

## Chapter I

### INTRODUCTION

#### 1.1 Background to the research

The globalization and rapid technological growth presents serious and various challenges for business player to keep maintaining their best performance. In this globalization of economic, competition is defined more dynamic and innovation is vital for future business growth (Jin, 2007). According to Hitt et al. (2001) the firms need to actively participate in the global market, use the latest technology, continue to develop new technology, and structure themselves to lead in these markets. Through the development of technology, the firms expected to increase their effectiveness and efficiency to gain more profit and corporate wealth. IT (Information Technology) is considered as the new competitive weapon, crucial in developing a sustainable competitive advantage, and is also the primary management tool in competitive market to enhance the competitiveness of firms as well as productivity and flexibility, even in Micro and Small sized Enterprises (MSE) (Jin, 2007; Mata et al, 1995; Byrd, Turner, 2001; Lai and Li, 2005). Micro and small type of business are the most active economic growing force in nearly all countries, playing a significant role in economic growth and considered the backbone of industrial development (Guriting et al, 2006; Ramayah et al, 2003; Alam, Kamal 2009). Those theory by Guriting be in accordance with the fact that shown in Padang, Sumatra Barat province. The rapid growth of micro-small enterprises is now become an emerging phenomenon in Padang. From the year of 2012 up to 2016, Padang entrepreneurs had been vigorously open new business in range of micro-small business. A lot of

businesses in Padang comes in many type of business such as household business, manufacturing, wholesale/retail, restaurant/café, hotel, transportation, and many others. In fact, in Padang city, new emerging business is clearly becomes more and more as seen in business center area.

Over the years, MSEs are becoming popular in contributing to economy growth, more so in developing countries. Many researchers mentioned that MSEs can expand their businesses by taking proper advantage of IT innovation. Moghavvemi et al (2011) stated that Information Technology innovation has a positive effect on organization's performance for profitability, market share and value as well as productivity. Proper usage of IT innovation by MSEs facilitates efficiency and position improvement in the marketplace competition. Despite many advantages of using IT innovation, researchers in general have shown that IT adoption by MSEs is still low and have not reached expectations (Pavic et al, 2007; Yu and Tao, 2009).

One of the IT innovations that could be very helpful for MSEs to gain more profit is internet. Internet is giving people benefits by creating new ways for citizens to communicate, exchanges knowledge, and share information. The owner or manager of MSE's takes an important role towards the strategy used in the business, especially in the decision making process. Motivated by the idea of MSEs highly centralized structures and thin management structure, Thong & Yap, (1995) hypothesize that decision-making in MSEs is dominated by the owners/managers. In choosing the marketing media, the owner or manager should have a good courage and knowledge to choose whether to invest money on such kind of marketing media. By looking at today's trend, the information technology

is quite promising to help the MSE's gaining their market share and get larger target market to increase the sales. In applying the information technology, there will be many barriers to reach a success information technology as the marketing media; one of the barriers is the owner or manager acceptance toward the IT itself.

In the last twenty years, several researchers have focused on identifying variables that influence the intention and acceptance behavior of Information Technologies (IT), by developing and testing different theoretical models and proposals. The Technological Acceptance Model (TAM), introduced by Davis, et al (1989) is one of the most widely accepted approaches to explain the adoption of any technology (Deng, et al, 2005). This model suggests that perceived usefulness and ease of use are the main beliefs about a new technology that influences the attitude towards their use and predict the intentions to use and adopt this technology. The main TAM constructs are the attitude, perceived usefulness and ease of use (Davis, et al. 1989). According to Fishbein and Ajzen, (1975), the attitude is “a learned predisposition to respond favorably or unfavorably toward something” (p. 216). Perceived usefulness is defined as “the degree to which a person believes that using a particular system would enhance his or her job performance”. The other factor in TAM model is the perceived ease of use, which refers to “the degree to which a person believes that using a particular system would be free of effort” (Davis. et al. 1989) p. 320.

