

The role of e-commerce on sustainability and profitability of small and medium si...

[Business](#)



The role of e-commerce on sustainability and profitability of Small and Medium Sized enterprises Introduction Globalization and its technological development aspects have been fundamental factors to trade, especially to the global trade where involved parties may be from different geographical regions. Communication for product description and establishment of terms of trade towards a transaction's contract establishment is easier, faster, and cheaper with improved technology and such advantages have been incorporated in businesses. Technology has also facilitated commodity access on electronic media and this establishes the scope of e-commerce that conducts trade over electronic systems and computer networks. This paper proposes a research on the role of e-commerce on sustainability and profitability of Small and Medium Sized enterprises. The study will investigate impacts e-commerce on the firms' ability to withstand environmental challenges and ensure continuity as well as effects on the firms' profit efficiencies. It is necessary in promoting entrepreneurship and economy's productivity because establishing a significant role of the technological application will facilitate its use among small and medium sized enterprises towards sustainability and profitability benefits. These firms have in the past faced challenges such as poor access to the global market and competition from large-scale enterprises that have sufficient resources for market exploration towards higher sales, revenues, and profitability. Identifying e-commerce's positive impacts on small and medium sized enterprises will therefore promote its application among the firms and empower them to access a diversified market and increase their productivity towards high profitability levels and higher rate of economic growth among

their economies. Literature review Technological applications identify efficiencies and effectiveness that facilitate objectives and such expectations apply to the use of e-commerce by businesses. The role of e-commerce in global market access has been established and significance of e-commerce drivers ascertained. Internal factors to e-commerce such as transferability of products over electronic systems and availability of commodities that can be traded over electronic media improves a firm's marketability and its distribution potentials. Internal e-commerce drivers also improve pricing strategies and moderates effects of the drivers on export market (Gregory, Karavdic and Zou, 2007). A study to investigate effects of e-commerce competencies on success of e-commerce enterprises in Thailand established that the competencies empower retailing firms and facilitate success in e-commerce activities. The technology application also identifies improved marketing in which customers, technology firms and personnel, and awareness processes in the technology's application play significant marketing roles. Benefits of e-commerce on organizations are further identifiable through its independence from technological variations, a factor that boosts marketability and success during market turbulence as compared to physical trading that only relies of real market factors. This identifies diversification of market risks (Chailom and Mumi, 2012; Jantarajaturapath and Ussahawanitchkit, 2009). Literature review of case studies on application of e-commerce also identifies its significance to small and medium sized enterprises whose market environment is competitive. E-commerce is for example a remedy to declining sales and motivates employees but its direct significance on profitability is not ascertained

(Barkley, Lamie and Markley, 2007). Little focus has however been made on the effects of e-commerce on the ability of small and middle-sized enterprises to ensure their sustainability and profitability. This paper therefore proposes a study to investigate derivable sustainability and profitability benefits, from e-commerce application, by the small and middle-sized businesses. Methodology The study will use a quantitative research method with an experimental research design. Application of e-commerce will be the treatment effect and the dependent variable while sustainability and profitability will be dependent variables. Same firms will be used in non-seasonal sectors. The firms will operate without application of e-commerce for four months within which trends in their profitability as well as their sustainability will be measured. The firms will then be trained on e-commerce and monitored for another four months under the technology's application. Application of e-commerce and sustainability will be measured on ordinal scale while profitability will be measured on ratio scale based on net profit margin. Survey will be used in data collection with the aid of self-administered survey questionnaires. The following questions will derive participants' responses. Has your enterprise been using e-commerce in the past four months? What were your firm's net profit margins for the past four months? On an ordinal scale of one to five one implies poor and the value five implies excellent, grade your enterprise's monthly sustainability level. Research participants will be a group of firms that meets the criteria for small and medium sized enterprises. Thirty firms will be selected based on an inclusion criterion of non application of e-commerce strategy. Simple random sampling approach will be used (Gravetter and Forzano, 2011).

Proposed data analysis techniques Data analysis will be achieved through application of SPSS software to determine significance of the relationship between application of ecommerce strategy and profitability and sustainability of organizations. Expected results The study expects to establish significant positive effects of e-commerce on the organizations' profitability and sustainability because of the advantages such as efficiency and effectiveness, and ability to increase sales volume.

References Barkley, D., Lamie, R. and Markley, D. (2007). Case studies of e-commerce in small and medium sized enterprises: A review of literature. Clemson University. Retrieved from: http://www.clemson.edu/uced/working_papers/uced_100701.pdf. Chailom, P. and Mumi, A. (2012). Effects of e-commerce marketing strategy on performance of e-commerce firms in Thailand. *International Journal of Business Strategy* 12(3), 48-61. Gravetter, F. and Forzano, L. (2011). *Research methods for behavioral sciences*. Belmont, CA: Cengage Learning. Gregory, G., Karavdic, M., and Zou, S. (2007). The effects of e-commerce drivers on export market strategy. *Journal of International Marketing* 15(2), 30-57. Jantarajaturapath, P. and Ussahawanitchkit, P. (2009). E-commerce and success of thai e-commerce firms: A mediating of multi-channel retailing advantage. *Journal of the Academy of Business & Economics* 9(3), 1-22.