



**Chapter XIII**

**Strategies for Consultancy  
Engagement for E-Business  
Development—A Case  
Analysis of Australian SMEs**

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**INTRODUCTION**

It is estimated that there are 1,004,200 private sector small businesses in Australia, of which almost 900,000 were non-agricultural businesses, and 104,500 in the agriculture, forestry and fishing businesses (DEWRBS, 1997). It is also estimated that Small and Medium Enterprises (SMEs)<sup>1</sup> employ 51% of the private sector workforce (SBDC, 1999) and so make a substantial contribution to the nation's economy and employment. This pattern is not unique to Australia but reflected in many developed and developing economies around the world. In general, therefore, SMEs have been strongly encouraged by government to embrace the new e-business environment and expand their global reach with enhanced productivity. However, the relationship between SMEs and e-business has been found to be an uncomfortable fit. SMEs have been reluctant to adopt electronic commerce principles and practices in their day-to-day business transactions (Beer, 1999; DIST, 1998; Shern, 1998; SBI, 1998; Yen, 1998) for a wide variety of reasons.

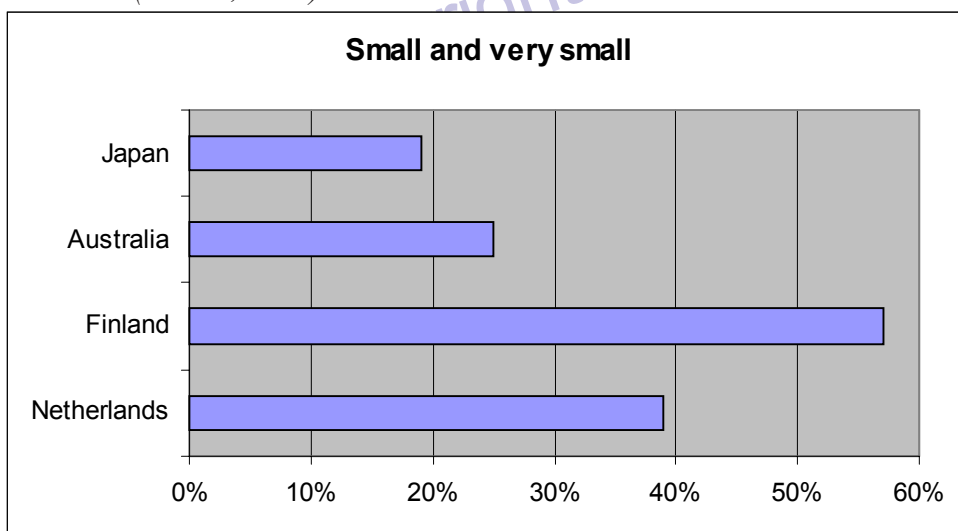
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One reason can be traced to early forms of e-commerce, principally Electronic Data Interchange (EDI). EDI transactions were not particularly suited to the SME environment as they were expensive and involved the use of proprietary software which could not be used with other business partners (DIST, 1998; Rose et al., 1999; Turban et al., 1999). A number of SMEs that embraced this technology felt “locked into” a system that did not provide them with any real economic benefit (DIST, 1998; Iacovou et al., 1995).

An OECD report “Enhancing the Competitiveness of SMEs in the Global Economy: Strategies and Policies” (2000) found that the penetration rate of the Internet in the Australian SME sector is only 25% (see Figure 1). According to a report by the Institute of Small Business Research, SMEs have been cautious in their uptake of electronic commerce as it is seen as complex and not perceived as relevant to their organization (ISBR, 1998). Indeed considerable confusion exists within the SME community in regard to the definition of e-commerce or e-business.

Another factor that presented a barrier to the early uptake of e-commerce by the SME sector was the size and scope of SMEs. The majority do not employ IT managers or specialists. The lack of information technology staff within the SME sector has been identified as one obstacle for the wholesale adoption of e-commerce strategies and technologies (Cragg & King, 1993; Thong, Yap & Raman, 1996; Yap, Soh & Raman, 1992). In the SME sector, IT decisions and operational factors tend to be relegated to the realm of the Accountant, Manager or Owner-Operator and are mostly seen as a peripheral

*Figure 1: Internet penetration in the small business sector in selected OECD countries (OECD, 2000)*



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