Chapter I

A Framework for Electronic Commerce Research in Small to Medium-Sized Enterprises

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Abstract

It is believed that the recent emergence of electronic commerce (e-commerce) in the early '90s could provide different opportunities to small to medium-sized enterprises (SMEs) in overcoming part of their technological, environmental, organizational, and managerial inadequacies. However, recent research portrays a gloomy picture about e-commerce uptake and use in SMEs. Therefore, the implication here is twofold. Initially, there is a need to generate more e-commerce research that could penetrate much deeper into main impending issues pertaining to the SMEs in their potential uptake and use of e-commerce. On the other hand, e-commerce is characterized of being embryonic but growing very fast and fragmented across the different disciplines, which makes the task of capturing its different perspectives a very complex one. The preceding two implications represent the greatest challenge for researchers and professionals interested in undertaking e-commerce research in SMEs. In line with the above implications, the first objective of this research aims at capturing the different e-commerce perspectives from the SMEs’ point of view, and the second objective aims at
capturing the e-commerce perspective from the theoretical and the methodological point of view. Addressing the preceding implications in this research could shed some light into some of the gray areas in the e-commerce research in SMEs.

Introduction

In recent years, small to medium-sized enterprises (SMEs) have been shown to contribute significantly to national economies. It was in the 1970s that researchers first began to highlight the critical role of SMEs, not only in maintaining healthy and dynamic economies within industrialized nations, but also in introducing inventions and innovations (Cameron & Massey, 1999; Iacovou, Benbasat, & Dexter, 1995). By utilizing their assets, such as being more flexible, innovative, and incurring lower overheads than larger enterprises, SMEs have proven their importance in the face of increased global competition (Blili & Raymond, 1993). Generally, SMEs constitute around 95% of enterprises, and account for 60% to 70% of employment within the countries of the Organization for Economic Cooperation and Development (OECD, 1997). New Zealand SMEs form a significant component of the national economic output (35%) in terms of their proportion (96%) and employees (41%) (MOED, 2000). SMEs in the United Kingdom (UK) represent more than 95% of all businesses, employ 65% of the workforce, and produce 25% of gross domestic product (GDP) (Ballantine, Levy, & Powell, 1998).

The recent emergence of the Internet in general, and the World Wide Web (WWW or Web) in particular has revolutionized business activities (Abell & Lim, 1996). Information technology is generating new products, and is the driving force behind new production processes, new forms of business organization, new scope for consumers, and new market opportunities (MOED, 2000).

The open standards of the Internet bring electronic commerce/business (e-commerce) within the reach of even the smallest firms and help to reduce the gap between large and small firms (Kalakota & Whinston, 1996; MOC, 1998). Businesses are embracing e-commerce in order to reduce costs, increase efficiency, and ensure better customer and supplier management (MOED, 2000). Small-business Internet commerce is defined as “the use of Internet technology and applications to support business activities of a small firm” (Poon, 1999). According to Poon’s (1999) definition, a business activity can be internally or externally oriented, and of a transactional or strategic nature. E-commerce is becoming more and more essential as a business tool for organizations in general, and for SMEs in particular, to gain competitive advantage and to access global markets (Poon & Swatman, 1995). The online economy introduces unique opportunities to SMEs for open and free trade because it avoids tariffs and tax, while lessening the impact of geographical distances and time, which can serve to separate SMEs from potential opportunity (Abell & Lim, 1996; Cameron & Massey, 1999; MOC, 1998; Peters & Paynter, 1999). However, this perspective is a double-edged sword. Firms choosing to distance themselves from this new competitive tool risk falling victim to it and missing out on many of its promised benefits. Rather, it is the innovative firms that have been able to profit from this new technological development (Blili & Raymond, 1993). Electronic commerce
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