Chapter 7

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This study was conducted in North Karnataka area of Karnataka state, to enumerate and analyze the opportunities by adopting E-business strategies in the existing business within the SME sector and to find out its determinants and impact, as perceived by the owners of the organizations.

7.1 Major Findings of the Study

i) There is no significant association between awareness regarding E-commerce and the type of firm and the nature of business of the firms.

ii) Awareness regarding E-commerce and the number of years in business by the firms have no significant association.

iii) There was no relation between the number of technical personnel employed by the firm and the number of personal computers owned by it.

iv) Long term success due to E-commerce implementation, reliability of E-commerce for the next 3 to 5 years and assurance of a competitive edge due to E-commerce are important in predicting the overall opinion regarding utility of E-commerce.

v) Increased customer service, reduced operating costs and improved business process flow assist in shaping perception of respondents on the benefits arising due to E-business adoption.
vi) Barriers to adoption of E-business mainly arise from the inability to convince the financial and business benefits resulting from the adoption, cost of keeping pace with fast changing technology and lack of knowledge and thorough understanding of the concept of E-Business.

The conclusions resulting out of the findings, suggestions and directions for further research are presented in this chapter.

7.2 Conclusions

Based on the major findings from the survey, the study arrives at the following conclusions:

a) Although a majority of the respondents were aware about the concept of E-business, they had less understanding and knowledge about E-business. This was evident based on the fact that the level of usage of internet for commercial purposes was at the minimum.

b) There is a vast potential for E-business adoption amongst SME’s as more than 70% of the firms who are hesitant, expressed keen interest in implementing E-business initiatives if adequate support was provided.

c) E-business implementation is independent of the type of the firm, the nature of business and also the age of the firm. We can conclude that implementing E-business in firms is more related to the mindset of the top management and the
motivation they derive by observing other similar units enjoying the benefits due to adoption of E-business initiatives.

d) It can be concluded that exposure of information through various sources or training to the SME’s on aspects concerning long term success due to E-business implementation, reliable nature of E-business and ability to derive a competitive edge, helps develop a strong positive opinion regarding the utility of E-business for enhancing competitive ability and business prospects for SME’s.

e) Positive perceptions regarding benefits due to E-business adoption in firms can be built up by exposing aspects like enhanced customer service, reduced operating costs and improved business process flow. Any information/material or training programs aimed at building perceptions can focus on these aspects.

f) Adequate measures need to taken at different levels viz. Government, industry, banks and technology consultants and vendors to address the fear and uncertainty concerning the financial and business benefits due to E-business initiatives, cost of keeping pace with fast changing technology and lack of knowledge and thorough understanding of the concept of E-Business. This is crucial for overcoming any barriers towards E-business adoption by SME’s.

7.3 Suggestions

Considering the various findings and conclusions of the study, the following suggestions have been made.
1. **Addressing the ways to reduce Barriers for E-commerce Adoption:**

The unconvincing nature of financial and business benefits coupled with the costs involved towards implementation and the lack of understanding and knowledge of E-business have been the major impediments to E-business adoption. To solve this problem, it is suggested that:

i) Government can take the responsibility of introducing the internet culture at the school level itself by way of introducing training in IT related skills as a part of the curriculum in all the national schools.

ii) Government to ensure open, competitive telecommunication markets that offer a range of technological options and network services (particularly broadband) of appropriate quality and affordable price. This is very crucial in developing countries.

iii) Government with the participation of industry and other sectors can intensify its existing efforts and play a catalytic and facilitating role in promoting innovation, supporting entrepreneurs with brilliant and commercial ideas, providing business support and creating incubation centers.

iv) Coordinated sectoral approaches can play an important role in driving E-business adoption among small firms. Industry associations and sector councils can play a key role in sponsoring creation of E-business solutions that are easily adaptable and scalable among SME's within their sector.
v) There is a real need for cooperation among technology service providers, industry associations and large businesses within sectors to help develop sector-wide solutions and platforms with SME’s in mind. This cooperation will develop a level of trust and confidence in E-business solution offerings among SME’s and could lead to higher levels of adoption.

vi) Financing may be an issue even after identifying beneficial E-business opportunities which may act as a barrier at some stage in the adoption process. High transaction costs for small loans, lack of sufficient collateral and high risk in innovative start-ups and micro-enterprises inhibit small business debt financing. It is worthwhile to implement direct and indirect financial support for small businesses, some through financial institutions partly supported by the Government. Such schemes can be effective, especially when consultation services are provided to help develop business strategies based on realistic assessment of benefits and costs.

