

# Chapter 18

## Issues Influencing Electronic Commerce Activities of SMEs: A Study of the Turkish Automotive Supplier Industry

**Muammer Zerenler**  
*Selcuk University, Turkey*

**Sitki Gözlü**  
*Istanbul Technical University, Turkey*

### ABSTRACT

*This study aims to investigate the issues of electronic commerce activities in small and medium sized enterprises as a consequence of organizational change initiated by the adoption of information technologies. The fundamental issues influencing electronic commerce practices of SMEs are their insufficiency of cognitive learning and organizational strategy, financial and distribution problems specific to SMEs, limitations of supply chain management, reluctance of organizational culture for electronic change, problems of information technologies usage, insufficiency of human resource, resistance of top management to organizational change as required by the adoption of information technologies, integration problems of new technologies with the existing systems, lack of confidence on the side of customers towards electronic commerce. A study of the Turkish Automotive Supplier Industry has revealed that electronic commerce has been adopted and its benefits are accepted. However, the industry has to overcome some technical and managerial difficulties to implement it more efficiently and effectively.*

### INTRODUCTION

In societies where commercial competition is accepted as an economic system, there is a close relationship between the healthy operation of the system and the existence and power of small and medium sized enterprises (SMEs) within the

system. Most SMEs positively contribute to the system since they can fulfill several functions not achieved by large enterprises (MacGregor, 2004, p. 10).

SMEs are not merely economic elements; they also have vital roles in social life. Because of the fact that SMEs spread to a large area in the country, they act as a critical power in lessening regional

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developmental differences, spreading ownership to a vast area, creating and sustaining employment opportunities, and keeping democratic life alive.

Currently, SMEs play a fundamental role in terms of employment and macro- economic balance by increasing their shares in global economy and thus enabling high levels of employment. Overall contributions of SMEs to the economy can be outlined as the following: (Kleindl, 2000, p. 75; Walczuch et al., 2000, p. 568):

- Depending on labor intensive work and efficiency in resource use, they contribute to creating employment opportunities and lessening unemployment nationwide.
- They adapt quickly and comfortably to demand changes and variations.
- They help to balance income distribution.
- They enable making decisions quickly. Since they are mostly structured as family companies, there is a tendency to make centralized decisions (Evans and Wurster, 1997, p. 72).
- In the long run, they are in a position to become manufacturers of the inputs and intermediary goods of large industrial enterprises.
- They are flexible and supportive of innovations.
- They are effective in improving life quality by providing opportunities for the socially and politically disregarded labor force, raw materials and financial sources to operate by smaller investments (Levy et al., 1999, p. 249).
- They acquire a critical role in transmitting small funds and family capital directly to investments.
- Through manufacturing inputs such as raw materials, intermediary materials, and semi-finished products consumed by large scale enterprises, they contribute to their development and also the national economy.

- They contribute significantly to increasing regional employment opportunities since they are labor intensive; therefore prevent migration from small cities to big city centers and construct a base for self development of the region within its own potential.
- By positively affecting income distribution, preventing the accumulation of capital in the hands of large industrial organizations or a minority, they increase societal income both functionally and regionally.

SMEs are also effective in providing new ideas and inventions and adopting new technologies (Kleindl, 2000, p. 76). New technologies enable SMEs to perform more creatively and flexibly with lower costs. Small enterprises are effective in transferring various technologies to national economy and in the process of modernization traditional technology or adaptation to the transferred technology; they act as a bridge between new and traditional technologies (Evans and Wurster, 1997, p. 74). On the other hand today, the rapidly increasing automation and demand for more qualified employees force SMEs to adopt new technologies. SMEs face difficulties, basically due to lack of sources, in following new technologies, acquiring technological materials, finding and employing qualified technical personnel to implement new technologies. Qualified employees generally prefer job security of large enterprises, corporate reputation, and high salaries.

The ability of SMEs to survive in a highly competitive environment depends on the extent and speed in activating the changes that will make their products and / or services noticeable and preferable. As SMEs achieve these goals in establishing and sustaining enterprise's relationship with the outer world by benefiting from the opportunities of technology, they make use of information technologies and its elements. At this point electronic commerce is helpful in achieving innovations and improvements rapidly and safely (Hawkins and Prencipe, 2000, p. 24).

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