The director hold meetings twice a week to evaluate the activities of the company. As to how he encourages his employees, he said this is mostly done by implementing some their ideas into the business.

4.4.2 Benefits of strategic alignment

Ekholms like any other enterprise has advantages that accrue to them as a result of the implementation of IT and are:

- Customers are now able to see the products as well as prices through their website as compared to the past.
- All products are computerised which saves the company time and the customer. Many customers who already know the products and have computers in their houses have easy access to see the products.
- Bar-coding is also effective with the use of the internet.
- Cost effective. A lot of costs have been reduced with the introduction of IT.

With regards to what motivated Ekholms to adopt IT systems, the director ranked the perceived promise and future of IT as below:

1. Replace ageing legacy systems. (7)  
2. Modernized company IT (6)  
3. Provide better management (4)  
4. Increase customer satisfaction (1)  
5. Improve efficiency (2)  
6. Easy access to information for decision (5)  
7. Increase revenue and reduce cost (3)  
8. Solve year 2000 Problems. (8)
Figure 4.4 Graph of Motivational Factors

In order of importance, Increase customers satisfaction comes first and Improve efficiency, Increase revenue and reduce costs as well provide better management followed in order of importance. He emphasized that customer satisfaction cannot be achieved when the other factors have not been taken into consideration. Easy access to information modernized company IT and solves the year 2YK problems could come in any order.

Ekholms is changing with changes in IT. It is getting better and better as the demand for our product increases. The company is building up new technology for innovation to constantly improve on the product to meet customers demand. With this the company is very sure of a continuous increase in sales.

The director concluded that, the internet is the most vital for their customers. It is through the internet that they see the products. The images seen on the internet should reflect what they should see in the store. The design of the website is made to meet the objective of the company hence alignment between business strategy and the IT.
5 Analysis

The objective of this chapter is to analyse the empirical findings in an attempt to answer the questions on which this paper is based. A review will be made from my findings interpreting motivational factors of IT and how they are acting as a strategy for growth.

5.1 Perceived motivational factors of IT

The reason behind implementation of IT varies from company to company. This thesis did not report anything which is much more different from the general reasons for the adoption of IT. Note should be taken that among the many reasons for implementation, the chief reason is a common Platform for IT. Other reasons include the desire for process improvement and best practice, (Klaus et al, 2000), data visibility, operating cost reduction, improve responsiveness to customers, and improvement in strategic decision making. Results showed that increase customer satisfaction is the strongest with the simple reason that if customers are to be satisfied, it therefore means that all other parameters have been put in place says the respondents.

Here is a summary of the ranking below of eight perceived promise of IT for the different companies and are: (John Bauer hotel, Nordea, SDR, and Ekholm).

Once more figures were used from 1-8 where 1 is the strongest and 8 being the weakest.

The table and bar chat below shows the total of the perceived motivational factors of IT from the companies in which studies were made. From the table, 7 is the lowest figure and is the strongest and is depicted by the shortest bar and the highest figure is 32 depicting the weakest motivation. The rest are: replacing legacy systems score 28, modernizing company IT is 22, provide better management is 18, Increase revenue and reduce cost is 13, Easy access to information for decision taking 16, and improved efficiency with a score of 8.

![Figure 5.1 Summaries of Motivational Factors](image-url)
Increase customers satisfaction (score=7)

Increase customer satisfaction scored the least which means that it is the strongest motivational factor for the adoption of IT. Report from the respondent of John Bauer and Ekholm ranked this factor first and second by Nordea...To them, they believe that if this is to be achieved it will therefore means that the problems of the legacy ageing systems must have been considered which generally takes care of the rest of the factors. Customer’s satisfaction is primordial and strategic for the growth of these companies.

Improved efficiency (Score=8)

Improved efficiency is the second most important motivational factor for the adoption of IT. The Marketing managing director for Nordea ranked this factor first and second by SDR and Ekholm respectively and the last rank is given by John Bauer with a value of three. What is interesting here is the similarity of its ranking with Ekholm and SDR giving the value 2. The narrow differences are quite good making it easier for judgement to be made as well as a good conclusion. To this effect one cannot doubt how strategic this factor is influencing the growth of SMEs.

Increase revenue and reduce cost (13)

Increase revenue and reduce costs in order of importance and ranking comes third in the overall total and once more producing interesting results. Nordea and Ekholm have the same values of 3 while the same factor almost sounds the strongest to John Bauer hotel. The closeness and similarity of values shows how strategic this motivational factor is in the growth of enterprises.

Easy access to information (scores=16)

Easy access to information is ranked forth on the list. What is interesting here is that SDR thinks it is the most important while the next company that finds it vital is Nordea. It occupies the forth position is Nordea. This disparity here shows that the implementation differ in different companies depending on the companies objective. Nordea, Ekholms, and John Bauer hotel results are quite similar which again show a high sense of purpose though application may be different in different companies.

Solve 2YK

Solve the year 2YK problem produces the most interesting results. What is of interest is that all the other companies consider this to be the least in order of importance in their ranking. All the directors and top managers objective of the introduction and implementation of IT is because of the problems that already exist and therefore there is no need focusing on it. What is important is to rather seek solutions and forge ahead and see what benefits awaits its implementation.