vii) Many E-business initiatives are intangible, making it difficult to gauge accurate returns on capital and resource outlay. It is strongly felt that unless top management involves itself in taking IT related decisions, the real E-business goal of the organization would remain far from being realized. E-business transformation should be derived and driven directly from the corporate vision. Only under such situations it is possible to deliver rewards and benefits of a different order of magnitude.
2. **Need for raising Awareness and promoting Benefits of E-Business Adoption:**

E-skills are becoming central to boost innovation, productivity and employability within organizations that is critical in responding to global challenges. We can think of a strategy of engagement to increase SME first-time adoption of E-business, encourage subsequent adoptions and expand the reach and range of business conducted through E-business. **Therefore it is suggested that:**

*The Government, industry, educational institutions, trade associations and chamber of commerce come out with various plans and activities on the following dimensions:*

i) The Government / Local Chamber of Commerce could provide annual benchmarks by industry sector of the financial impact of E-business adoption and use.

ii) The Government, in cooperation with industry associations, could provide industry specific roadmaps for SME's to progress beyond early stage E-business adoption to develop an enterprise wide platform for increased online business.

iii) Educational institutions could assist in preparing detailed case studies of successful and unsuccessful E-business implementation. Furthermore, they could conduct studies comparing the efficacy of alternative E-business products and alternative strategies for implementation. Case studies should be selected to support the potential business case with a clearer picture of costs and benefits. In
addition, they should help SMEs recognise the importance of strategic and managerial skills as well as E-business skills.

iv) Prize and award programmes may give high visibility and publicity to the best users but may have little impact on non-adopters if the lessons are not widely shared. Trade associations and Chamber of Commerce could disseminate not only benchmarks and case studies, but also advise on issues and conditions unique to each industry that may impact the average firm.

v) The Government could initiate a central website organized by industry for the use by interested SME’s. For example, SME’s have problems finding ‘trusted partners’ to assist in E-business adoption. The website could provide central information portals that could bring together SME’s and firms capable of assisting in industry-specific E-business implementation.

vi) Technology providers to be encouraged to supply information about their products and services using common specifications and terminology that can be understood by the SME audience. Technology providers should be given all available public domain research to assist in their product development and marketing.

vii) Industry associations and Governments represent significant purchasers in supply chains. Advocating the use of E-procurement and online operational coordination pulls adoption of compatible E-business through the supply chain.
viii) Database of case studies detailing the transition from simple to more complex E-business initiatives would be extremely helpful to SME’s wishing to move beyond websites and E-mail. The currently available literature for small SME’s through Government agencies and lending institutions can be linked to these tools and case studies.

ix) The more the SME’s perceive E-business as providing relative advantage to their current operations, the more likely they were in adopting E-business applications. It is therefore suggested that the advantages of E-business applications be the main focus of any communication efforts directed towards the SME’s.

3. **Promoting Internet as a Cost-Effective Channel for Small Businesses:**

There is a strong need for coming out with cost effective enterprise solutions aimed at delivering benefits to small and medium enterprises. **Thus, it is suggested that:**

SME’s be provided with all important modules that are needed to run the business – the same modules which a larger organization would have access to, but at a fraction of the price. Technology vendors need to pick up the challenge to create solutions that address the needs of this market, and then pass it on to them with the sales objective high on aspects related to productivity and competitiveness.
4. Role of Training and Workshop in E-business related areas:

The role of training and workshops with an intention of spreading the inherent advantages of embracing E-business initiatives is crucial amongst the small and medium enterprises. It is therefore suggested to design a training program in two phases for managers and employees of SME’s as described below:

The first phase essentially has focus on the following aspects: Identifying the strategic directions of the organization and deriving the need for E-business to achieve those directions. Also the participants in this program (employees and managers of SME’s) clearly understand the need and the ensuing potential contribution of E-business initiatives in any business proposition.

The second phase focuses on other aspects like: Raising the awareness level of E-business benefits amongst SME’s, training for enhancing the level of E-business skills, imparting easy to understand information regarding the infrastructural issues involved in the setting up of E-business initiatives, and training on organizational structures and related managerial issues involved in effectively integrating E-business processes into existing business models and strategies.

