



## **Chapter XIII**

# **Government Promotion of E-Commerce in SMEs: The Australian Government's ITOL Program**

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### **ABSTRACT**

*As in many other countries, the take-up rate of e-commerce in Australian SMEs has been poor. The Australian Government has attempted to address this (in part) through its “Information Technology On-Line” (ITOL) program — a program that aims to accelerate the adoption of e-commerce through the provision of seed funding to on-line projects proposed by industry-based consortia. Some 81 projects have been funded so far and, in this paper, we review progress to date. While there have been some outstandingly successful projects, others have floundered. Provision of adequate project resources, together with effective change and relationship management, were identified as key critical success factors.*

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## INTRODUCTION

What we are witnessing in contemporary organizational life are the opportunities wrought by technological changes, most recently through web-based technology and the Internet. These shake traditional foundations of organizing and the very nature of organizations. New challenges are, therefore, confronting management across a diverse array of industries and government, and offer the likelihood, through economically viable new options, of new paradigms for organizational life, practices and processes, models, and relationships (Feeny, 2001).

There is widespread agreement, however, that the impact of on-line technologies has been very uneven, with a relatively small number of individuals and (particularly) companies quick to take advantage of new opportunities. This applies particularly to SMEs, a sector of the Australian economy where over one million companies provide jobs for almost five million members of the workforce (approximately 28% of the total Australian population). Yet, according to the Boston Consulting Group (2001), take-up of e-commerce by Australian SMEs is very slow — even by world standards. This is somewhat surprising given that, according to most studies undertaken (e.g., NOIE, 2001; Boston Consulting Group, 2001), Australia rates very highly by international standards with regard to the percentage of its population connected to the Internet. It is also a matter of considerable concern for the Australian Government.

Reasons identified for the slow take-up of e-commerce among Australian SMEs include: a lack of strategic awareness; lack of technical knowledge; mistrust of technology; the “what’s in it for me” syndrome; high costs; and immediate, competing pressures (Boston Consulting Group, 2001). Another study (NOIE, 2001) suggests that among the major impediments to e-commerce up-take by small businesses are the lack of access to information and ICT skills, and the lack of practical experience in preparing, appreciating and applying a business case for e-commerce.

This is consistent with international experience. For example, Fife and Pereira (2002) demonstrate that lack of capital and skilled personnel, the high cost of e-commerce applications, and the need to re-engineer SMEs’ core business processes remain as the most challenging impediments to the adoption of e-commerce applications by SMEs. For example, they point out that most estimates put the cost of establishing a web site at around \$US15-17,000. Furthermore, in a recent survey of small businesses in the UK, 48% of respondents said that they did not have web sites and did not understand the potential benefits that might flow from e-commerce applications. In addition, only 50% of SMEs with web sites were using them to sell goods and services. In the US, 62% of SMEs reported not having web sites and only 12% were using them for on-line sales. The same research notes that since SMEs are part of some 80% of the supply chains of large corporations, these SMEs would require

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