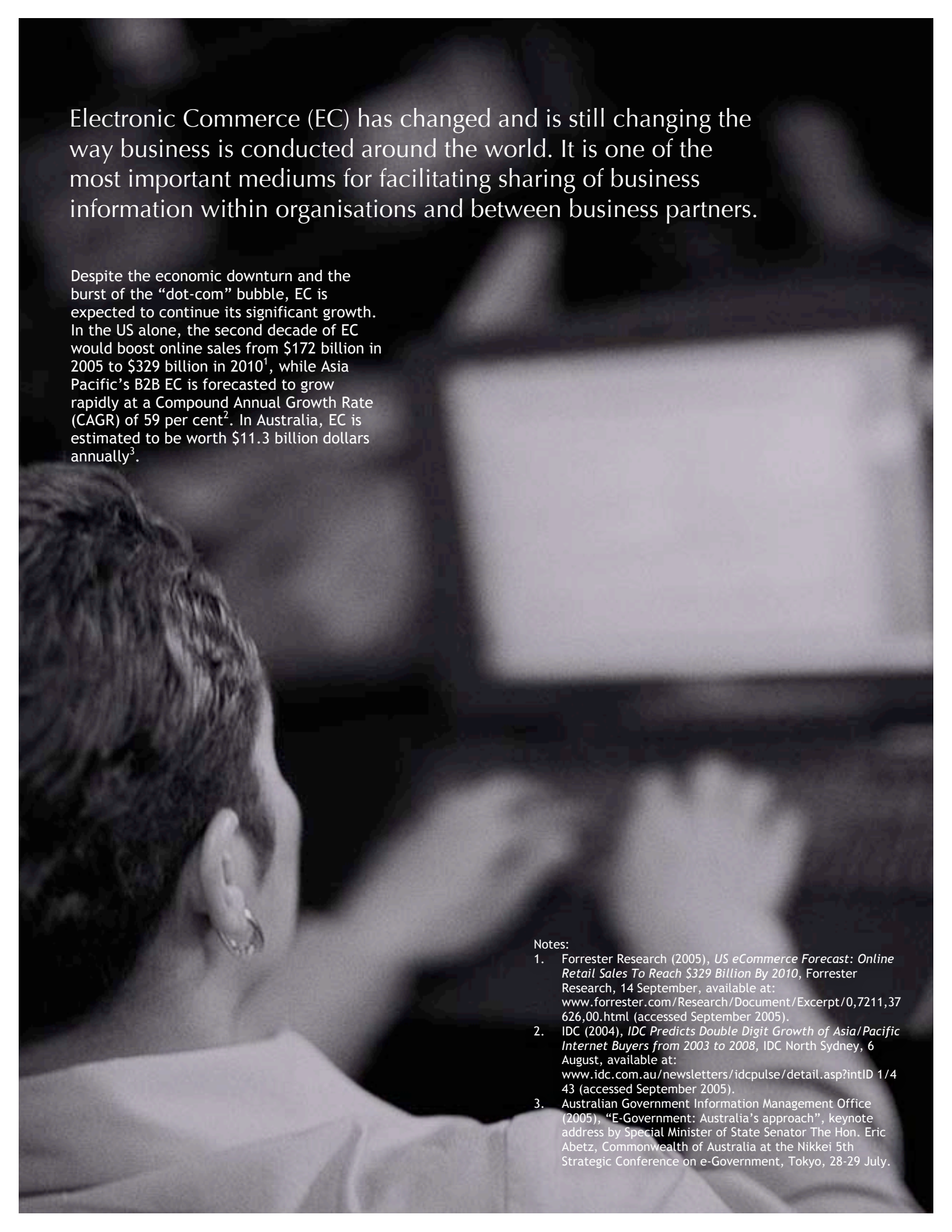




E-Commerce

What makes implementation a
success in SMEs

By Sandy Chong



Electronic Commerce (EC) has changed and is still changing the way business is conducted around the world. It is one of the most important mediums for facilitating sharing of business information within organisations and between business partners.

Despite the economic downturn and the burst of the “dot-com” bubble, EC is expected to continue its significant growth. In the US alone, the second decade of EC would boost online sales from \$172 billion in 2005 to \$329 billion in 2010¹, while Asia Pacific’s B2B EC is forecasted to grow rapidly at a Compound Annual Growth Rate (CAGR) of 59 per cent². In Australia, EC is estimated to be worth \$11.3 billion dollars annually³.