The above training programme/workshop can be anchored by Industry /Trade Associations. Chamber of commerce of respective regions either independently or jointly. Venue of such training/workshop can preferably be in the industrial clusters/industrial estates as it ensures close proximity to the SME’s.
5. **Leveraging the role of Large Enterprises in E-business Adoption amongst SME’s:**

Various forums have been able to bring out two main reasons considered by SME’s, whenever they made a decision to adopt E-business initiatives in their firms: Emulating successful competitors and the need to respond to industry-wide use of E-business technology. In this context large firms pioneering in the usage of E-business need to assume a greater role in the promotion of SME adoption of E-business. **It is suggested that:**

i) Large businesses can catalyse the E-business adoption process by focusing more on mentorship with their SME suppliers and distributors. Such adoptions can occur in partnership with associations, which can aid the industry in identifying how and where the SME’s can associate to become successfully E-enabled.

ii) The private sector can continue building such coalitions, either with the Governments at all levels or other technology partners/Industry associations, to provide education and information to SME’s in the light of facilitating adoption. It can later make it mandatory for SME’s to demonstrate requisite E-business initiatives within their firms in order to qualify for applying as a supplier and be included in the list of preferred vendors.

6. **Role of the Technology Product Vendors and Technology Consultants:**

Small SME’s are cautious and conservative and require a special approach to enable them adopt and enjoy the benefits of E-business initiatives. Many SME’s
are in the process of transitioning from small to larger firms and in this situation, the E-business adoption decision needs to be considered within a larger context of organizational change and growth. To some SME’s, E-business has been an enabler of change, while to others it is an operational burden and they do not really know the benefits they derive out of the adoption. In order to bridge this gap, there needs to be a coordinated effort between Government, technology product vendors, and technology consultants. 

It is suggested that:

i) Government has to come out with various policies and schemes that encourage technology vendors to develop tools and services specifically designed to meet the needs of SME’s. At the moment we find that majority of E-business tools from the technology product vendors are targeted at large firms or larger SME’s.

ii) There should be a process by which technology consultants are certified to ensure a consistent and predictable level of service quality especially to the SME segment. Observations have shown that uneven level of consultant quality affects the ability of small SME’s to adopt and upgrade their E-business capacity. Consultants need to be encouraged not only to become familiar with the IT components of E-business, but also the business processes and culture of SME’s. This will ensure a fair level of customization as per the needs and requirements of the SME’s.
7.4 Directions for further research

In the process of undertaking this study, the researcher observed some areas which need further probing, and some areas which need to be researched. *Scope for further research in the following areas have been suggested:*

1. As noted in this study, most of the SME’s were private limited companies. Depending on the ownership pattern, i.e. Proprietary, Partnership and others, further study could be initiated to compare the perceptions and barriers to adoption of E-business initiatives based on ownership patterns.

2. Separate study on assessment of perceptions, benefits and barriers to adoption of E-Business amongst SME’s could be taken up based on the sector approach i.e. Manufacturing, Chemical, Pharmaceutical, Food Processing etc. Such sectorial analysis will be useful to gain insights into specific needs of SME’s with special impetus to the sector to which it belongs. This may throw open some directions for differential strategies sectorwise.

3. The current study focuses on issues of E-business adoption from the viewpoint of the owner-managers and their firms. A study on the perception of technology consultants and technology product vendors regarding small enterprises can be useful to have a better understanding of the consultants’ and vendors’ preferences, purposes and objectives towards the SME’s.
4. Special studies can be undertaken with the objective of tracking the efforts of the Government/ Industry / Trade Associations/ Chamber of Commerce and evaluating the effectiveness of their programs in the SME segment.

5. Further investigation with various other employees in the organizations can be undertaken with the objective to validate responses by owner-managers, and establish whether the perception of E-business benefits and ensuing success filters throughout the organisation.

6. We do observe a high degree of heterogeneity across SME’s on various parameters like the size of the firm, organizational structures etc. This needs to be taken into account in future empirical research as they are identified to be the key factors affecting E-business adoption. It is essential to investigate the impact of these factors specifically on the E-business adoption decisions.

7. Further work is needed to have a better comprehension and address the apparent lack of measurement of E-business initiatives within SMEs. It is also important to have a good understanding of all those organizations that do not have formal methods of measuring benefits arising due to E-business initiatives and hence the method they adopt to justify their future investments in E-business. In addition, research also needs to focus on assessing the usefulness of different approaches to measuring E-business benefits in order to help identify sound measures that SMEs could effectively use.
Future research on the above suggested areas can be initiated on a regional basis or on a national basis. It is expected that future studies in such important areas would contribute significantly for enhancing the knowledge base regarding issues connected to E-business prospects and adoption amongst SME's.

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