Chapter 15
Capacity Building in SMEs

INTRODUCTION

The preceding chapter demonstrated that one of the more pressing challenges facing SMEs is the lack of adequate skills, which makes capacity building a critical preoccupation. The 2003 WSIS highlighted the need for capacity building to achieve an information society where there is rapid growth and the wide spread use of information, and where people have the necessary literacy competencies to appreciate what information is needed, where to get it, and most importantly, how to use it. Appropriate levels of education and Internet familiarity are necessary for digital commerce to be viable. Digitally enabled consumers and businesses are the basic cornerstones of the digital economy. Without the necessary ICT skills, firms would find it difficult to penetrate global markets. Notably, labour-intensive businesses that

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Support digital commerce, such as call centres or KM outsourcing providers, move quickly into markets where skills are available to support their operations.

SMEs generally lack the human technological resources needed for e-commerce because they focus on day-to-day operations and lack the time to understand the benefits of new technologies. When they are aware of the potential benefits of e-commerce, they find that they still need to invest in the expertise of qualified personnel. Firms that adopt the Internet and e-commerce are likely to have within them persons who have a reasonable amount of knowledge on specific technologies used within the enterprise and/or technology in general. Internal technological capabilities matter because the adoption of e-commerce cannot succeed without a solid understanding of the e-commerce business model. Furthermore, dependence on external ICT support services for system maintenance could be dangerous because firms that conduct e-commerce potentially risk contracting computer viruses or suffering other system failures at virtually any point in time, leading to losses or other problems in the business if help isn’t immediately on hand. Some of these matters could be quickly and effectively resolved if internal technicians or ICT support services were available. Hence, the existence of local ICT skills is an important factor, especially for small offices in remote areas or emerging economies where ICT services are generally scarce and costly.

**SME CAPACITY BUILDING INITIATIVES**

Porter (1990), in a study that focused on Germany, Japan and Korea, established that education and training are decisive in determining national competitive advantage. Nations that invest heavily in education have advantages in many industries that can be traced back to human resources. Highly competitive industries have often made significant investment in the education and training of their personnel. In fact, education and training constitute the single greatest long-term investment in any organization and at all levels of government. Without knowledge, even nations that are well endowed with natural resources cannot compete effectively on the global arena.

Capacity building in SMEs is increasingly being perceived by governments the world over as a sustainable empowerment tool in the global economy, although it would seem as though most small-sized enterprises do not put much premium on training. For example, in a UK study on SMEs, Gray and Lawless (2000) found that the small-sized enterprises were, on average, generally averse to adopting a formal staff development policy. They attributed this to a number of external factors, such as the scale effects on resources and time, relative organisational simplicity, and the
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