

Chapter 2

E-Commerce Trading Patterns within the SME Sector: An Opportunity Missed?

Paul Jones

University of Glamorgan, UK

Gary Packham

University of Glamorgan, UK

David Pickernell

University of Glamorgan, UK

Paul Beynon-Davies

Cardiff University, UK

ABSTRACT

This study profiles an empirical study of E-Commerce trading patterns of SMEs in Wales. Academic debate continues to espouse the importance of the SME community in engendering economic prosperity and enhanced economic development although the sector also remains categorised by high failure rates. The strategic adoption of information technology offers the opportunity for increased competitiveness and enhanced profitability. Evidence suggests, however, that SMEs, particularly the smaller SME classifications, are not effectively exploiting E-business, with limited recorded examples of successful adoption. Within this study, E-Commerce trading practices are therefore contrasted against traditional non E-Commerce trading activity and conclusions are drawn on the behaviour adopted by SME Owner/Managers. The conclusions will inform Owner/Managers, policy makers, practitioners, researchers and educators involved in E-Commerce deployment in the SME sector.

INTRODUCTION

Academic literature has long highlighted the importance of the small and medium enterprise (SME)

community in engendering economic prosperity and enhancing economic development (Baldwin, Lymer & Johnson, 2000). Currently the SME sector exhibits high business failure rates (SBS, 2005), a situation exacerbated by the present economic climate in the United Kingdom (UK). Understanding this context,

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therefore, it is particularly important to note that the Internet was described by Fillis and Wagner (2005) as providing a new paradigm for business, and that effective strategic adoption of information communication technology (ICT) by businesses offers the opportunity for increased competitiveness, efficiency, enhanced profitability and the opportunity to create a competitive advantage (Simmons, Armstrong & Durkin, 2008).

Existing emergent evidence, however, suggests that SMEs, particularly the smaller sized SME classifications, are not effectively exploiting ICT, with minimal examples of successful adoption (Love, Irani, Standing, Lin & Burn, 2005). This chapter therefore profiles E-Commerce trading patterns in the SME community within a regional UK context, the study focusing on Wales specifically. Empirical data is presented which contrasts E-Commerce trading performance against traditional non E-Commerce trading activity and conclusions are drawn on the behaviour and practices adopted by SME Owner/Managers towards E-Commerce. These conclusions will inform Owner/Managers, policy makers, practitioners and the academic community involved in E-Commerce deployment in the SME sector.

BACKGROUND

The activity within electronic markets is typically referred to as electronic business (E-Business) or electronic commerce (E-Commerce) (Turban, Lee, King & Chung, 2000). E-Business can be viewed as an all organisation transformation concept in relation to ICT, with the capability of connecting business processes, enterprise applications and influencing organisation structure (Al-Qirim, 2003). Kalakota and Whinston (1996: 1) define E-Commerce as the:

...buying and selling of information, products and services via computer networks.

Sterrett and Shah (1998) and Stockdale and Standing (2004) have argued that micro-sized enterprises could compete with larger-sized enterprises by using the Internet, as their smaller size enabled them to be more adaptable and responsive to changing market conditions. Effective ICT usage provides an opportunity to achieve increased competitiveness and operational efficiency (Piris, Fitzgerald & Serrano, 2004). For effective E-Commerce utilisation to occur within an enterprise, Lederer and Sethi, (1988) and Blili and Raymond, (1993) state the need to integrate strategy, structure and systems with people and processes.

Further, Blackburn and Athayde (2000) recommended three strategies to assist the SME sector, namely developing E-Business aptitude awareness raising initiatives (Iacovou, Benbasat & Dexter, 1995), provision of training to enhance IT/IS skills (Pollard & Hayne, 1998) and utilisation of consulting services to assist transfer of business practices to the Internet (Zalud, 1999). To enable this process to occur Schneider and Perry (2001), Lockett and Brown (2003), Gibbs and Kraemer (2004) and Galloway and Mochrie (2005) also suggest SMEs' Owner/Managers require significant support from government and support agencies to enable this transition. Gibbs and Kraemer (2004) identify the provision of a positive legal environment and specific incentives as necessary to encourage E-Business adoption, whilst Pavic, Koh, Simpson and Padmore, (2007) posit that governments needed to take a long-term view, with the provision of extensive telecommunications networks and a proactive regulatory framework of particular importance. Before policy can be put in place, however, it is first necessary to determine the extent to which E-Commerce is currently being deployed, and in what ways, particularly the trading markets.

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