

Chapter 5

SMEs Internationalization Through Electronic Commerce: Benefits, Disadvantages, and Barriers

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ABSTRACT

This study explores the benefits, disadvantages, and barriers for the internationalization of regional small and medium-sized enterprises (SMEs) through the adoption of electronic commerce (e-commerce). Interviews were conducted with directors of ten Australian regional SMEs for exploring their use of e-commerce in the internationalization process. This led to the identification and validation of benefits, disadvantages, and barriers for the internationalization of regional SMEs with the use of e-commerce. A better understanding of these benefits, disadvantages, and barriers would help e-commerce stakeholders develop appropriate strategies and policies for driving the adoption of e-commerce for the internationalization of regional SMEs.

INTRODUCTION

Internationalization is the expansion of economic activities across national borders (Ruzzier, et al., 2006). Organizations of all sizes aim to expand their international operations to achieve vital growth, increase entrepreneurial knowledge and reinforce financial efficiency. Electronic commerce (e-commerce) refers

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to any form of business transaction in which parties interact electronically rather than through direct contact (Grandon and Pearson, 2004). It has emerged as an enabling tool for the internationalization of organizations mainly due to its benefits, especially to small-and-medium-sized enterprises (SMEs), including strengthened customer relationships, ease of reaching targeted markets, improved efficiency, reduced costs, and greater competitive advantage (Duan et al., 2012; Deng et al., 2020).

Realizing that e-commerce is a major source of competitive advantage as well as a cost-effective way for the internationalization of SMEs, governments actively assist SMEs with expanding and growing their businesses through the development of policies and programs to improve economic conditions for SMEs. In Australia, for example, key initiatives were introduced that worth a \$5.3 billion (ASBAS, 2019; Duan, 2020). Such initiatives have created a sound environment for supporting Australian SMEs financially and promoting the adoption of e-commerce for their respective internationalization.

SMEs in regional areas are affected by circumstances inherent to their location. Regional areas are defined as geographical areas located outside metropolitan centers and major cities (ABS, 2018). Regional areas are characterized by high unemployment, a shortage of skills, limited access to resources and a lack of infrastructure (MacGregor and Kartiwi, 2010). SMEs are significant regional development agents. This is especially the case in regional Australia where SMEs constitute approximately 95% of all businesses in services and industry sectors (ABS, 2018).

The Internet has become an important tool to facilitate the process of internationalization in enterprises. As an enabler, e-commerce has the potential to facilitate organizational change in regional SMEs allowing them to compete and operate in a global environment. As a result, SMEs are no longer confined by geography, rather the internet has permitted SMEs the ability to move from time to space variables.

The promising e-commerce outlook and continuous support from governments (Duan, 2020) provide a sound opportunity for SMEs in the regional areas to internationalize using e-commerce with low cost. The adoption of e-commerce in Australian SMEs, however, is disappointing, evidenced by the relatively low levels of participation in the e-commerce relevant activities by Australian SMEs (Deng et al., 2019). Only 51% of Australian SMEs, for example, take orders online in 2017, among which 11% are specifically targeting international customers (ABS, 2018). A better understanding of benefits, disadvantages and barriers for the adoption of e-commerce for internationalization in regional SMEs is highly needed.

This research aims to investigate the benefits for regional SMEs by using e-commerce for internationalization, as well as to examine the disadvantages and barriers that regional SMEs need to overcome to benefit from the e-commerce adoption in the internationalization process. To achieve this, the research question is proposed as follows:

How do regional SMEs perceive e-commerce in terms of benefits, disadvantages and barriers to adoption for internationalization?

A literature review was undertaken to explore the benefits, disadvantages and barriers to SME internationalization through the adoption of e-commerce. The review forms the basis for this research and guided development of interview questions. Ten regional SMEs in Australia were then selected as case studies. Semi-structured interviews were conducted to obtain rich information for analysis. Through comprehensive ‘within-case analysis’ and ‘cross-case comparison,’ several benefits, disadvantages and barriers were identified, and their implications discussed.

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