

# ICT Challenge for eBusiness in SMEs

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## ABSTRACT

*This paper forms the basis of a crafting eBusiness strategy. The aim of this strategy is to encourage and assist organizations in general and SMEs in particular, in the non-ICT producing sectors of the economy, to use Information and Communication Technologies (ICTs) in a way that will maximize their competitive advantage. Effective use of ICTs across all sectors of the economy can act as a driver to increase competitiveness. Relatively low levels of ICT usage by companies, outside of the ICT sector, is the contributing factor to the failure of organizations to catch up with productivity growth rates required to succeed. While most of the countries have now a strong ICT sector and the potential to do well in newly emerging ICT related industries, performance is far less impressive when it comes to the use of ICTs by SMEs in the non-ICT sectors of the economy.*

*Keywords: Communication, eBusiness, Information, Small and Medium Enterprises, Strategy, Technology*

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## INTRODUCTION

Effective use of ICTs across all sectors of the economy can act as a driver to increase competitiveness. Relatively low levels of ICT usage by companies, outside of the ICT sector, is the contributing factor to the failure of organizations to catch up with productivity growth rates required to succeed. While most of the countries have now a strong ICT sector and the potential to do well in newly emerging ICT related industries, performance is far less impressive when it comes to the use of ICTs by existing enterprises in the non-ICT sectors of the economy. An analysis of the factual position as regards ICT usage in enterprises shows that access to, and use of, computers

and the Internet are now widespread, even amongst small and medium sized companies. The dynamic in relation to Internet access is now more about the speed and cost of that access. The main purposes for which businesses use the Internet are to search for information (75%), for online banking and financial services (65%), and for market monitoring (37%). Half of all enterprises have IT systems for managing orders and purchases. However, only a quarter of such companies have links between these systems and IT invoicing/ payment systems.

While, as might be expected, larger companies tend to make more sophisticated use of ICT than smaller companies, poor integration of IT systems also appears to be an issue for large companies. Overall there is quite a low level of

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sophistication in ICT usage among enterprises. A number of obstacles to greater and more effective usage of ICTs by enterprises outside of the ICT related sectors have been identified. These include a lack of appreciation on the part of owner/managers of the contribution that ICTs can make to their business, a lack of appropriate internal IT resources and skills or independent external advice, and the relatively high costs associated with investments in ICTs. Lack of ICT knowledge in senior management is one of the biggest internal barriers to companies in maximizing the benefits of ICTs. This paper contains recommendations to help overcome these obstacles and to stimulate optimum ICT usage by SMEs and micro-enterprises throughout the economy.

## WHAT IS “eBUSINESS?”

The term “eBusiness” has a very broad application. It can describe companies operating in the ICT producing sectors as well as new emerging sectors and industries such as in the area of digital content. However, at a more fundamental level, the term eBusiness also describes the application of information and communication technologies to business processes in all sectors of the economy to reduce costs, to improve customer value and to find new markets for products and services. It is this aspect of eBusiness that is addressed in this paper. The paper not only intends to form the basis of eBusiness strategy but also aims at encouraging and assisting SMEs, including micro-enterprises, across all sectors of the economy, to use ICTs in a way that will maximize their competitive advantage. Effective use of ICTs by enterprises is a key element in building competitiveness.

## The Next ICT Challenge

If economies have to robust then there is need to be dynamic knowledge based economies. With low productivity, growth rates fluctuates and with the low uptake of ICTs by enterprises outside of the ICT sector is a contributing factor to the failure to catch up and become successful.

The relatively low levels of ICT usage (as distinct from ICT investments or ICT production) by companies is one of identified and the main differentiating factor in productivity growth. Weaknesses are most acute among SMEs and that success in encouraging innovation and effective ICT usage by SMEs across all sectors of the economy will have a large impact on the economy’s ability to reap greater economic growth and productivity gains.

Factors that make it difficult for SMEs, in particular, to engage more fully with ICTs are:

- The relatively high costs associated with investments in ICTs;
- The lack of technical and managerial skills; and
- Reluctance on the part of SMEs to network with other enterprises.

Action by policy makers to entrench ICT-related managerial skills in the workforce is also a key imperative for policy makers and business leaders in creating a business environment where innovation can thrive and where the benefits of ICT are readily available at all levels of the economy. eBusiness is also opening up many more sectors of the economy to international competition as it makes it increasingly easy and cost effective for many types of work to be conducted at a distance. Administrative tasks such as handling small ads for a newspaper, architectural design and publishing are just a few examples of the types of sectors that are likely to face increasing international competition as large companies and public sector buyers take advantage of the cost savings offered by electronic procurement. This makes it increasingly important for enterprises to engage with and make more effective use of ICTs.

There is a twofold challenge for enterprises in this regard:

- To use ICT as a generator of competitive advantage in the context of the environment they operate in, to facilitate new business models and new ways of working. Lead-

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