Chapter XV

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

Elizabeth Fife, University of Southern California, USA
Francis Pereira, University of Southern California, USA

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).²

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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