Chapter XV

SMEs and the Internet: Re-Engineering Core Business Processes and Defining the Business Proposition for Success

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Abstract

This chapter provides in-depth profiles of two representative small firms and one medium-sized firm from a variety of industry sectors in order to delineate the workflow processes, cost structures, and other aspects about these companies that affect their e-commerce potential. We seek to identify specifically how SMEs can feasibly re-engineer and engage in e-commerce. We consider re-engineering internal business processes as a prerequisite for firms trying to move to e-commerce on the Internet. However, even after re-engineering has occurred, our primary data gathered from key cases—Schober’s Machine and Engineering, a small business that designs and builds custom-engineered machines; Castle Press, a small firm specializing in high-quality printing; and Dilbeck Realtors, a medium-sized real estate brokerage—all show that the value proposition for e-commerce still has yet to be realized.
Introduction

Although both large and small firms made substantial IT investments throughout the ’90s, small to medium-sized enterprises (SMEs) are far less likely to engage in electronic commerce than large corporations (OECD, 2001; Buckley & Montes, 2002). In addition, small firms collectively have not embarked upon re-engineering to a measurable degree. Even among large firms in the U.S., where re-engineering efforts have been underway for over a decade, implementation has been more difficult than anticipated (El Sawy, 2001). A U.S.-based study found that only a small portion of established companies are actually using the Internet to do business. Overall, financial gains have been observed, yet there is still a long way to go before the Web will be broadly used for rationalizing the internal business processes of SMEs (Park, 2000).

The factors for success that have been identified in re-engineered firms include capital, a knowledgeable IT staff, leadership, and close alignment of the company’s culture, product, and organization to the technology. The extent to which these same factors are necessary requirements for re-engineering in SMEs is not yet established, as most SMEs have lacked the essential resources to enable a comprehensive business process re-engineering effort.

This chapter provides in-depth profiles of two representative small firms and one medium-sized firm from different industry sectors in order to delineate the workflow processes, cost structures, industry sector, and other aspects about these companies that affect their e-commerce potential.

We seek to identify specifically how SMEs can feasibly re-engineer their internal business processes to support a move to e-commerce on the Internet. Based upon primary data gathered from our exploration of SMEs, including Schober’s Machine and Engineering, a small business that designs and builds custom-engineered machines; Castle Press, a small firm specializing in high-quality printing; and Dilbeck Realtors, a medium-sized real estate brokerage, we find that the value proposition for e-commerce has yet to be realized.

Whether the payback for re-engineering will justify the investment in time and money is not apparent since in many SMEs bureaucracy and inefficiency are not as ingrained as in the large corporation (Hale & Cragg, 1996). The question posed here is if an SME does re-engineer its core processes, what benefits can be expected? A related issue for further study is the extent to which these benefits will resemble those of the large corporation.

Challenges for SMEs: Status Report

When considering the challenges for SMEs to re-engineer, it should be recognized that most small businesses are in fact very small. In the U.S., nearly 90% of all sole-proprietorships have annual business revenues less than $100,000 and nearly 70% of these firms have annual business revenues of less than $25,000 (U.S. Census Bureau,
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