Overview of E-Commerce in Small and Medium Enterprises

Mohammad Hasan Gholizadeh, Shahram Gilaninia, & *Sina Faraj Poor

1Department of Business Management, Guilan University, Guilan, Iran, 2Department of Industrial Management, Islamic Azad University, Rasht Branch, Rasht, Iran, 3M.A. of Business Management, Islamic Azad University Rasht Branch, Rasht, Iran

*Corresponding Author

Abstract

In today’s competitive world, companies and organizations are able to survival that choices better business model than competitors. Nowadays use of the internet and businesses obtained from this technology by companies has become a means for gain a competitive advantage in business. Having a business model and its continuous evaluation is one of the secrets of competitive advantage. Another feature of the present age is digitizing of many businesses. Every day are formed electronic business in our around and based on the different models of e-business. Competitiveness at the global level and exports in the future will depend largely to deployment of new technologies in commercial affairs. Certainly, taking advantage of information technology is one of the required rings to enhance the business performance in national economy.


Introduction

Internet as a global network and also as the prerequisites of e-commerce is changing business traditional methods because pervasive presence, access cost relatively low, the ease with it, flexibility and charm. This technology provided new models for purchase, sale and customer service, and is providing the new definition of traditional relationships between purchasers and sellers. The interaction between technology and business process is the understand key to the effects that can will have e-commerce on economic transactions and ultimately on whole economy. (Munib 2010) Information Technology, as youngest but the most influential human technology has created revolutionized in society and economy that its effects in the least possible time will spread to all countries, especially developing countries. Electronic different phenomena such as e-government, e-commerce, e-learning, e-health has emerged following the application of the achievements of this revolution in the sphere of human activity. (Miri 2007)

Previous research

1. Impact of Technological Capability on the Export Performance of SMEs in Thailand

Chantanaphant, Jirayuth, Md. Noor Un Nabi, Utz Dornberger, (2011)

Technological capability (TC) is widely regarded as source of growth and wealth for the nations and the firms. Researches on the role of technology on economic development have emphasized two main issues. Firstly, they paid attention to the emerging market countries adapting the imported technologies have become a decisive factor in their ability to catch up. These studies emphasized on the industry and country phenomena, where the firm-level phenomena have not much emphasized. Secondly, researches on the relationship between TC of the emerging market countries small and medium-sized enterprises (SMEs) and their export performance are required to generate better understanding.
2. Use and Business Impacts of Internet Technologies and e-Business Solutions among Small and Medium-sized Enterprises (SMEs) in Atlantic Canada


This paper describes patterns of use of Internet technologies and e-business solutions among over 700 SMEs in Atlantic Canada in 2005. It also describes patterns of facilitators and outcomes of e-business use. Atlantic SMEs have found the most value in e-business in customer-facing performance improvements in the regional market, and the least value in e-business as a facilitator of external market expansion. The smallest firms are the most dependent on Internet sales. Between one quarter and one third of SMEs express interest in externally provided support services, especially illustrative examples, recommendations, and personalized advice.

3. The Internet in the Performance of Small Exporting Firms A Developed to Developing Country Market Context

Dr Anura Amarase (2008)

This paper examines the role of the Internet in the performance of small firms exporting in the context of a developed to developing country market. In particular, it focuses to assess the impact of the Internet on exporting in order to explain current strategies in performance of these firms. To achieve the purpose, this paper provides a theoretical build up on the basis of the evidence in the literature that demonstrates how the Internet is used in small exporting firms, the effect of its use on exporter-importer relationship and the performance of the business. The paper questions whether the Internet helps or hinders small firms exporting in the said context which leads to present a research proposition.

