



E-BUSINESS, ORGANIZATIONAL INNOVATION AND FIRM PERFORMANCE IN MANUFACTURING SMES: AN EMPIRICAL STUDY IN SPAIN

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Abstract. This paper extends previous studies on the organizational impact of Internet technologies by analyzing factors affecting e-business use and its effect on organizational innovation in manufacturing Small and Medium-Size Enterprises (SMEs). In addition, the mediating effect of organizational innovation on the relationship between e-business and firm performance is analyzed. Grounded in the Technology-Organization-Environment (TOE) theory and the Knowledge-Based View (KBV), this paper develops an integrative research model which analyzes those relations using partial least squares (PLS) structural equation modeling on a dataset of 175 Spanish manufacturing SMEs. Results suggest that e-business use emerges from technological and internal organizational resources rather than from external pressure. In addition, results show that e-business use contributes positively to firm performance through organizational innovation.

Keywords: e-business, organizational innovation, firm performance, manufacturing, SMEs, TOE framework, knowledge-based view, SEM, PLS.

JEL Classification: L250, M150, O140, O310.

Introduction

The current economic context, characterised by the acceleration of technological change, globalization and competitive intensity, has put increasing pressure upon the management of small and medium-size enterprises (SMEs), especially manufacturing SMEs which must today compete globally (Lopez-Nicolas, Soto-Acosta 2010; Raymond *et al.* 2005). The importance of manufacturing SMEs for economic growth, employment and wealth creation has been widely acknowledged (Devaraj *et al.* 2007; Jardim-Goncalves *et al.* 2012). For

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