

# Chapter 6.9

## A Prototype E-Business Model to Create a Competitive Advantage in SMEs

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### ABSTRACT

This study explores new ways for SMEs to create a competitive advantage through the use of e-business. It examines the level of ICT use in SMEs and identifies the drivers and barriers which owners/managers face in adopting e-business. Furthermore, it explores the degree of awareness amongst SMEs of the opportunities available to them for developing their employees, their business strategies, and their attitudes toward the range of initiatives and options, on the use of e-business. Industry behaviour and organisational culture in relation to the creation of competitive advantage through e-business also are explored. Case studies and literature review are used to collect informa-

tion from and about SMEs in the UK. The results of these are employed to propose a prototype business model, named CATE-b – “Competitive Advantage Through e-business.”

### INTRODUCTION

The economic environment in which businesses find themselves today is perhaps the most turbulent in history. It is dominated by three powerful influences: globalisation, knowledge and information revolution, and structural change of organisations (Booz Allen Hamilton, 2002). Therefore, in this new era of the e-economy, the traditional starting point for strategic business thinking in

**small and medium-sized enterprises (SMEs)** is no longer appropriate. Small Business Services statistics show that SMEs are the backbone of the UK economy (99.8% of all UK businesses), yet, they are slow to adopt e-business as the basis for business communications and transactions (DTI, 2003). This may inhibit their current and future operational efficiency and innovation by limiting the competitive advantage that e-business could bring to their businesses.

## **AIMS AND OBJECTIVES**

Thus, this chapter focuses on the following areas:

1. Review both academic and practitioner literature related to IT, e-business, and different business models, which have arisen due to recent technological advances.
2. Identify the drivers and barriers which owners/managers face in adopting e-business.
3. Investigate the degree of awareness amongst SMEs of the opportunities available to them for developing their employees and their business strategies.
4. Analyse attitudes toward the range of initiatives and options, and the degree of take-up, on the use of e-business.
5. Develop a competitive advantage through e-business (CATE-b) prototype model for SMEs to facilitate organisational effectiveness and speed in the new era of e-economy.

As the last aim suggests, the outcome of this research is a new prototype CATE-b model. Its development was underpinned by the general alignment models (Scott Morton, 1995; Chen & Ching, 2002; Fillis, Johansson, & Wagner, 2003), was based on advanced theories and reasonable assumptions, and was shaped throughout by

interviewing practitioners in nine SMEs. The prototype model represents a framework for the development of an e-business strategy for SMEs. Pragmatically, it was assumed that such SMEs would like to build their e-business strategy on the existing technology without taking the radical approach to e-business.

## **RESEARCH METHODOLOGY**

The primary research methods used for this chapter were literature review and interviews with nine owners/managers of SMEs. A viable prototype of an e-business model was constructed based on the literature reviewed and nine case studies. This study has adopted an exploratory research approach (Yin, 2003) with the purpose to provide a level of understanding of SMEs' behaviour, their adaptability to the new economic demands, and the possibility of creating competitive advantage by using e-business. This research is based on a multiple case study methodology (Yin, 2003) in which semi-structured interviews were used to collect data from SMEs' owners/managers. Considering the well-known difficulty in obtaining real-life data of this kind, the choice of companies in which to carry out the study was pragmatic and opportunistic, rather than purposive. Access to all companies was achieved via senior managers who were all personally known to the researcher. The role of the researcher was to interpret events (Yin, 2003). Two detailed in-depth case studies are reported here and summary results are provided for the other seven SMEs investigated.

## **LITERATURE REVIEW**

Internet usage continues to grow strongly throughout the world. In contrast to the field of dot-coms, many traditional firms have found viable applications for the **Web technology** (Colt-

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