

E-BUSINESS AS A CHANCE FOR SMALL AND MIDDLE SIZED DEVELOPING COUNTRIES COMPANIES

E - BIZNIS KAO ŠANSI ZA MALA I SREDNJA PREDUZEĆA ZEMALJA U RAZVOJU

Amr Elashouri²⁹⁴
Yousef Omar²⁹⁵
Ramzi Altrsh²⁹⁶

Abstract: *With developments in the Internet and Web-based technologies, distinctions between traditional markets and the global electronic marketplace-such as business capital size, among others-are gradually being narrowed down. In the emerging global economy, e-marketing and e-business have increasingly become a necessary component of business strategy and a strong catalyst for economic development. E-business strategy is simple, workable and practicable within the context of a global information milieu and new economic environment. On another hand, small and middle sized companies from developing countries are given increased access to the global marketplace, where they can compete with and complement the more developed economies. Internet selling is relatively inexpensive (what is advantage for small companies) when compared to the ratio of cost against the reach of the target audience. Those companies can reach a wide audience for a small fraction of traditional advertising budgets. The nature of the medium allows consumers to research and purchase products and services at their own convenience. Therefore, businesses have the advantage of appealing to consumers in a medium that can bring results quickly.*

Key words: *Small and Middle sized Companies, E-marketing and E-business, Developing Countries*

Sadržaj: *Sa razvojem interneta i veb-tehnologija, razlike između tradicionalnih tržišta i globalnog elektronskog tržišta - kao što je veličina poslovnog kapitala, između ostalih, postepeno se sužava. U savremenoj globalnoj ekonomiji, E-marketing i e-poslovanje sve više postaju neophodna komponenta poslovne strategije i jak katalizator za ekonomski razvoj. E-biznis strategija je jednostavna, pogodna za rad i moguća u kontekstu globalnog informacionog miljea i novog ekonomskog okruženja. Sa druge strane, malim i srednjim preduzećima iz zemalja u razvoju je dat veći pristup globalnom tržištu, gde mogu da se takmiče sa i dopunjuju sa razvijenim ekonomijama. Internet prodaja je relativno jeftina (što je prednost za mala preduzeća) u odnosu na racio troškova prema domašaju ciljne publike. Ove kompanije mogu dopreti do šire publike za mali deo tradicionalnog oglašavanja budžeta. Priroda medija omogućava korisnicima da istražuju i kupe proizvode i usluge vrlo ležerno. Zbog toga, preduzeća su privlačna potrošačima u mediju koji može doneti rezultate brzo.*

Ključne reči: *mala i srednja preduzeća, e - marketing i e-biznis, zemlje u razvoju*

²⁹⁴ PhD candidate, University John Nesbit, Belgrade, Serbia

²⁹⁵ PhD candidate, University John Nesbit, Belgrade, Serbia

²⁹⁶ PhD candidate, University John Nesbit, Belgrade, Serbia

Introduction

The subject of research in this paper is model of development and implementation of the electronic business and commerce management systems in emerging global economies. The main objective of this paper is proposal of model for development and implementation of e-business in emerging global economies. Through this model proposal, we can define the methodology of the implementation, as well as the control systems of realization. We will mention a detailed description and importance of e-business, e-commerce basic.

E-marketing and E-business

In the emerging global economies, e-marketing and e-business have increasingly become a necessary component of business strategy and a strong catalyst for economic development. The integration of information and communications technology (ICT) in business has revolutionized relationships within organizations and those between and among organizations and individuals. Specifically, the use of ICT in business has enhanced productivity, encouraged greater customer participation, and enabled mass customization, besides reducing costs. With developments in the Internet and Web-based technologies, distinctions between traditional markets and the global electronic marketplace-such as business capital size, among others-are gradually being narrowed down.

The name of the game is strategic positioning, the ability of a company to determine emerging opportunities and utilize the necessary human capital skills (such as intellectual resources) to make the most of these opportunities through an e-business strategy that is simple, workable and practicable within the context of a global information milieu and new economic environment. On another plane, developing countries are given increased access to the global marketplace, where they compete with and complement the more developed economies.

