Chapter IV

E-Commerce as a Business Enabler for Small and Medium Size Enterprises: Issues and Perspectives from Singapore

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ABSTRACT

The new economy is posing challenges for countries to enhance their competitiveness through IP-based business initiatives. A key strategy is to get small and medium-size enterprises to be part of the e-commerce ecosystem. Singapore has put in place an advanced digital telecommunications network as well as the necessary regulatory and policy frameworks for the support of e-businesses. In this chapter, the status of e-commerce developments among small and medium size enterprises in Singapore is assessed. It is noted that, whilst these enterprises still have ...
quite a way to go in terms of emulating e-business practices, market
developments will force many of them to adopt e-commerce practices in due
course. State intervention strategies are also especially imperative in
getting promising enterprises as well as others in growth sectors to come
on board the e-commerce platform.

INTRODUCTION

Small and medium-size enterprises (SMEs) play a very important role in the
economies of all countries. They outnumber big corporations and are conspicu-
ous by their ubiquity in all sectors of society. The contribution of SMEs to a
country’s Gross Domestic Product is high by virtue of the large number of people
they employ and the diversity of services that they offer (Unctad, 2002). SMEs
also offer a beginning platform for entrepreneurs to realize their dreams.

Traditionally, SMEs have pursued a domestic policy as they predominantly
operate in local markets. A number of SMEs have, however, graduated into the
Ivy League and gone on to become multinational corporations (MNCs). For
example, Hewlett Packard started off as an SME in 1938 in the Silicon Valley
before going on to become an MNC. An Asian example is that of Creative
Technology, which started off as an SME in Singapore in 1981 before becoming
an MNC. SMEs also constitute a critical node in the supply chains of big
enterprises and multinational corporations in a country.

The impetus given to globalization in the 1990s and the advent of the Internet
shortly thereafter has markedly transformed the world’s economic landscape.
Capital mobility and the connectivity provided by the Internet for business
processes are reformatting the contours of international trade and giving rise to
a global common market. In the process, traditional structures of businesses are
starting to atrophy and new business models are beginning to emerge. All these
are affecting the competitiveness of nations. Since these affect the employment
of workers, they therefore impact on all business sectors, including SMEs. Those
business outfits not able to compete in the emerging economic landscape face the
possibility of being waylaid by the tsunamis unleashed by the forces of globaliza-
tion and Internet-based business practices.

Globalized markets present a valuable opportunity for SMEs to address the
challenges of the new economy (Hibbert, 1999). Enormous scope is afforded for
re-engineering their operational and business practices as a way to reap
efficiencies and reach out to new markets through geographical diversification.
Failure to be market-responsive and competitive from an international standpoint
can even be detrimental to the domestic survival of SMEs since they can be
sidelined by e-commerce-enabled big businesses in a fast moving dynamic
environment.
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