4. DETERMINANTS OF EXPORT PERFORMANCE IN SMEs : THE CASE OF THE FRENCH WINE INDUSTRY

Carole MAUREL. (2009)

The weight of French SMEs in the French economy is substantial. Indeed, they represent 99.5 per cent of French companies. In 2002, there were “2,088,000 SMEs (composed each of less than 250 employees), i.e. (...) 63 per cent of the whole employment in France, 53 per cent of the Added Value, 24 per cent of exports...” (Source: Les Chiffres Clés des PME, www.pme.gouv.fr ): all these figures show that it is necessary to identify what drives the export development of French SMEs. The aim of this paper is to identify the determinants of the export performance in the French wine industry, mainly composed of SMEs. This paper has been realized as part of the theoretical chapter of my “thèse de doctorat” (= PhD thesis).

5. Engaging SMEs in E-Business : Insights from an Empirical Study

Mark Xu, Ravni Rohatgi , Yanqing Duan, (2008)

The rapid rise of e-business has brought profound impact on, as well as significant challenges to, businesses of all sizes. The lack of anticipated engagement in e-business by small- and medium-sized enterprises (SMEs) is still a concern to the UK government. Findings from the literature appear to have revealed a contradictory picture of SMEs’ engagement in e-business. There is limited systematic research into how companies, especially small
companies, are adopting the Internet technologies. This chapter reviews current research on SMEs’ e-business adoption by following various adoption models. The chapter examines the driving forces and inhibitors that affect the adoption of e business technology in SMEs. Through interviews with 40 owner/managers in the electronic components industry, the chapter reveals that most of the small firms in this industry are at the lower level of the “e-adoption ladder”—predominantly using the Internet for searching information and e-mail. SMEs in this industry have not yet widely engaged in online transactions. The current level of adoption is driven by both internal and external factors, including operational benefits, industry common practice, and peer pressure. External forces such as a lack of push from suppliers and customers and a lack of strategic vision of using advanced e-business technology for competitive advantages have determinant effects on the level and scale of e-adoption in SME sector

Small and medium enterprises (SMEs)

Literature related to business of small units, is extensively and also this extent is led to be provided many definitions for these units in different countries. This definition are different according to age structure, demographic, cultural, and degree of development. Small and medium enterprises in different countries have many similarities, but however can not to obtain identical defined and each country according to own specific conditions has provided a definition of the business. Most of these definitions are considered based on the quantitative criteria, such as number of employees and turnover rate. In this research, according to defined by the Central Bank of Iran and Iran Trade Promotion Center, small and medium enterprises are considered businesses less than a hundred people. (Stanislous 2008)

The Role of Small and Medium Enterprises in the Field of International Economics

For understanding role of SMEs in global economy is useful according to following statistics

1. More than ninety percent of economic enterprises in world is small and medium enterprises.
2. Around the world, small and medium enterprises produced amount of 55 to 99 percent of country’s GDP.
3. More than 50 percent of labor force in world is employed by small and medium enterprises (Phadett 2012)

The Role of Small and Medium Enterprises in the Field of Regional Economics

1. In Switzerland and Europe economic area, there are more than 16 million companies that less than one percent of them are big companies and rest are small and medium enterprises
2. Two-thirds kidney jobs in this area is dedicated to small and medium enterprises
3. Small and medium enterprises was economic based and backbone of region Asia - Pacific and between 60 to 80 percent of countries GDP in this region are specific to small and medium enterprises
4. Performance of the U.S. economy in recent years, largely is thanks to the creation small and medium enterprises
The Role of Small and Medium Enterprises in the Field of National Economics

1. Small and medium enterprises can transfer or sale parts of workforce big companies attract them and can be effective efficient in their reconstructing and efficient
2. Small and medium enterprises provide additional savings. with greater flexibility in services and products preparation
3. Small and medium enterprises increase the competitiveness of market and prevented affairs monopoly by big companies
4. Small and medium enterprises can act as a context to develop entrepreneurial skills and innovation. They have played a significant role in provision of goods and services and can be an important contribution to regional development programs

The Role of Small and Medium Enterprises in the Field of International Trade

Including the role of small and medium enterprises are as follows:

1. Supplying required goods and services for big companies export
2. Exporter new products
3. Provide support services for international trade transactions (such as domestic transportation, customs brokerage)

Problems Facing Small and Medium Enterprises in Performing Foreign Trade

These obstacles are classified into form following:

1. **The major obstacles internal**
   a) Lack of information
   b) Lack of capital or credit
   c) Inadequate management skills

2. **The major obstacles foreign**
   a) Trade restrictions technical (Such as standardization, quality requirements observance, required evaluate about the product conformity with market demand, packaging and labeling, environmental requirements observance)
   b) Administrative procedures
   c) Marketing and distribution problems in the target market
   d) Lack of risk insurance
   e) High transport costs and communication problems about the distant countries
Government policy in Promotion of Small and Medium Enterprises

1. Help to the development and innovation in production including design, manufacturing, packaging, quality and environmental requirements observance and cover the investment risk
2. Support the recorded patents, industrial designs and other intellectual property rights the field of trade
3. Help to the development of export access to trade financing through:
   a) Reform of the banking sector with the aim of facilitating the rapid granting of inexpensive credits to small and medium enterprises
   b) The creation intermediate of trade financing
   c) Government guarantees to export credits for small and medium enterprises
4. Promoting human capital in foreign trade on centered small and medium enterprises through educational activities that can be organized with cooperation local educational institutions
5. Build information and services infrastructure that are complementary capacities International Small and Medium Enterprises.
6. Participation in exhibitions and foreign marketing researches

(Gilaninia 2011)

Application of E-commerce in Small and Medium Enterprises

Information technology can in two main areas strengthen SMEs in terms of economic and trade performance. On the one hand, the application of e-commerce and information technology in this companies promoted issues of communication, power and innovation advantages. Improve customer service, competitiveness, reduce overhead costs, online payment, Promoting value chain management, and improve efficiency of organization operations is including effects deployment of electronic commerce between enterprises (B2B) to small and medium enterprises. Another problem is that some of the weaknesses of small and medium enterprises that affect their innovation power than big companies. (Afzaal 2006)

To use information technology in small and medium enterprises follows a series of development steps that in each of these stages Government support and policies completely different and vary will. In general can be said many of small and medium enterprises in country are in benefits recognizing step of e-commerce. (Jafar Nezhad & et al 2009)

E-commerce is means electronic perform of processes that are made the aim of exchange money, goods, services and information. The difference between e-commerce and e-business is in kind of commercial activities cover each of them. E-commerce is merely involve business unit activities of an organization such bids, price inquiry, order negotiated, transportation, delivery and payment, and but e-business moreover this processes includes activities such as Customer relationship management, supply chain management and organization resource planning. (Bakhtiar 2011)

In today’s world, Information and Communication Technology (ICT) and its applications lead to significant changes in processes of economic, social and cultural, so that some of previous conventional procedures are completely abolished and replaced by methods the third millennium
or so called Virtual. Exporting is not exception to this the subject. E-commerce and solutions related to e-business are cause facilitate and speed up the export process. (Nili et al 2007)

Required Contexts for Electronic Commerce

1. A fluent and accurate banking system
2. Confidentiality of personal information
3. Acceptance of electronic documents by the Judicial Branch
4. Laws of customs, tax and e-banking
5. Commercial code of product and creation information security
6. Prepare and compile of information financial system and the informing legal system (copyright)
7. national rules matching with international uniform provisions
8. Cooperation universities, research centers and other organizations
9. Supply issuing and applying of smart card
10. Provide safe and high-speed communication lines and create telecom context the form of wireless

(Mikio 2001)

Conclusions

Small and medium enterprises in different countries have many similarities, but still there is no uniform definition and each country according to their specific conditions has provided a definition from this business. Small and medium enterprises are affected in many areas including international economics, regional economics, national economics, international trade, and foreign trade. According to high importance of this enterprises, governments must implement necessary policies for their improve and also given the importance of e-commerce and its benefits, must to create required platform for e-commerce in small and medium enterprises.

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