Chapter XV

How a Procedural Framework Would Assist SMEs in Developing Their E-Business Strategy

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INTRODUCTION

While Small-to-Medium Enterprises (SMEs) in Australia have an excellent opportunity to take advantage of the growth of e-commerce in Australian and the Asia Pacific region by reducing the effects of Australia's relative isolation to Asian and world markets, a large number of managers choose not to take advantage of the opportunity to reach both the local and global markets because they do not know how to go about developing a strategic e-business and marketing plan. While there is plenty of literature provided by government agencies, business interest groups and commercial Web development houses, there is no procedural framework available for SME managers to follow when designing their e-business plan and revenue model so they can remain in charge of the process and not be pushed into a particular template designed by a consultant to suit their hardware and software platform.

One method to increase adoption rates by SMEs and to give them an opportunity to participate in the benefits that can be derived from e-commerce is to provide them with a procedural framework that sets out in a very detailed manner the steps they need to follow. The framework should give SME owners

control over the entire process until they are at the stage to either develop their own online presence, or have sufficient information to take to a Web consultant who can develop a model which reflects the e-business strategy and is in harmony with the traditional business and marketing plan.

CONTEXT AND BACKGROUND

The definition for a Small-to-Medium Enterprise in Australia (as set out in The Yellow Pages Small Business Index, 2000) identifies a small business as one which has 'up to 19 full-time employees including the proprietor if he or she is part of the workforce [and] medium-sized business employing between 20 and 200 full-time persons.' The Australian Bureau of Statistics (ABS) has identified another category of business operators within this sector, the 'Very Small Business' (VSB) which employs fewer than five employees (ABS, 2000). Since this sector of industry employs approximately 50.2% of the total Australian workforce of the 9,141,800 people (ABS, 1999) and contributes significantly to the supply of goods and services, one would expect a high level of uptake of information technology, namely using the Internet for business-to-business (B2B), business-to-consumer (B2C) and business-to-government (B2G) technology to assist in the reduced costs and efficiencies normally associated with electronic commerce.

While the adoption of Internet technology by SME's has increased from 29% to 56% in the period from 1997/1988 to 1999/2000, and the use of a Web site or home page has also increased proportionally over the same period from 6% to 16% (ABS, 2000), SMEs using the Internet to carry out e-commerce accounts for only 0.4% of total sales (ABS, 2000). A survey by the National Office for the Information Economy (NOIE) of a random sample of 1,196 small businesses and 300 medium businesses from six industry sectors (manufacturing, building/construction, wholesale/retail, transport/storage, finance/property/business services and recreational/personal/other services) across each of the six states and two territories of Australia identified some remarkable findings as to why SMEs are not adopting e-commerce technology (NOIE, 2000).

Major reasons (NOIE, 2000) for not adopting e-commerce include:
- A concern that the use of the Internet for e-commerce could lead to uncontrolled growth
- Satisfaction with current business arrangements
- Uncertainty about the quality and availability of products, and about delivery and supply arrangements
- Fear of alienating intermediaries

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