Others

Provide better management tools scores 18, Modernizing company IT scores 22 and replacing legacy systems scores 27. To them, these motivational factors are of less important. They also stressed that the first three important factors takes care of the rest of the factors.
5.2 The efficiency of IT

In the introductory part of this work it was seen that companies spent millions of dollars and time on IT investments with the objective that it will change their businesses over night which may not necessary be true. Their expectations are normally usually achieved though most at times in the long run. The introduction and implementation of IT according to the respondents have solved a lot of problems for which they were adopted. The managing director of John Bauer, Nordea, SDR, described the system as running well. It has contributed immensely to cost reduction and improved efficiency. In SDR, the manager mentioned that the increasing demand from customers at times makes the system unable to support the demand and that is why upgrading the system is necessary each year. The managers also confessed that the implementation of IT demands a lot of dedication and total commitment. If this is successfully done, then efficiency will definitely be achieved and the benefits will definitely come by.
6. Conclusion

This chapter sums up the analysis which is typically based on empirical findings. It also summarises that growth was based on the introduction and implementation of IS/IT. Lastly, this chapter will also take into consideration discussions and observations from the studies.

The conclusion is that;

The introduction, adoption and implementation of IS/IT as a motivational factor for growth are largely influenced by the expected benefits and benefits that are likely to be derived. All the four companies that were studied adopted IT for similar reasons though with different objective in their respective enterprises. This is evident in the ranking of motivational factors.

This research shows that certain factors have impact on the growth of SMEs. They ranked in order of magnitude and are:

- Increase customers satisfaction is the strongest,
- Improve efficiency,
- Increase revenue and reduce cost, and
- Easy access to information. These are the strongest and most influential factors following the sum totals from all the companies.
- Provide better management tools,
- Modernize companies IT,
- Replace ageing legacy systems and
- Solve 2YK were of less importance.

The four companies also revealed that success is not only achieved when resources are being devoted to IT projects but it is also based on the efforts and commitment. The selection of my multi-case study is also confirmed here for the results produced by the different case studies are very similar.

6.1 Discussion

From my studies, firms introduce and implement IS/IT because of its efficiency and the expected benefits. IS/IT is a necessary tool in the firms business plan. IS/IT could be a change agent and acts as a tool for solving problems of growth in SMEs.

Story (1994) and also Jungahagen (1998) address the personal aspects that are central to SMEs business. The firms owner always have a justification for the choice of IS/IT investments and this is basically the quest for new technology. The strategic choice of IS/IT solutions are in the hands of owners and they have to realize an alternative in action else it will not be worthwhile investing. It is also observed that there needs to be a correlation between the problems that are to be solved and expectations are always high. What is interesting here is that, it is the satisfactory understanding of IS/IT that will make SMEs to continue to invest.

Finally, the educational level of users as well as implementers is very vital for the implementation and use of IS/IT in SMEs. If there is high level of education in this form, it might reduce the fear of using software applications. (Stockman & Docter in Jungahagen 1998). This is not much more different from the findings from their work. Some respondents confessed that some of their employees slowly adapt to the use of IT.
6.2 Limitations

At the start of this work my intention was to interview five companies with the objective that they will give me an insight into the study. However, interviews could only be conducted for four companies. This is because some of the respondents were so busy to the extent that I had to visit the companies at least two or three times and some of the companies targeted just told me they are not interested.

Another major shortcoming was that of language. Although I targeted the respondents who could speak English, there were still some little difficulties for one manager really had good information and could not actually put it clear until the questions were explained again.

Another short coming was with the interview conducted with Nordea Jonkoping. The information gotten there was very good but given by the household marketing manager rather than from the chief information officer from Stockholm. This was due to the abortive attempts to get in touch with the IT manager from Stockholm. Although different branches of Nordea are autonomous the central IT decision comes from Stockholm. However, the researcher still considers this valid for it is the same information that I should have gotten from Stockholm.

Training is also considered as one of the limitation companies’ face in the introduction and adoption of IT. The household marketing manager of Nordea confessed that the young easily adapt to current changes in IT as compared to the old. The old are slow to learning due to their low educational level coupled with age.

Despite all these, I strongly believe my results have fulfilled the purpose for which this research work was being conducted.
7. References


WWW.grc.nasa.gov/www/Purchase/section_508_def_.htm


8. Appendix

QUESTIONNAIRE

Celestine Kfutwa Fukah is a Masters Degree student in the Department of Informatics and program, Information Technology and Business Renewal in Jonkoping International Business School. I am researching on: Information and Information Systems: A Strategy for Growth in Small and Medium Sized Enterprises (SMEs).

Please, you have been randomly selected to kindly answer the questions below. You should remember that your responses will be used only for the purpose of academic studies.

Date ……………………………………………………………………………………………

Interviewees Position ………………………………………………………………………

Interviewing time ………………………………………………………………………

Name of Enterprise ………………………………………………………………………

1. Are you the sole owner or is it a partnership business.
2. How are your products grouped or classified?
3. How many years has the business been operating?
4. How many employees do you have?
5. How long have you been using information systems? 0-3 years….3-5 years…..5-10 years……10years and above ………………………

6. Has Information System any strategic role to play in your company? Yes…… or No………………………………

7. Which type of information for marketing purposes do you use? e.g. Internet,…newspaper….Billboards…………………………

Direct marketing, All of the above…………………………

8. Have you realize any achievement and or growth since the introduction of IT into your business?

9. Have you observed and or visualize any benefits with the implementation of IT?

If yes, can you list the benefits?

10. How does information flow in your company? CEO to employee…………

Employee to CEO………… Both…………………………

11. Do your employees normally participate in decision making?

12. How useful are the employees’ contributions?

13. How do you encourage the employees to be innovative?

14. Are there any environmental factors that hinder the growth of your business?
15. Do you forecast any increase in turnover of your business next year?
16. How is your enterprise changing with the use of Information Technology?
17. Do you have any problems with the implementation of Information Technology?
18. If yes. What kind of problems do you encounter?

Unstructured Questionnaire.

19. What do you think about the strategic alignment between your IT strategy and the business strategy.

20. How have you reorganized your IT to pursue your business goals?

21. Do you have intention/structure of bringing new technology into your Organization?

22. A brief history of your company.