Chapter 2

Megatrends in Electronic Business: An Analysis of the Impacts on SMEs

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ABSTRACT

This paper analyses the impact of megatrends of electronic business on small and medium sized businesses (SMEs). The limited resources of SMEs create particular challenges in surviving the fast pace of changes in electronic business. This paper discusses megatrends and presents a qualitative study of e-business trends. The authors reveal entrepreneurial opportunities for agile small businesses and emphasize the need to keep up with technology. They examine core competences and finding a role in networks, the creation of business models and processes, and the challenges of multi-channel digital environments. The main trends are analysed for their particular impact on SMEs, and directions for development needs in SMEs are discussed.

INTRODUCTION

Megatrends are frequently regarded as the very high-level world-changing phenomena with only a very indirect impact on daily life. Especially in SMEs, they may be considered as phenomena of such wide nature that they would not touch everyday business. However, the electronic environment has vastly sped up the pace of development, and megatrends have increasingly direct effects on the business of even small enterprises. If it took 38 years for radio to get 50 million users, television made it in 13 years, Internet in four, iPod in three, and Facebook only in two years. This illustrates the fact that unless SMEs critically observe the changes in the environment, i.e. megatrends and their impacts, there is a growing risk that SMEs will miss a number of entrepreneurial opportunities and be left behind of significant developments that may affect their competitive situation. Consequently, it is important and worthwhile to analyze the megatrends connected to e-business.
for their impacts on SMEs. This paper starts from the discussion of megatrends with society spanning effects, and based on the results of a qualitative expert-based study (Ovaskainen, 2010) further brings megatrends closer to business by recognizing a number of electronic business specific trends. The terms electronic business (e-business) and electronic commerce (e-commerce) are used interchangeably in this paper. According to most definitions, namely, e-commerce is seen as a subset of e-business focusing on ordering, selling and delivering goods in digital channels (Fillis, Johansson, & Wagner, 2003).

A motive to pay a special attention to SMEs and the impact of trends on them is that large numbers of SMEs have entered the electronic channels. During the hype of the Internet boom at the turn of the millennium, the claim was that by being present in the internet, every company “has access to millions of customers”. While these over-dimensioned expectations have been reduced, digital channels still offer a huge potential for offering new services and products by innovative SMEs. Also for more traditional SMEs, it can be typically considered as a “must” that they enter the e-business and reinvent themselves by expanding their traditional offerings to new electronic markets.

How are SMEs then affected by megatrends and trends? Usually SMEs are seen as survivors and adaptors to rules created by large trend-setting corporations, and analysis of megatrends has been regarded as the domain of global corporations, and as something to take into account in their strategic long-term plans, and in making Porter-style strategic choices (c.f. Porter, 2001). In SMEs, there is typically no room for such a systematic strategic approach. However, entrepreneurial discovery and exploitation of potentially profitable e-business opportunities may provide also small businesses with new potential. As shown by Skype and Facebook, even tiny companies can start thinking big, and set trends which result in the upheaval of industry structures. In the case of Skype, it took less than 10 years to become the largest single teleoperator in the US market, with currently more than 500 million customers worldwide. All this was done while competing against established infrastructure-owning and operating giants of telecommunication. The idea behind Skype was to use the almost ubiquitous telecom network to offer lower priced communication services, or even provide them free of charge. The visionary view was based on understanding the inevitable migration of communications from dedicated telephone and mobile networks to universal communications platforms, i.e. the Internet. The trend-setting example of Skype, based on the exploitation of the digital and open network megatrend, illustrates the opportunities that may open up by an anticipatory understanding of the megatrends of e-business even for SMEs. It is an example of a new innovative start-up that open-mindedly started to exploit the new environment. Along similar lines, there may be considerable unrecognized opportunities also for more traditional companies, if they observe and identify the relevant changes and megatrends of business environments.

This paper first discusses the importance of trends and megatrends from the viewpoint of SMEs in electronic business. Then, it presents and discusses significant megatrends and trends of digital channels, chooses a number of them for more detailed analysis, and analyses the connections between the recognized trends and SMEs. Finally, we sum up the results of the discussion, draw conclusions and make suggestions for future research.

Why are Development Trends and Megatrends Important for SMEs in E-Business?

Development of Electronic Business in SMEs

Electronic business is definitely one of the most significant factors having reshaped the business environment since the late 1990s. The focus of
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