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## **Chapter VI**

# **Obstacles to SMEs for E-Adoption in the Asia Pacific Region**

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### **ABSTRACT**

*As electronic commerce (e-commerce) is becoming the way to trade, it is the large corporations that are exploiting their finances and technical expertise to jump into this abyss. Small and medium enterprises (SMEs) are finding too many obstacles to participate in e-commerce. SMEs in Asia Pacific in particular, face many obstacles and thus are still not comfortable with the concept of putting their business online, conducting transactions online or revamping entire business processes. This chapter describes the key factors that are hindering SMEs' participation in e-commerce and the obstacles to SMEs for e-adoption in Asia Pacific. Although this study is limited to the Asia Pacific region many of the findings do contribute significantly to the factors hindering all SMEs' e-adoption efforts.*

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## INTRODUCTION

The fundamentals of competition are changing as a result of the growth of global markets, the increased speed of commoditization, the technological revolution and continued change in customer expectations. What is more the growth, integration, and sophistication of information and communication technologies (ICTs) is significantly impacting our society and economy. Today, computers and other electronic devices increasingly communicate and interact directly with other devices over a variety of networks, such as the Internet. Consumers and businesses have been particularly quick not only to recognize the potential but also to attempt to realize the benefits of adopting new computer-enabled networks. For instance, consumers now routinely use computer networks to identify sellers, evaluate products and services, compare prices, and buy and sell products and services. Businesses are using networks even more extensively to conduct and re-engineer production processes, streamline procurement processes, reach new customers, and manage internal operations. This is known as the electronic commerce (e-commerce) revolution.

The e-commerce revolution has affected all organizations but of particular interest is its effect on small and medium-sized enterprises (SMEs) since we can observe an interesting duality where these companies are most likely to benefit from the opportunities afforded by e-commerce (since through e-commerce it is possible to level the playing field) and yet they appear to be slowest in embracing many of these e-commerce possibilities. On several social and economic grounds, SMEs are of overwhelming importance in most of the Asia Pacific/Pacific Region. In fact, they comprise well over 90% of all enterprises in this region and provide employment for over half of the region's workforce (Wattanaputtipaisan, 2002; APEC, 2001). Typically, the SME sector accounts for upwards of 90% of all firms outside the agricultural sector of East and South-East Asia, and of Japan, as well (Alphonso, 2001; Regnier, 2000; Tambunan, 2000; Wattanaputtipaisan, 2002; A Report Prepared for Asia Pacific Foundation, 2002).

Given the importance of SMEs to this region, it becomes crucial to understand the obstacles they are facing and thus understand why e-commerce adoption has been slow, if at all, for these SMEs, and then, suggest changes to policy that may enable the alleviation of such obstacles and hence encourage the successful embracing of e-commerce for these SMEs. This chapter attempts to do just this by describing the key factors that are hindering SMEs' participation in e-commerce and the obstacles to SMEs for e-adoption in the Asia Pacific region based on qualitative findings from an on-going research study we are conducting that is focusing on SME adoption of e-commerce in the Asia Pacific region. Although the study is limited to Asia Pacific, we believe that the findings contribute significantly to our understanding of the hindering factors for all SMEs' e-adoption generally. The chapter is divided into three sections. The first

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