Chapter 18
Challenges of the Digital Economy

INTRODUCTION

There are various challenges faced by SMEs in their endeavour to make more active use of the Internet and e-business. These challenges vary widely across different sectors of the economy as well as from country to country. The most commonly cited problems relate to being unable to apply the Internet to business; preferences for established business models; lack of an enabling environment (lack of ICT skills, poor network infrastructure); high costs associated with ICT equipment, networks, software, ongoing support, etc; and security and trust issues (the poor security and reliability of e-commerce systems, uncertainty of payment methods, etc) [OECD, 2004].

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INTERNET-RELATED CHALLENGES

SMEs participation in the digital economy is hampered by many infrastructure challenges, particularly those relating to the Internet. While big organizations can generally muster the resources they need for infrastructure development to participate in the Net economy, the challenge is to get SMEs on board by working around their resource and skills shortages (Ramayah et al., 2005; Payne, n.d.). Recently, a common resource-related problem has been SMEs’ limited capacity to buy and sustain broadband. Information security also causes great concern to SMEs because they largely rely on vendors for advice and assistance; most do not have the capacity to implement their own security measures. This and other issues relating to security and privacy over the Internet is the most overwhelming barrier to the adoption of e-commerce (Norazah, 2001). Accepting change, brought about by adopting new technologies, also poses significant challenges to SMEs. Essentially, resistance to change is the fear and unfamiliarity that go with fundamental and radical changes to business processes (Fink, 1998).

Though the digital economy is largely predicated on the Internet, there is no central coordinating body for the Internet, and consequently it is difficult to know whom to address if there are concerns or when one wishes to complain. There are also increasing reports of cyber crime and other problems associated with online information security and privacy. The nature of the Internet and Web technology presents difficulties of its own, because the Internet is not a single behemoth, but rather a combination of related technologies that require multiple design decisions to meet users’ needs. As such, the Internet requires servers, communication links, software, end user devices and content to transmit data, which current model-based user interface techniques cannot effectively provide (Grigorovici et al., 2003). The revolution of different Internet and Web-related technologies, particularly recent developments and improvements in distributed systems, portable and ubiquitous computing, and the general convergence of various computing and telecommunications technologies; have made additional demands on the quality of the user interface and its ability to enhance online interaction. There are also issues concerning the governance of the Internet itself. For example, the increase in electronic commerce is expanding the number of Internet addresses required, and this has consequently accelerated the need for further reforms of the Domain Name System (Coppel, 2000).

Businesses need assurance about using the Internet in transmitting confidential information in their day-to-day communications with suppliers and customers. Consumers similarly wish to be assured about the identity of the party at the other end of the transaction, and to know that any agreement made electronically is le-
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