Chapter XII

Venturing the Unexplored:
E-Readiness Assessment of Small and Medium Enterprises in Egypt

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Abstract

This chapter adopts a micro approach towards assessing the e-readiness of small and medium enterprises in the textile industry in Egypt. The analysis focuses on evaluating firms’ level of connectivity, awareness and usage of ICTs and identifies barriers to e-readiness. The chapter adds to the literature on e-readiness assessment, which is mostly macro in nature. The micro approach focuses on ICT awareness and usage patterns, and has the advantage of capturing variations at the firm level. Based on connectivity alone, neither small nor medium firms under study were found close to being e-ready. However, extending e-readiness to include the use and awareness of ICTs, one may conclude that e-readiness is in general directly proportional to size. Medium-sized firms, therefore, are potentially e-ready. The chapter argues that raising SME e-readiness would require heavy investment in human capital and raising awareness in addition to upgrading levels and types of connectivity.
Introduction

A number of studies have been conducted toward assessing countries’ e-readiness — namely, their preparedness for the digital world. Assessments were based on combinations of indicators such as e-connectivity, human capital, business climate, leadership and others. Quantitative and qualitative indices were devised and used to evaluate and rank countries on the e-readiness scale.

While providing insight into the overall e-readiness of countries on the macro level, few studies have attempted to evaluate e-readiness from a micro perspective, i.e., studies conducted at the sectoral or firm level. In particular, a small number of studies have undertaken an assessment of the adoption of information and communication technologies (ICTs) in small and medium enterprises (SMEs) in the United States, Australia, and in some European, Asian and African countries. However, none was done for any of the countries in the Middle East and North Africa region. This paper takes on this endeavor. It is the first attempt to adopt a micro approach to assess e-readiness of SMEs in an Arab country. The objective of the research is to assess the e-readiness of SMEs in the textile, specifically garment, industry in Egypt, and in particular, evaluate their preparedness for electronic commerce. The research is exploratory in nature, and represents a first step towards more extensive research to assess the preparedness of different sectors in Egypt for embracing and internalizing ICTs.

The paper is divided into four sections. Following the introduction, the second section is a brief review of the literature and methodologies used for e-readiness assessments, highlighting Egypt’s macro e-readiness score and ranking as presented in these studies. The section also includes a brief coverage of micro studies assessing ICT adoption and use in SMEs. The third part includes the micro study, starting by a brief description of the textile sector and the firms selected, to be followed by results of the field research and an assessment of the firms’ e-readiness. The fourth section presents conclusions and recommendations.

Background: E-Readiness – From Macro to Micro Analysis

The literature on macro e-readiness assessment has taken two approaches. The first group of studies undertakes a quantitative assessment, whereby countries are assigned numerical scores depending on how well they have performed on specific components of the e-readiness measure. A weighted average is calculated based on the relative importance accorded to these components. This approach has been adopted by, among others, the Economist Intelligence Unit (EIU) in devising the EIU E-Readiness Indices (Economist Intelligence Unit, 2001, 2002, 2003 & 2004), the Center for International Development at Harvard measuring the Network Readiness Index (Center for International Development, 2001-2 & 2002-3), the International Data Corporation in calculating the Information Society Index (International Data Corporation and World Times, 2000,