

## Chapter 12

# Reflecting on New Businesses Models for SMEs through Technological Application: Cases of E-Business in Brazil

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### ABSTRACT

*As modern economies faces its growth challenges, small and medium enterprises are potential agents to become strategic competitive, especially when it can be supported by information technology. A scenario composed by rapid changes in the economies, introduction of new communication and information technology and emergence of new markets forms the study background, which was proposed to analyze new business models for SMEs based on e-business concepts and how these resources, applied under strategic thinking, are increasing the SMEs' competitiveness. A case study of Brazilian e-business based SMEs is conducted, in order to understand IT application in this evolving context, examining five successful cases.*

### BACKGROUND

Small and medium entrepreneurship is a challenging research field. Academic studies, scientific models, business press case reports are among the numberless attempts to better understand SMEs competitive scenario. Additional motiva-

tion to understand its relevance is shown when its importance for national and transnational economies is observed, as they can be regarded as significant employers, investors and producers. In this interesting and opportune business environment we can find the application of information technology, especially those called "e-business", as an emerging paradigm for SMEs to constitute

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innovative business models in which these firms can be regarded as real alternatives for a variety of industries, offering perspectives of value aggregation, adaptive forms of market events response, integration of larger enterprise networks and working with flexibility as an answer to the rapid changes in the customer's needs (Caron, 2003; Hua, 2007; Beneton, Balloni & Bacic, 2007).

A special concern when researching about SMEs, in order to distinguish and identify similarities in its profiles throughout the world is how to deal with regional, cultural, social, economic and educational different aspects. Complex regulatory and fiscal laws, tough competition by foreign or networked firms, immediate sensitivity to changes in the customer's preferences, pressures to innovate, regional culture habits and intuitive organizational structures are among factors which have impact on the SMEs' strategy formulation and execution, which results in a fragmented and heterogeneous picture of entrepreneurship around the world.

It is unquestionable, however, that SMEs nowadays represent a real economic force in the world economy (Gatti & Honoratti, 2008; Maur, 2008; OECD, 2009). This fact provokes additional interest on its growth, development and competing characteristics which can be proofed by the existence of specific political and economic programs, sponsored by governments and international organizations, to promote its success and expansion. As stated before, information technology appears as another theme of increasing interest not only as a segment where software, hardware and diversified services SMEs has been successful for long time, but as a set of managerial and operational tools which can help SMEs to implement innovative business models. Unfortunately, as studies show, these implementations frequently emerge not as a result of structured plans, but as impetuous choices or entrepreneurs reaction, for example, to external competitive events. It is our main objective, in this chapter, to bring additional discussion about IT application for specific entrepreneurial arrange-

ments, especially observing those types identified as "e-business" implemented on SMEs scenarios.

For this purpose, and considering that this text is supposed to be consulted by readers such as academic researchers and interested SMEs owners and business partners (e. g. consultants, investors, etc.) the following structure was composed: first, we briefly discuss strategy principles, in search of a rational framework for e-business choices for SMEs instead of intuitive or impulsive risky initiatives. In the second section the reality of strategic planning and execution is studied, in order to comprehend how strategy principles are or are not used for SMEs management. After understanding how these strategic decisions could define information technology adoption in SMEs, a discussion is developed about e-business and new models of entrepreneurship. In the last section, supported by that previous study, it is discussed the e-business evolution in Brazilian organizations, based on an analysis of selected cases.

### **Associating Strategy Basics and SMEs Business Environment**

This section makes a brief study of strategy and strategic planning fundamentals. Its contribution is to review this basal ideas allowing forthcoming discussion about the main issues for a SME's owner to conduct critic managerial actions. Strategic planning, as understood by the authors, will allow SMEs' managers to implement successful IT solutions, resulting in efficient new business models (Kalakota & Robinson, 2001; Kearns & Lederer, 2003; Takeuchi & Nonaka, 2004). It is also recognized that small and medium firms constitute a heterogeneous sector throughout the world, which results in a complex business scenario with different strategic motivations, along with precarious conditions for plans design and execution. It is important to mention that only the necessary part on the vast theory of strategy that attends to the previously stated chapter objectives is discussed below. The references quoted in this

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