Chapter X

Vertical Application Service Provision: An SME Perspective

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Abstract

Against a background of the low engagement of small to medium-sized enterprises (SMEs) in e-business, this chapter investigates the impact of e-aggregation applications, provided by emerging vertical application service providers (VSP), and defined as “an e-business application, promoted by a trusted third party, which engages a significant number of SMEs by addressing an important shared business concern within an aggregation”. By conducting quantitative surveys of four aggregations of SMEs using these applications (users) and comparing these results with similar enterprises who are not (non-users) the research takes a deliberate SME perspective.
Introduction

This chapter seeks to contribute to the understanding of the engagement in e-business by small to medium-sized enterprises (SMEs) and in particular the impact of complex e-aggregation applications provided by the emerging vertical application service providers (VSP). Such e-aggregation applications, can be defined as “an e-business application, promoted by a trusted third party, which engages a significant number of SMEs by addressing an important shared business concern within an aggregation” (Brown & Lockett 2004; Lockett & Brown 2006; Lockett, Brown, & Kaewkitipong, 2006). SMEs are highly heterogeneous and typically represent over 98%, by number, of businesses in an economy. They contribute significant proportions of employment and turnover in the European and U.S. economies. For example in the U.S., there are over 25 million small businesses (less than 100 employees) provide over 53% of employment and generate 47% of turnover (SBA, 2006). Unsurprisingly in the context of the “information society”, governments see the adoption of information and communication technologies (ICT) by SMEs as crucial since the vast majority of new jobs, some 80% in Europe during the 1990s (CORDIS, 2006), are generated by this sector. As an example in the UK, the government has established policies to encourage the adoption of ICT by all enterprises and has set benchmarked targets to monitor progress. Recent studies suggest that this adoption is proving more difficult then anticipated.

The government target of having 1 million businesses trading online by 2002 was missed.... the study has found a slowdown in the uptake of ICTs, and for micro and small businesses there has been a clear reverse.... for larger firms, this slowdown reflects the high proportion of businesses already using ICTs. For micro and small businesses the slowdown is less easy to explain. (DTI, 2003, p. 6)

To begin to understand the issues involved in e-business adoption, we need to classify e-business applications, as there are significant differences between e-mail and e-marketplace applications both in terms of complexity and added value. The EC (2005) E-Business Watch 4th synthesis report represents an important move toward tracking e-business engagement across 15 industry sectors and over a range of e-business throughout all EU member states. The report concluded that access to ICT was no longer a barrier to e-business uptake with connectivity at 84% for small businesses. It highlighted the digital divide between small and medium-sized enterprises, stating “for many e-business applications, medium firms (50-249) appear to have the ‘critical size’ for adoption. For instance, e-standards adoption by micro and small firms generally trails behind.” (EC, 2005, p. 9). However this indicates an oversimplification evidenced by the tendency to equate e-business with e-mail and
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