Rapid technology growth makes IT becomes a necessity for almost any kind of business, especially MSEs. IT innovations could be very helpful for MSEs to gain more profit as one of business's competitive advantage. The business that makes use of the IT expected to be more close to the customer and deploy better

information about their product. MSE tend to grow rapidly in developing country, such as Indonesia. The tight competition makes business player strive to be more creative and innovative in their business, as is the case in Padang. Padang's young entrepreneurs were eager to play a business with the use of IT and attract the youth as their target market. As much as 1799 MSEs has been registered according to Department of Cooperative and Micro, Small, and Medium Enterprises in Padang, over half of them assumed to use social media to promote their business. So that we conclude that IT as the media of marketing activity takes important role for economic growth in Padang.

Using the TAM theory by Davis, et al (1989), this research trying to figure out how MSE's owner and managers accept the IT adoption and what is the factors influencing their intention to use IT for gaining the competitiveness of their business. This research will investigate factors in influencing intention to use IT for MSEs in Padang. Those factors include Perceived Ease of Use (PEOU), perceived usefulness (PU), attitudes, and social influence. The theoretical model of this research is adopted from TAM model which propose by Davis (1989).

## **1.2 Research Questions**

This study aims to answer the following questions:

1. How do the perceived ease of use and perceived usefulness affect the intention of IT adoption by the owner of MSE's in Padang?
2. How do the perceived ease of use and perceived usefulness affect the attitude of IT adoption by the owner of MSE's in Padang?



3. How does the attitude affect the intention of IT adoption by the owner of MSE's in Padang?
4. How does the social influence affect the attitude of IT adoption by the owner of MSE's in Padang?

### **1.3 Objectives of The Research**

Objectives to be achieved in this research are as follows:

1. To understand whether the perceived ease of use and perceived usefulness will affect intention toward IT adoption in Padang.
2. To know whether the perceived ease of use and perceive usefulness will affect attitudes to use toward IT adoption in Padang.
3. To exam the relationship between attitude and the intention toward IT adoption in Padang.
4. To test social influence effect on the attitude toward IT adoption of MSE's in Padang.

### **1.4 Contributions of the research**

This research is expected to provide benefits for readers, the benefits composed as follows:

#### **1. Theoretical Contribution**

This research contributes to knowledge expansion regarding manager/owner intention towards IT adoption and the factors influencing that intention. It helps academic researcher to figure out what cause the intention to use IT adoption in their business and understand how the factors

influencing the intention of manager/owner affect their decision to adopt IT in their business.

## 2. Practical Contribution

This research provides information for the management of micro-small enterprises in Padang about the intention toward the use of IT for their business. It helps the manager or owner of the business to understand the factors influencing the intention of manager/owner affect their decision to adopt IT in their business, and to choose whether to use IT for marketing their business or not.

### 1.5 Scope of Research

The purpose of limitation problem is to make more targeted research, focused, and do not deviate from the main targets of research. Therefore, the researcher focus on the discussion of the main issues in the context of the problem is restricted in accordance with the proposed title; “Factors Influencing the Owner/Manager Intention to use Information Technology Adoption in Micro-Small Enterprise in Padang”.

Although there are many other factors that influencing the intention to adopt IT for business, such as perceived strategic value, behavioral perspective, business environment, government role, competitive pressure, customer demand, innovativeness, perceived desirability, and perceived feasibility and many others, this study take five factors to be observed which are perceive ease of use, perceived usefulness, attitudes, intention to use and social influence as the variables of this study. This study want to examine the relationship between the

factors of intention to adopt IT in business, whether those factors significantly affect the intention to use IT or not. The owner/manager of Micro-Small Enterprises (MSEs) in Padang has been chosen as the respondent for this research.

## 1.6 Outline of Research

Generally, these research analyses are consisting of several chapters systematically as follow:

### *Chapter I: Introduction*

This chapter explains about the background of the research, problem statement, and objectives of research, contribution of the research and scope of research.

### *Chapter II: Literature Review*

In this chapter will explain the theoretical basis theories or concepts that underlie the conduct of research that support the objective of the research. There are reviews of previous study and showed the theoretical framework and Hypotheses.

### *Chapter III: Research Methodology*

Chapter that discussing about the research methodology used in analyzing problem contained research design, population, and sample, data collection methods and the data analysis method.

### *Chapter IV: Result and Analysis*

This chapter contained overview of survey responses, analysis data that researcher get and discussion of research finding.

### *Chapter V: Conclusion, Implication and Recommendation.*