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## **Chapter IV**

# **E-Commerce as a Business Enabler for Small and Medium Size Enterprises: Issues and Perspectives from Singapore**

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## **ABSTRACT**

*The new economy is posing challenges for countries to enhance their competitiveness through IP-based business initiatives. A key strategy is to get small and medium-size enterprises to be part of the e-commerce ecosystem. Singapore has put in place an advanced digital telecommunications network as well as the necessary regulatory and policy frameworks for the support of e-businesses. In this chapter, the status of e-commerce developments among small and medium size enterprises in Singapore is assessed. It is noted that, whilst these enterprises still have*

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*quite a way to go in terms of emulating e-business practices, market developments will force many of them to adopt e-commerce practices in due course. State intervention strategies are also especially imperative in getting promising enterprises as well as others in growth sectors to come on board the e-commerce platform.*

## INTRODUCTION

Small and medium-size enterprises (SMEs) play a very important role in the economies of all countries. They outnumber big corporations and are conspicuous by their ubiquity in all sectors of society. The contribution of SMEs to a country's Gross Domestic Product is high by virtue of the large number of people they employ and the diversity of services that they offer (Unctad, 2002). SMEs also offer a beginning platform for entrepreneurs to realize their dreams.

Traditionally, SMEs have pursued a domestic policy as they predominantly operate in local markets. A number of SMEs have, however, graduated into the Ivy League and gone on to become multinational corporations (MNCs). For example, Hewlett Packard started off as an SME in 1938 in the Silicon Valley before going on to become an MNC. An Asian example is that of Creative Technology, which started off as an SME in Singapore in 1981 before becoming an MNC. SMEs also constitute a critical node in the supply chains of big enterprises and multinational corporations in a country.

The impetus given to globalization in the 1990s and the advent of the Internet shortly thereafter has markedly transformed the world's economic landscape. Capital mobility and the connectivity provided by the Internet for business processes are reformatting the contours of international trade and giving rise to a global common market. In the process, traditional structures of businesses are starting to atrophy and new business models are beginning to emerge. All these are affecting the competitiveness of nations. Since these affect the employment of workers, they therefore impact on all business sectors, including SMEs. Those business outfits not able to compete in the emerging economic landscape face the possibility of being waylaid by the tsunamis unleashed by the forces of globalization and Internet-based business practices.

Globalized markets present a valuable opportunity for SMEs to address the challenges of the new economy (Hibbert, 1999). Enormous scope is afforded for re-engineering their operational and business practices as a way to reap efficiencies and reach out to new markets through geographical diversification. Failure to be market-responsive and competitive from an international standpoint can even be detrimental to the domestic survival of SMEs since they can be sidelined by e-commerce-enabled big businesses in a fast moving dynamic environment.

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