Chapter 3

The Growth of E-Commerce in Developing Countries: An Exploratory Study of Opportunities and Challenges for SMEs

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ABSTRACT

The growth of the Internet has opened up a vast arena, providing more opportunities for businesses, particularly small to medium-sized enterprises (SMEs) to sell their products and services to a global audience than they would have been able to afford to reach using the traditional methods. SMEs are extremely important to many countries and their contribution to economy cannot be over emphasized. Several researchers have studied the contribution of the Internet and highlight the importance of convenience, satisfaction, quality, and consumer purchase behavior. In this study, it is argued that SMEs stand to benefit significantly from the opportunities and benefits that the Internet offers to businesses. Therefore, the use of the Internet is widely seen as critical for the competitiveness of SMEs in the emerging global market. The study is exploratory in nature and will be conducted in three stages. The findings presented in this paper, argues that SMEs in developing countries must learn from the experiences of developed countries, such as the United States and European countries, and use the Internet more frequently.

INTRODUCTION

The millennium has brought with it an increasingly global dependence on the Internet. The significance of the Internet can be measured by the number of research studies on the topic, and typing information technology on any search engine can produce over a million data files. E-commerce has enabled consumers and producers around the world to meet in virtual marketplaces (Khalifa, 2004). The growth of the Internet has opened up a vast arena, providing more opportunities for businesses, particularly small to medium-sized enterprises to sell their products and services to a global audience than they would not have been able to manage to reach using the traditional methods.

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The establishment of an environment in which Small to Medium-sized Enterprises (SMEs) are able to grow and prosper in the emerging global business is considered critical to the development and expansion of businesses in the economy. The identification and encouragement of new business opportunities for SMEs, based on information technologies has been the priority of most governments, particularly the British government (BERR, 2008). Information and communication technologies (ICTs) are seen as playing an increasingly important role in the growth performance of SMEs and these are taking on new significance in most countries of the world (OECD, 2000). The advent of Internet-based electronic commerce allows smaller firms to expand their customer base, enter new product markets and rationalize their businesses. Businesses are looking to new technologies to meet their unique business requirements and position themselves to take advantage of global changes in business activities.

The search of the literature reveals that many changes in organizations today have been technology driven. Clarke (1996) notes that information technology (IT) is really changing the whole nature of business transaction between consumers and suppliers of goods and services. He points out that companies especially SMEs are confronted with a number of changes that require innovative answers. These challenges include the emergence of a competitive global economy; the trend towards an information-based economy, and the shift from mass production to a customer-driven economy. It is argued that to compete in today’s global information-based and customer-driven economy; SMEs must be efficient, innovative and competitive - able to respond just in time, focus on quality, and implement mass-customization. It is suggested that in order to compete, SMEs must be able to leverage the new information and communication technologies (ICTs) to fit better in their environment, establish more co-operative inter-organizational relationships and compete on the international markets.

RESEARCH METHODOLOGY

The study is exploratory in nature and will be conducted in three stages. The first stage was based on a review of the literature. In stage two, a survey questionnaire of randomly selected SMEs will be conducted across the Kurdistan region of Iraq, to elicit information regarding the current status of e-commerce usage. The use of survey in this study is important, because the analysis from the survey questionnaire might highlight issues that need to be resolved through case study interview with SMEs. The survey will be designed to collect descriptive data and it will make no provision for interaction with the participants. Although it is hoped to provide a comprehensive picture of current e-commerce usage and to discover patterns that are common across SMEs. However, it will not provide explanation of how SMEs have benefited from e-commerce and the possible challenges preventing them from using the technology. While the survey method is very useful, Kraemer and Dutton (1991) suggest that it is greatly improved when used in conjunction with the case study method. The survey phase of this study will set much of the agenda for the qualitative phase by providing descriptive information.

The final stage will be carried out using multiple case studies of SMEs that have previously completed the questionnaire in stage two to elicit qualitative information to complement the shortcomings of the survey. The case study phase will be based on the results of the survey questionnaire and further review of the literature. The aim is to gain a deeper insight into the issues raised in the survey questionnaire.

Case studies differ fundamentally from surveys in that the researcher generally has less presumptive knowledge of what the variables of interest will be and how they will be measured (Gable, 1994). Yin (1994) suggests that case studies are appropriate where the objective is to study contemporary events, and where it is not necessary to control behavioural events or variables. Yin (1994)
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