



## **Chapter XII**

# **The Role of SMEs in Promoting Electronic Commerce in Communities**

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## **INTRODUCTION**

The primary emphasis of much of the literature on electronic commerce (EC) is on its global nature. The literature is replete with examples of companies that, over a relatively short period of time, made a successful transition from a local, small business, to a global enterprise, with customers and suppliers based all over the world. The literature in EC, both in the popular media and the learned journals, attributes this phenomenon to the fact that with access to the Internet, many businesses can sell globally without having to make an investment in “bricks and mortar.”

The rhetoric that EC is free from constraints of geography is, however, contradicted by a growing evidence that, particularly for small and medium enterprises (defined in this chapter as “organizations with less than 500 employees”), business on the Internet is not necessarily as profitable and risk free as it is supposed to be. Establishing an EC “shop-front” may be a relatively painless exercise, but having prospective customers notice that shop-front, having them actually transact with the virtual business, and setting the business so that it successfully copes with the demands of a virtual customer base are all challenges that most small and medium enterprises (SMEs) find difficult to meet.

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Given these comments, the question arises whether SMEs should consider national or global business as the main reason for getting themselves 'EC enabled.' In a number of articles by Steinfield and Whitten (1999), and Steinfield et al. (1999a, 1999b), the authors mount the opposite argument, namely, that SME's should, in the first instance, consider their local communities as their target market, rather than attempt to transact outside their immediate region. To support this proposition, Steinfield and Whitten (1999) propose a number of advantages that can accrue to both SMEs and their communities from engaging in EC in the local rather than the global arena.

In the following sections, we present some of the rationale on which Steinfield and Whitten's (1999) thesis is based and discuss the major arguments in relation to the advantages to SMEs from engaging in local EC rather than global EC business. In the context of this chapter, we discuss local EC particularly as it pertains to regional, rural, or remote communities. We use this discussion as the basis for our own Action, Reaction, Integration (ARI) model, which considers the role that SMEs can play in promoting Internet technologies in their communities. We conclude the chapter by outlining the implications from the ARI model to further research on the uptake of EC technologies by SMEs.

## BACKGROUND

A review of the literature on the uptake of EC technologies by companies reveals that this practice is seen as associated with the following advantages.

### Advantages to Companies

1. Cost reduction through the ability to exchange information and transact rapidly and cheaply with existing suppliers and customers (Malone, Yates and Benjamin, 1987);
2. Cost reduction through the ability to engage in relatively rapid and cheap searches for new customers and suppliers (Miller, Clemons and Row, 1993; Wigand and Benjamin, 1995);
3. Cost reduction as a result of bypassing the intermediaries in the retail distribution value chain (Wigand, 1997);
4. Lower sunk and operating costs through savings on buildings and salaries, given that the virtual business does not "take space" and does not need to be "open" at particular times (Steinfield and Whitten 1999);
5. Access to a larger market with the consequent result of volume discounts on production inputs (Steinfield, 1999a).

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