Reducing the cost of products in E-business

Lifting of custom tariffs on imported commodities could result in reducing the cost of products which will reduce the threat of e-commerce effects on traditional businesses. According to the Economist Intelligence Unit Limited (2005) [1], the average tariff rate was almost 22 per cent, but this disguised an extremely complex system of tariffs, ranging from zero to 425 per cent. The latest move will undoubtedly contribute to lower prices, and help curb bureaucracy, reduce smuggling and increase trade volumes. The Internet does not only deal with money, but also with large databases, full of vital and sometimes top secret information that companies, organizations and governments have within their own environment. Also, the Internet can be easily characterized as an FDI (Foreign Direct Investment) tool. Companies apply different strategies of how to enter a foreign market, expand their operations and become multinationals. Companies do that in order to create a competitive advantage over other companies. Such firms gain competitive advantage by exploiting new resource; low labor-costs, cheap raw materials, the country's infrastructure, communication channels, legislation, etc.

Problems that stand in front of E-commerce

The revolution of E-commerce brings along some challenges, not only for the firms, but for governments as well. These challenges can influence at a microeconomic and macroeconomic environment level. E-commerce and e-business require a complete change of the business structure. Firms going digital need to consider restructuring their entire business or even creating a new one. They need to implement new management processes, changes in their business culture and follow different procedures for managing their employees. Also, they need to create a new structure for information systems, networked processing functions and most importantly, they will need to change their entire business strategy. All E-businesses, in order to co-ordinate their online transactions and business activities as well as the potential linkage with other firms within its industry, need to build a very strong IT infrastructure. IT infrastructure has the power to connect the firm with infrastructures of other organizations while bringing down barriers and creating a new 'business global village'. [2] However, digital firms have to select the most suitable Internet technology that is compatible with their business processes and data structures. There are different kinds of hardware and software tools that can be used for different business applications. Therefore, the firm must choose the right set of technologies for its IT infrastructure. Moreover, technology is constantly upgrading and introduces new systems, applications and hardware. A company has to keep up with the technology pace in order to create well functioning business processes among customers and suppliers via the Internet. This requires the reconstruction of information architectures and IT infrastructures.

There are five basic problems that stand in the way of implementing these new changes: [3]

1. Loss of management control: The end users are becoming more independent, capable of collecting, storing and handle software. This occurs due to the lack of a single, central point where the need of management can occur.
2. Connectivity and application integration: A company needs to upgrade its IT infrastructure in order to have compatible networks and standards and eliminate connectivity problems.
3. Organizational change requirements: The old organization structure has to be changed to be compatible with the new IT infrastructure in order to be more effective and uniform.
4. Hidden costs of enterprise computing: Some unexpected costs and expected savings that did not occur are generating problems. These costs are generated from hardware and software installations, maintenance costs, labor costs etc.
5. Scalability, reliability, and security: The increased load of data transactions and storage as well as the traffic of applications such as audio, streaming video and graphics, drive managers to develop strategies to manage those issues.

Radaideh and Salim [4] introduced factors of e-commerce adoption decision in a case of developing countries as shown in Figure 1. They argue that there are critical factors affecting the adoption of e-commerce by firms which are classified into two main categories; internal and external factors. Internal factors are within the firm and external factors are environmental in nature. Internal factors are IT readiness which refers to the level of IT usage within the firm. This category includes information and networking security, system interrelation, data conversion, hardware and software compatibility, adequacy of the firm's IT infrastructure and migration from legacy system. The second internal factor category refers to the firm's financial readiness. The major cost of e-commerce adoption is the cost of educating

and training management and employees to use e-commerce (Graham and Cobham, 2006). [5] Another concern of the top management is the losses of productivity due to abuse by IT staff readiness factor category refer to the IT and e-commerce literacy level inside the firm.

