Strategies for Cloud ERP Adoption Among SMEs in Malaysia: A Resource-Based View

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ABSTRACT

The recent pandemic gave Malaysian Small and Medium-sized Enterprises (SMEs) a wake-up call as they faced closures and struggled with system connectivity. The key problem of this research is the low Cloud ERP adoption rate (10.5% of SMEs) which impacts the business continuity of SMEs and the limited guidelines available for SMEs to leverage resources and capabilities for successful Cloud ERP adoption. Therefore, this study aims to understand how SMEs perceive barriers to adoption, how can key resources and capabilities improve Cloud ERP adoption and how can the insights support the creation of a guideline to drive Cloud ERP adoption to improve competitiveness. The study will use a qualitative method and purposive sampling through interviews with SME owners and ERP practitioners who have Cloud ERP adoption experience. The findings of this research are expected to deliver practical contributions to government agencies to develop platforms for SMEs to adopt Cloud ERP; to SMEs with the knowledge to achieve adoption success and to Cloud ERP vendors to deliver the right service offerings. The research will add to the body of knowledge for Cloud ERP and extend the Resource-Based View (RBV) on the resources and capabilities needed to achieve Cloud ERP adoption success.

Keywords: Cloud ERP; SME; Resource-Based View; Malaysia; Guidelines

1. Background

The background of this research is motivated by 4 interconnected drivers. The first driver is the dominance of SMEs in Malaysia's business landscape with over 1.2 million companies or 97.4% of all businesses in the country [1]. With such a large impact on the Malaysian economy, the second driver is a need for SMEs to establish a Business Continuity Plan (BCP) to have continued access to their business systems in the event of a crisis. This weakness was critically exposed during the pandemic when employees were required to work from home (WFH), taking away accessibility to business systems to operate and connect with customers and suppliers [2]. The third driver is that the Malaysian government recognizes the importance of technology adoption and launched multiple initiatives such as MyDIGITAL which is worth the investment of RM70 billion [3]. This correlates to the fourth driver of the low Cloud ERP adoption rate of 10.5% among 2,033 SMEs surveyed [4]. Despite the continued support from the government and proven productivity increase from adopting technology, Malaysia is still lacking behind global averages for digital adoption [5].

2. Problem Background and Research Gap

The central problem of the proposed study is the low Cloud ERP adoption rate with 2 issues. First, the low Cloud ERP adoption rate impacts the business continuity of SMEs. Cloud ERP enables SMEs to have continued access to their core business system during disasters. Without the support of digital technologies like Cloud ERP, SMEs will struggle to stay connected and be competitive [6]. Second, SMEs are hesitant to adopt technologies like Cloud ERP as there are limited guidelines available [7]. The research gaps identified are an apparent empirical gap in the prior research on how barriers like lack of awareness and guidelines among SMEs have contributed to low Cloud ERP adoption [7,8]. Second, there is a knowledge gap in resources and capabilities needed for Cloud ERP success to achieve

a competitive advantage in Malaysia [8]. Third, there is a methodological gap concerning qualitative research on Cloud ERP and SME competitiveness in Malaysia [7].

3. Research Questions and Research Objectives

Given the background and problem statements, the research questions for this study are:

i) How do SME owners and ERP practitioners perceive barriers to Cloud ERP adoption in Malaysia?
ii) How do SMEs leverage key resources and capabilities for successful Cloud ERP adoption?
iii) How can insights from SMEs and ERP practitioners support the creation of a comprehensive guideline to drive the successful adoption of Cloud ERP among SMEs?

The research objectives are:

i) To understand how barriers to Cloud ERP adoption are being perceived by SMEs and ERP practitioners and explore ways to overcome them.
ii) To create awareness among SMEs to develop or acquire key resources and capabilities to ensure a higher success rate of adopting Cloud ERP.
iii) To contextualize the insights and formulate a guideline to drive Cloud ERP adoption for SMEs.

4. Underlying Theory

Based on the literature review, the RBV is selected as the underpinning theory as it closely matches the research question of this study to uncover the key resources and capabilities for a successful Cloud ERP adoption in SMEs, matches the level of analysis to be organisational and Cloud ERP's unique characteristics to achieve sustainable competitive advantage as posited by the theory.

5. Method

The research design for this study is qualitative using the case study method. The data collection technique will be through interviews with a purposive sampling method. Respondents from SME owners, SME key decision-makers and ERP practitioners will be selected. The data analysis technique used will be thematic analysis. To ensure that the data collected is valid and reliable, data triangulation and member-checking techniques will be used together with reflexivity to minimise researcher biases.

6. Conclusion

The expected practical contribution of the study is to SMEs with the knowledge of how Cloud ERP can contribute to improved competitiveness via guidelines. The government and agencies can gain through the development of business-friendly platforms for SMEs to adopt Cloud ERP. Theoretically, the research will add to the body of knowledge through the RBV lens on resources and capabilities for Cloud ERP adoption success. The limitation of the study is that it will be based on a few qualitative case studies guided by the RBV theory and as such, the findings cannot be generalised for all organisations. Future research can explore other factors that can contribute to Cloud ERP adoption success.

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