



## **Chapter V**

# **An SME Experience of E-Commerce: Some Considerations for Policy Formulation in Australia**

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### **ABSTRACT**

*Previous research has identified that small business faces additional barriers to e-commerce adoption compared with large business. More recently it has emerged that the adoption of e-commerce technology has often not translated into the active utilisation and conduct of e-commerce by small business. The factors and problems that account for this apparent lack of benefit derived from e-commerce activity forms the focus of this chapter. This chapter identifies and critically analyses the range of factors impacting on small businesses conducting e-commerce. A framework is developed to explore potential problem areas for e-commerce implementation and utilisation. This framework is based upon a qualitative analysis of 34 Australian SMEs utilising e-commerce and from findings in a report*

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*conducted by Ernst & Young of an additional 34 Australian small businesses implementing e-commerce. The chapter endeavours to provide an outline of the issues that policymakers need to consider in developing e-commerce policy to motivate and support ongoing e-commerce initiatives among SMEs.*

## INTRODUCTION

The rate of e-commerce adoption by Australian SMEs is increasing (Small Business Index, 2001), however the rate of e-commerce integration lags significantly behind large organisations. The Australian government has acknowledged the importance of SMEs adopting e-commerce and has established several programs to encourage SMEs to uptake e-commerce. These programs include the formation of the National Office of the Information Economy (NOIE) promoting programs such as the Australian Electronic Business Network (AUSENET), the Information Technology Online Grant program (ITOL) and the Tasmanian Electronic Commerce Centre (TECC).

Past IS researchers have identified numerous e-commerce benefits for SMEs including costs reduction, alternative sales and marketing channels and streamlined communication methods. To date there exists a vast amount of literature that has explored the adoption and uptake of e-commerce by SMEs. Equally there exists significant research into examining those factors that present barriers to the uptake of e-commerce by SMEs (Freel, 2000; Lawrence & Keen, 1997; MacGregor et al., 1998; Poon, 1997, 1998). Recent research also indicates that where SMEs have adopted e-commerce technologies, the actual utilisation and conduct of e-commerce does not necessarily lead to an active utilisation of e-commerce (NOIE, 2000; Wong & Turner, 2001).

Studies of those SMEs that are engaged in e-commerce suggest that the level of web-based e-commerce can be categorised into four phases of e-commerce utilisation Chau (2001a). These phases emerge as transitional states in the use of e-commerce where SMEs may establish themselves directly at any particular phase or migrate to or from other phases. The ability of SMEs to migrate between phases relates to the business environment in which they operate.

The analysis of a case study of 34 SMEs actively utilising e-commerce suggests that the potential to derive benefit from e-commerce activities increases where SMEs have been able to re-align business processes and structures (Chau & Turner, 2001b). The ability of SMEs to re-align business processes depends upon a number of factors. However, to date there has been little detailed investigation into the factors that impact on SME's ability to derive e-commerce benefits within any particular phase of e-commerce activity.

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