

E-Business for SME Development

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THE CURRENT SITUATION

In recent years, information communication technologies (ICT) have become accessible throughout the world, and appear to overcome both distance and time (Cairncross, 1997). ICT affects not only individual citizens, but also companies of all sizes and across all sectors. Of all the benefits of ICT use, the most important appears to be the improvement of competitive capacity by removing geographical and time barriers. SMEs that use ICT hope to increase their market share, achieve growth and overtake their competitors. But does better competitive capacity also have an impact on local and regional development (LRD)? And does LRD have an impact on the economy of a country and the limit of a nation? The ICT/regional development challenge is a sizeable one, since the two elements evolve at very different speeds-ICT evolves quickly, while regional development is achieved slowly.

Regional development at both the economic and social levels extends over a given area, within a well-identified space. The people living within the region have shared interests, goals and needs. They share, cooperate and collaborate between themselves and with the region's stakeholders and businesses. The principal concepts underlying their actions are autonomy, partnership, solidarity, a sense of belonging, inter-personal and inter-company networks, creativity, innovation and so on. Regions, like businesses, must live with competitors both near and far.

If we look at all these elements, ICT in general and e-business in particular may well be powerful factors in local and regional development, playing an innovative role in an economic sector where both time and distance have been redefined. E-business can also generate new economic activities, new products and new services. It constitutes a vital part of the new economy, which is composed of high technology, multimedia and dot.com firms.

Throughout the industrialized world, a number of ICT and e-business initiatives have been proposed to support and accelerate LRD (EuroCom, 2002). For example, some governments have proposed projects that will enable them to follow the pack, while in other countries projects have emerged from the bottom up, through regional and local economic portals or electronic markets.

Québec's SMEs face the same competitive situation as their larger counterparts. To preserve or increase their market share and improve their competitive capacity and performance, they must be able to direct their actions and acquire the right tools. IT may well be a solution; by abolishing boundaries, IT enables firms to extend their zone of influence beyond their normal perimeter and improve their quality by addressing the time factor and the fluidity of supply chain, production and delivery operations. E-business could lead to the creation of a global network of contacts between business partners. However, to benefit from these possibilities SMEs must acquire new skills and adapt their business models to suit their new electronic activities.

Canada compares favourably with the United States and the European Union as far as e-business use by SMEs is concerned (ICCE, 2003), in that half of all Canadian SMEs use e-business. However, it is also true that more than a quarter have no intention of doing so. Why is this so, when the competitive capacity of the Canadian and Québec economies depends on the speed at which SMEs are able to adopt e-business technologies? Innovation, training, information and networking all have an impact on SME development in the new economy (Julien, 1997).

This article describes a study of e-business and ICT use by SMEs in the Mauricie region of Québec, Canada. Its main purpose is to throw light on technology use and look at how LRD could be stimulated through the provision of proper support for SMEs. It begins by examining the main obstacles to e-business use, along with various initiatives, and goes on to propose a model of ICT policy

initiatives for LRD. It also presents the methodological considerations of the study, explains its principal results, identifies some solutions, and proposes avenues for future research.

OBSTACLES TO E-BUSINESS USE

Over the years, researchers have produced large numbers of reports, surveys and studies of ICT and e-business use by SMEs. Generally speaking, the percentage of computer and Internet use among SMEs is very high. In Québec, however, SMEs are less present on the Web and are much less likely to use e-business technologies, especially e-commerce.

Overall, Québec lags behind the Canadian average for e-business use (Poussart, 2002). Nevertheless, the current trend is clearly an upward one, and is expected to continue and even accentuate in the coming years. The interest in SME development, and its impact on local and regional economies, is therefore not surprising.

Recent research has identified a number of obstacles encountered by SMEs wishing to adopt IT and e-business (see among others Bégin et al., 2000; ICCE, 2003; Mora-Monge et al., 2001; Poussart, 2002; TableRonde, 2001; Terry, 1999). Briefly, the most commonly mentioned obstacles relate to security and confidentiality, lack of proper business models and business plans, a negative perception of e-business technologies among owner-managers, a lack of enthusiasm for e-business among customers and suppliers, legal issues, absence of access to broad band network infrastructures, lack of e-business skills and expertise, little or no qualified human resources, and absence of appropriate technologies.

SMEs also have some specific features that set them apart from large corporations. A better understanding of SME mechanisms may therefore reveal some of the reasons for the existence of so many obstacles. Among other things, the lack of knowledge and experience in SMEs appears to generate high levels of uncertainty concerning new technology environments and the use of ICT for managerial, strategic or competitive purposes, thus explaining, at least in part, why SMEs are currently lagging behind the big business sector in terms of e-business use. Similarly, most of the difficult e-business-related experiences reported by SMEs are due directly to their intrinsic characteristics, namely their small size, centralized management, lack of organizational specialization, intuitive strategic planning and simple internal and external information systems (Julien, 1997).

Encouraging SMEs throughout the world to adopt e-business technologies is therefore a considerable challenge. Various programs and initiatives for SMEs and

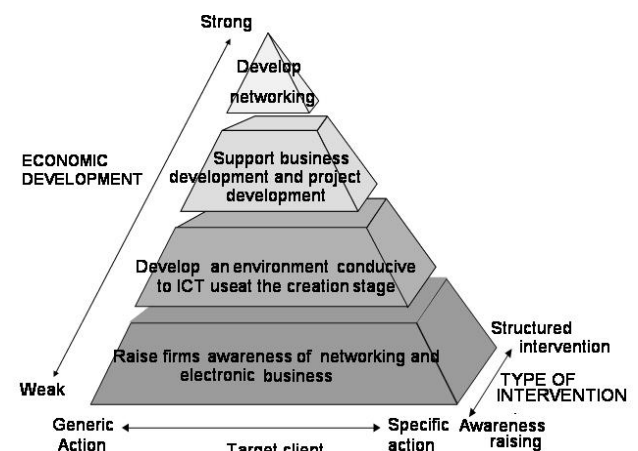
economic stakeholders have been devised to overcome these obstacles². In this article, we present a model of a logical path for SMEs with little ICT knowledge that are moving towards total integration of future business possibilities through ICT. The model also reflects the previously identified factors that influence the development of SMEs in their respective regions.

The model contains three axes, presented in the form of a continuum in Figure 1. The first axis is the type of initiative or level of structure provided by public agencies. The term “awareness-raising” refers to a low level of structure, while “structured intervention” refers to more detailed policies and measures, along with specific initiatives for firms. The second axis represents the size of the target client group, ranging from generic action (targeting all the region’s economic stakeholders) to specific action. The third axis covers the economic development of the region or area—in other words, the impact of ICT initiatives on LRD.

The model’s logical path comprises four main steps, characterizing past and present LRD initiatives involving e-business:

1. Raise firms’ awareness of networking and electronic business: emphasize the benefits of e-business by providing information (public agencies developing or implementing policies for the region’s economic stakeholders).
2. Develop an environment conducive to ICT use at the venture creation stage: implement programs that stimulate the economy by triggering new venture creation (e.g. the new economy marketplace program and other general initiatives aimed at all businesses).

Figure 1. Logical model of LRD initiatives involving e-business



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