Chapter 8
E–Readiness of SMEs

INTRODUCTION

Increasingly, SMEs are achieving and sustaining competitive advantages using ICT that are propelling and accelerating the globalization of businesses. The growth of the Internet has created a global, cost-effective platform for businesses to communicate and conduct commerce. The Internet is making it possible for SMEs to enjoy the benefits that were once only afforded to larger businesses. A study by Ramayah et al. (2003) in Malaysia revealed that most SMEs in that country are increasingly embracing e-commerce and spending increasing amounts of money on information technology, with subsequent higher revenues. SMEs in the digital economy have significant advantages over larger competitors (Dejonckheere et al., 2003) arising out of:

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Increased outsourcing of information activities, resulting in new business opportunities

The low degree of capital intensity of many e-businesses, which has resulted in relatively low start-up and exploitation costs

Enhanced speed of decision-making and innovativeness

Electronic networking and clustering, which allow SMEs to combine the advantages of being small-sized with the various benefits of large scale enterprises.

Despite the increasing awareness amongst SMEs of the importance of ICT to enhance their businesses, most are only able to implement basic online transactions such as daily sales, customer liaison, advertising company products, soliciting prices and communicating via e-mail. In developing countries, it would seem SMEs are not under pressure to move most of their transactions online, in part because most clients, including governments, do not have the requisite infrastructure. Selhofer (2003) observes that e-business requires appropriate network access (including sufficient bandwidth), internal hardware and software solutions, and procedural and managerial readiness to deal with online transactions, from simple web presence to the fulfilment of customer orders. The various levels of transacting business online by SMEs can be grouped into four progressive stages as follows:

**Stage 1:** Websites at this stage offer goods and services in the form of static information on web pages. Examples of the kind of information one finds here include online brochures and information services. At this point, there is usually no individual ordering or other online services.

**Stage 2:** Websites are interactive, with dynamic feedback and individualised product information. Here one comes across real time statistics, database search options, product catalogues and e-mail interfaces.

**Stage 3:** The websites in stage 3 provide interactive features to customers, with the possibility of online ordering and payments with a credit card. Typical examples of applications and information at this stage are online shops; online markets (shopping malls); airline or theatre ticket sales; online contracts, etc.

**Stage 4:** Websites provide more sophisticated interactive features. Examples are suppliers of music on demand and software distributors, and general online sales, transactions and distribution.

Most SMEs in developing economies are reported to be at stage 1, with a few at stage 2, suggesting that their e-readiness status is very far from allowing them to effectively participate in the global business environment.
Small Business
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