Notes:

1. Forrester Research (2005), *US eCommerce Forecast: Online Retail Sales To Reach \$329 Billion By 2010*, Forrester Research, 14 September, available at: www.forrester.com/Research/Document/Excerpt/0,7211,37626,00.html (accessed September 2005).
2. IDC (2004), *IDC Predicts Double Digit Growth of Asia/Pacific Internet Buyers from 2003 to 2008*, IDC North Sydney, 6 August, available at: www.idc.com.au/newsletters/idcpulse/detail.asp?intID 1/443 (accessed September 2005).
3. Australian Government Information Management Office (2005), “E-Government: Australia’s approach”, keynote address by Special Minister of State Senator The Hon. Eric Abetz, Commonwealth of Australia at the Nikkei 5th Strategic Conference on e-Government, Tokyo, 28-29 July.



The benefits of utilizing EC include increased sales and profitability, increased productivity, reduced inventory-related costs, improved service quality and increased competitiveness. More specifically though, small companies can benefit disproportionately from the opportunities offered by IT and EC.

For example, the Internet makes firm size irrelevant; it allows smaller companies to extend their geographical reach and secure new customers in ways formerly restricted to large firms. In Australia, SMEs constitute 95 per cent of the total market while half of Singapore's workforce is employed in SMEs. This is a testament to the importance of SMEs on the economy of emerging markets.

It is therefore no wonder that EC is a major policy issue for governments. However, if EC implementations are

unsuccessful, there will be severe repercussions to small businesses who possess limited resources.

A study was conducted on SMEs in Australia and Singapore to understand their experience with EC implementation. Factors that contribute to the success of EC implementation are identified here.

Factors influencing EC adoption and implementation

Fig. 1 shows the factors that contribute to the overall satisfaction and success of EC implementation.

I. The internal environment

Size of Firm

For Singaporean SMEs, the perceived

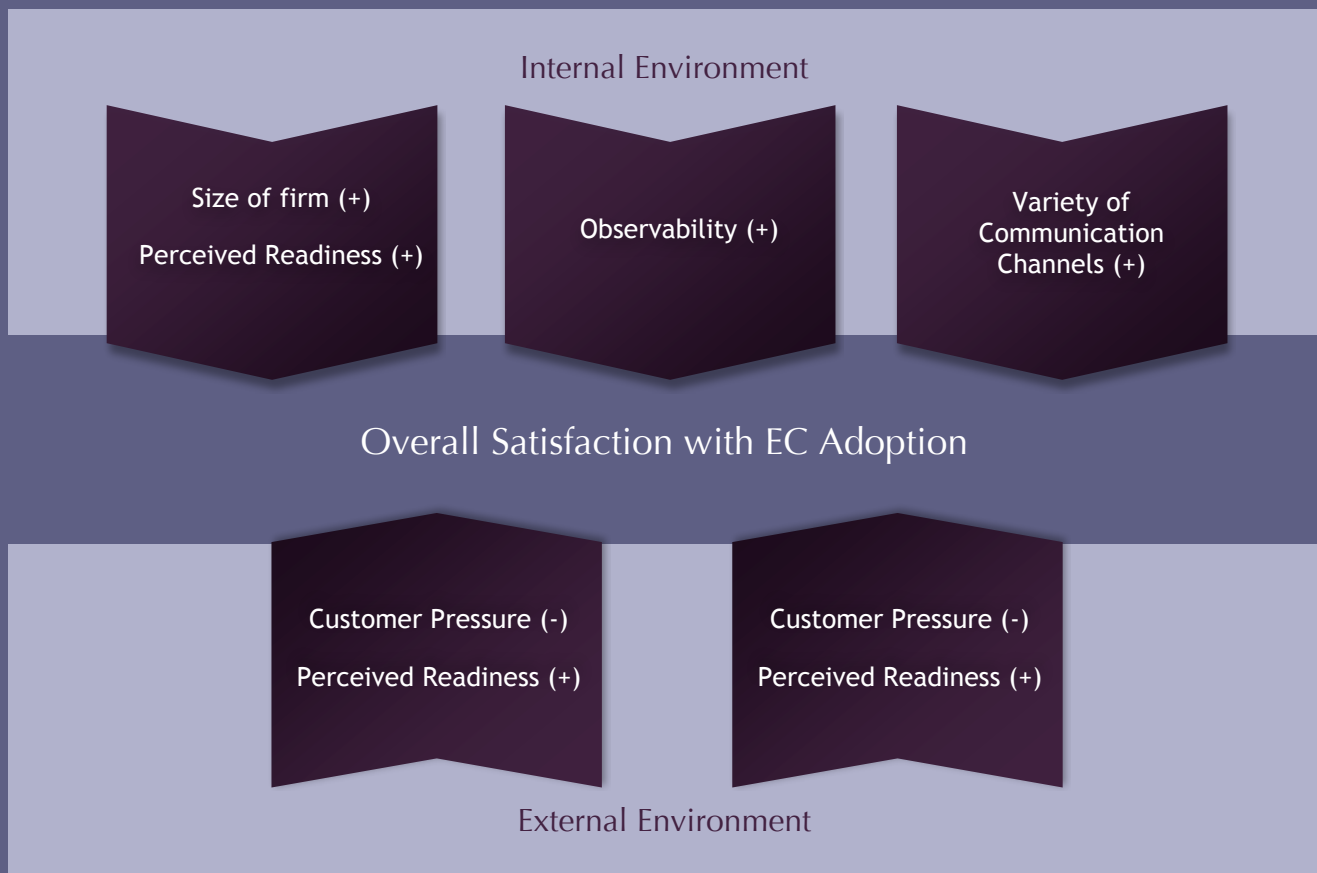
level of satisfaction with EC implementation was more likely to be high when respondents were from a larger company. Larger firms have the added advantage of a more skilled workforce on average, which enhances the utilization of new technologies and contributes to overall efficiency and efficacy.

