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Chapter XIV

Electronic Commerce Opportunities, Challenges and Organizational Issues for Australian SMEs

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INTRODUCTION

Australian small businesses are increasingly adopting the Internet and the World Wide Web as a medium of doing business to reach new customers and suppliers, cut costs and expand business. They also use it to enhance communication between buyers and suppliers. This chapter discusses the findings of an exploratory study in Australia that identified the objectives, opportunities and challenges of e-commerce experienced by small businesses that were mostly early adopters of the Internet as a medium of trade. E-commerce issues presented in this chapter include research findings, supported by theory from literature. Electronic commerce opportunities, challenges and organizational learning by small and medium enterprises (SMEs) in Australia indicate that small businesses have created value with e-commerce, although benefits are long term and dependent on a plethora of technological, business and management issues that need to be addressed. Due to the fast-evolving nature of e-business and technological developments that are new to many small businesses, challenges such as managing the expanded flow of information, cross-border taxation, authentication, trust and security, as well as the high costs of acquiring the required technologies and skills, are prevalent. Other challenges of e-commerce range from Web site maintenance to business process reengineering for an integrated environment. Research findings also highlight the fact that small businesses need formal methods of evaluating the performance of e-commerce to realize the benefits of investment and to further expand their e-commerce venture.

ELECTRONIC COMMERCE

E-commerce generally means doing business on the Internet. It is also referred to as Internet commerce, digital business and online trade. Different authors, depending on the perspective from which it is viewed, have defined electronic commerce differently. According to Watson et al. (1999), electronic commerce is the use of computer networks to improve organizational performance. Turban et al. (2000) define it as the process of buying and selling or exchanging of products, services and information via computer networks including the Internet.

Increasing profitability and market share, improving customer service and delivering products faster are some of the organizational performance gains allegedly possible with electronic commerce. Activities such as the buying and selling of goods and services, as well as transferring funds, utilizing digital communications and all aspects of an organization's electronic interactions with its stakeholders, such as customers, suppliers, government regulators, financial institutions, managers, employees and the public at large, are included in e-commerce. All intercompany and intracompany functions such as marketing, finance, manufacturing, selling and negotiation that use electronic mail, EDI, file transfer, fax, video conferencing, workflow or interaction with a remote computer are components of e-commerce. The rapid adoption of the Internet and the World Wide Web by small businesses as a commercial medium in Australia and other parts of the world is changing the face of business. The Internet has created electronic marketplaces where buyers and suppliers meet to exchange information about prices and product and service offerings, and to negotiate and carry out business transactions (Archer & Gebauer, 2000). Archer and Gebauer are also of the opinion that although electronic marketplaces involve business-to-consumer (B2C) and business-to-business (B2B) systems, growth in B2B is estimated to be five times the value of B2C. Many small businesses are suppliers of products to larger businesses and are important entities of the supply chain.

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