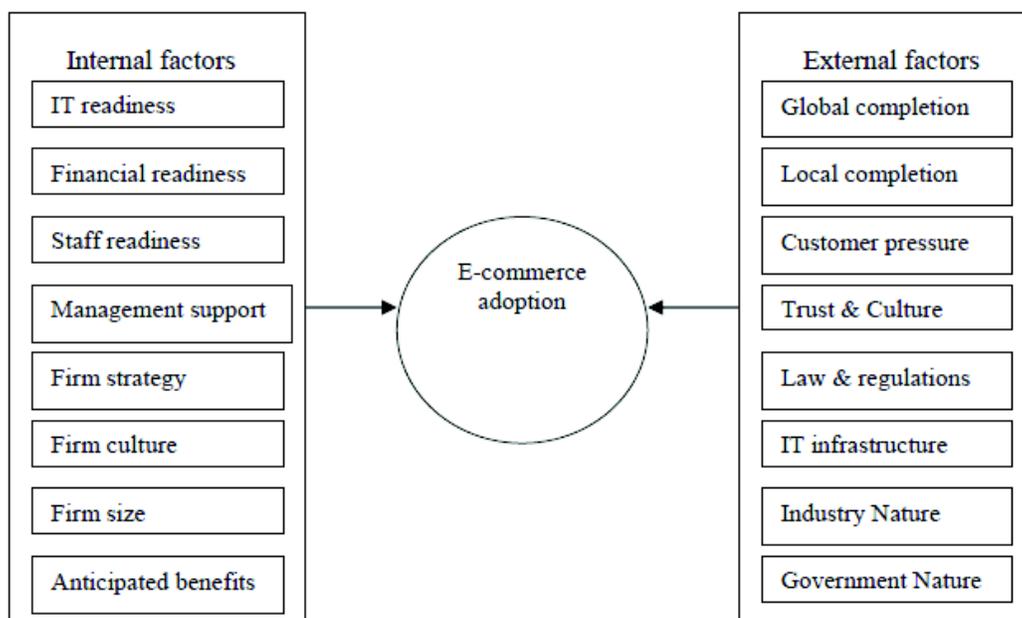


Figure 1. Factors relating to E-commerce adoption decision by a firm

Source: Radaideh and Salim, 2004 [6]

Conclusions

E-commerce is a smarter approach to conduct business and the best approach is for small and middle sized organizations to manage their activity as an integral part of their approach to developing and sustaining customer relationship. E-commerce technology is available and affordable, and is an international uptake that presents ways for companies to demonstrate their capability through the use of IT systems for business transaction.

Today Internet plays a central role in mediating transaction processes in implementation of e-commerce among organizations. Reports show that e-commerce adoption is enhanced through policy intervention on its processes and provision of e-commerce infrastructures as well as the provision of incentives. The RBV model (Resource-Based View model is a basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable interchangeable and intangible tangible resources at the firm's disposal) revealed that e-commerce technology provides competitive advantages that are vital in enhancing imperfect market across firms. RBV further revealed that e-commerce development process involves numerous organizational routines, repertoires as well as managerial decision among business partners, employees, suppliers, and competitors.

Today Internet users are mainly young people and teenagers who surf the Internet mostly for leisure and entertainment rather than shopping around or hunting for bargains. Several factors could be summarized as a result and author recommendations:

1. E-commerce is still in its infancy stages of development, but there are a new tendencies, preferable in tourism and banking sectors,
2. Consumers are not yet heavily involved in using the Internet and become e-commerce customers, but this is opportunity for many companies to try to reach new customers, because Internet not recognize borders,
3. Traditional trade infrastructure is better established than e-commerce infrastructure, here also is a great opportunity not only for traders, but also for young people who understand Internet way for selling goods and services,
4. Tomorrow's E-commerce must to be complementary to traditional trade activities, not separated or ignored,
5. Today's E-commerce in emerging global economies is only a threat to traders who do not offer good services to their customers, but bad traders soon will stop their work when innovative traders start to work online also.
6. One more author recommendation for better E-commerce in emerging global economies is: must to exist better education in schools (from elementary), with main goal for younger people to be educated to recognize all opportunities in E-commerce, and all other E-businesses.

References

- [1] EIU (2005). Country Reports London, The Economist Intelligence Unit Limited
- [2] Chaffey, D (2002). E-Business and E-Commerce management, Prentice Hall, Pearson Education Limited London
- [3] Mitchell, M., Hutchinson, R., Niculescu, S., Pereira, F., and Wang, X., (2004), Learning to decode cognitivestates from brain images. *Machine Learning*, 57
- [4] Radaideh M., Horani S. and Harmain M.(2004) "E-School administration Systems", chapter 13 in *E-Collaborations and Virtual Organizations*, Edited by Michelle Fong, IRM Press, Hershey PA 17033-1240, USA
- [5] Curtis, Graham and Cobham, David (2005) *Strategy and information systems*. In: *Introducing information management : the business approach*. Elsevier Butterworth-Heinemann in association with the Open University, Oxford
- [6] Radaideh M., Horani S. and Harmain M.(2004) "E-School administration Systems", chapter 13 in *E-Collaborations and Virtual Organizations*, Edited by Michelle Fong, IRM Press, Hershey PA 17033-1240, USA