Perceived Readiness

Amongst Singaporean SMEs, this was found to be the most significant factor contributing to overall satisfaction of EC adoption. SMEs often lack financial and technological resources, hence there are constraints on their implementation efforts and this leads to some ineffectiveness and dissatisfaction with EC.

On the other hand, firms with adequate resources are more involved in the requirements and design phases

Fig. 1: Factors influencing EC adoption and implementation





of EC implementation. This encourages more realistic expectations and a more satisfying experience for the adopting firms.

Observability

This refers to the ability of firms to observe the benefits of EC (e.g. through the success of other companies). When the benefits of EC are more visible to adopting SMEs, higher levels of confidence, optimism and satisfaction are expected in their implementation efforts.

Variety of Communication Channels

In Australia, the use of a greater variety of communication channels to communicate EC information helps to encourage the firms' trading partners to adopt EC as well. This increases the awareness about EC, strengthens business links and improves overall user confidence. Thus, SMEs should consider adopting multiple communication channels to influence employees and trading partners to adopt EC.

Within the company, on-the-job-training is the most popular communication channel used to disseminate EC-related information within the company, as hands-on experience is more effective than mass training. Outside the company though, it has been found that the most effective means of influencing trading partners is to set an example. This involves the use of electronic medium to communicate with their partners.

II. The external environment

Customer Pressure

The pressure felt by companies (from their customers) was found to be negatively related to their overall satisfaction of EC implementations. That is to say, if a firm often feels pressured by its customers, it will tend to feel that its performance and systems are inadequate in satisfying its customers. However, firms that adopt EC on their own initiative tend

to be less affected by their customers.

Supplier Pressure

The level of satisfaction with EC adoption was found to be positively related to the pressure felt by the adopting companies from their suppliers. The correlation differs in that the adopting firm is now much less vulnerable because it controls the company-supplier relationship.

Suppliers (who utilize EC) exert a pressure on their clients (to adopt EC) only if those clients are important to their business. When clients, too, adopt EC, the volume of transactions between the two will increase. Hence the more their business flourishes, the more satisfied the adopting company is with their EC implementation.

Needless to say, suppliers would have to provide their customers with educational support and incentives so as to reap mutually beneficial rewards. It is therefore important to note that supplier pressure *should not* be resisted by SMEs. Rather, it should be viewed as an opportunity to improve its EC capability.

Level of Governmental Support

Although many firms are disappointed with the level of governmental support, firms that think otherwise tend to be satisfied with their EC experience. This is of course over and above the educational support provided the private section. In other words, governmental support is expected to be more advisory-oriented than anything else. ■

This article is an abridged version of a research paper submitted to the Journal of Enterprise Information Management, 21(5), 2008 - *Success in electronic commerce implementation - a cross-country study of small and medium-sized enterprises.*



About Us

Verity Consulting is a boutique international marketing & communication consultancy specializing in corporate training, senior executive coaching and business advisory services.

For more information about Verity's global services and innovative business solutions, contact us at:

+61 4 02211373 (Australia)

+65 8337 7178 (Singapore)

info@verityconsult.com

About the Author

Dr. Sandy Chong

Principal consultant

Verity Consulting Pty Ltd

dr.sandychong@verityconsult.com

[linkedin.com/in/sandychong](https://www.linkedin.com/in/sandychong)

Curtin Business School

Curtin University of Technology

Western Australia, Australia



Copyright © 2010 Verity Consulting
Pty Ltd. All rights reserved.