The emergence of internet management essay

Business, Management

In today's competitive environment, the emergence of electronic commerce and latest information technology (IT) is indeed changing the whole nature of business transaction between consumers and suppliers of goods and services. Small and medium enterprises (SME) are continuously looking for a new way to position themselves against other competitors. Researchers suggest that organizations must able to leverage the new information and communication technologies (ICTs) to fit better in their environment and establish more co-operative inter-organizational relationships in order to compete on the current international markets. Prior literature reveals that many changes in organization today have been technology driven and these changes include the emergence of a competitive global economy, trend towards an information based economy, and the shift from mass production to a customer-driven economy. In addition, the growth of the internet has opened up a vast arena in providing more opportunities especially for small to medium-sized enterprises (SMEs) to promote their products and services to audience globally. The internet and e-commerce have become extremely important avenues for firm in many industries to interact with their customer and other stakeholders. Some believes that the emergence of e-commerce has crafting a new way for business to be conducted by firms. Laudonet al (2001) described e-commerce as all about speed, globalization, increase productivity, reaching new clients, sharing knowledge across entities, and enabled transaction across boundaries in return for products and services through digital (Laudone et al, 2001). E-commerce is the process flow that involving purchasing, marketing, sales and customer support and is mainly associated with a commercial transaction over the Internet. Generally, e-

commerce can be in the form of Business to Business (B2B), Business-to-Customer (B2C), Consumer to Business (C2B), Customer to Customer (C2C), Business to Government (B2G), Government to Employee (G2E), Government to Citizen (G2C), and Government to Government (G2G). Through e-commerce technologies, entrepreneurs can accomplished various objectives such as communicating with its customers and suppliers, promoting their products and services, make available extensive information about their goods and services, providing pre-sales and after-sales support to their customers and collecting market data. Researchers suggest that the internet help smaller firms to overcome their disadvantages related with size by enabling them to extend their geological reach and secure new customers. It supported by other literature where e-commerce served as a great channel for small and medium enterprises (SMEs) to compete on a global level and provides access to wider markets. It allows the firm to create direct cost reductions such as product offering, new sales channels, quicker product delivery, superior customer satisfaction, lower cost marketing medium, improve corporation image, new business opportunities, effectiveness in information gathering and better support from suppliers. A 2011 survey of e-commerce professionals in consumer-facing industries shows that online retailers are overcoming the challenges of navigating the changing world of commerce in a fragile economy by focusing on their customers, building Websites around them (Oracle, 2012). In addition, they are investing heavily in the customer experience, promising new areas for engaging shoppers and growing the company's base. The emergence of smart phone and tablet is also provide itself as an incredibly valuable tool for

accelerating online and in-store purchases on the customer's terms. Mobile has also served as a catalyst for cross-channel integration. Initiatives such as mobile that were a blip on the radar in previous years have been taken center stage and are commanding budget dollars. The success of mobile has not only encourage organizations to continue investing but also led them to ratchet it up by hiring more employees with mobile skills and building on existing programs to find new ways to engage connected consumers.

1. 2 Statement of Problem

The emergence of Internet has resulted in an increased number of competitors as geographical barriers have broken down. Smaller firms may faces difficulty to survive and stay competitively without exploring a new opportunity in the market. Fillis et al (2003) examined and found that SMEs could gain competitive advantage through adopting e-commerce as it could improve market performance by having better access to the market. However, despite e-commerce is widely acknowledged as a powerful tool in creating a level field for small business when competing with larger firms, but the application is still remains at its infant stage in Asian countries. According to Mckinsey report in 2012, Malaysia has relatively low internet readiness as compared with more developed countries. The report further indicates that only one percent of Malaysian businesses advertise online, ranking the country in the bottom 10 percent of the 57 countries which ranked for index(Mckinsey, 2012). Although electronic commerce was already well established in developed countries such as US and European but however the concept is still relatively new to Malaysia SMEs, particularly for rural state. Another survey conducted by the Associated Chinese Chambers

of Commerce and Industry of Malaysia revealed that local SMEs were still heavily rely on conventional business approach which only 28% of the 965 respondents being involved in business online (ACCCIM, 2012). Google Malaysia further revealed that only 20% out of 700, 000 SMEs in Malaysia had websites while the remaining 80% didn't. It appears that the low adoption of e-commerce by SMEs was caused by lack of awareness of its benefits and with the perception that e-commerce tools and technology were expensive. The result also shows that most of the SMEs are invisible to at least two-third of the Malaysian population as well as the rest of global online market(The Star, 2012). SMEs are considered as the engine of growth of the world economy as it leads to the creation of employment and also overall economic growth of a country. In Malaysian, SMEs in services industry representing the largest group within the entire sector and contributing to 20% to the nation's Gross Domestic Product (GDP). The sector served as the main driver of nation growth and these entities can be transformed to more competitive and resilient to changing business environment with the adoption of e-commerce. The low adoption of e-commerce in Malaysia SMEs services industry hence requires our attention and essentials to inspect the determinant factors that hindered them from embracing this system application. Previous literature has once examined the drivers and impediments to e-commerce but very much into overall view but not focusing on Malaysia SMEs segment. Other research has done to study the trends of e-commerce applications in Malaysia and the usage of it but not the hindering factors. Furthermore, researches are seems to be obsolete in view of the year of research that being performedas technology and internet

penetration rate in Malaysia is increasing year on year. Based on The Economist Intelligence Unit, 2010, the total internet users are forecasting to reach 19 million as compared with total internet users of 13 million in year 2006(EIU, 2010). Prior studies on low adoption of e-commerce by SMEs are with specific geographic focus such as US, UK, Spain, and Italy(Jagoda, 2010). The author is in opines that further research should also be done in Malaysia SMEs market in view of the complex and dynamic local social-economic factors.

1. 3Research Questions

This study is in attempt to filling the gap by exploring the potential factors that hinder the adoption of e-commerce application among the small and medium enterprises (SMEs) in services industry, especially Klang Valley region of Malaysia. The reason of small and medium enterprises (SMEs) in services industry were chosen are stated in the followings:[I] Small and medium enterprises (SMEs) in services industry comprises largest base in Malaysia and served as an important engine towards to the country economic growth. SMEs in Malaysia plays a pivotal role in the domestic economy and hence strengthen SMEs position will achieve a quantum leap in their contribution to the economy.[II] Minor research has been done in this particular industry which the author is in opines that it will provide useful insights to the existing body of knowledge. Hence, the preliminary review and arguments has led to the following research questions: Research question 1: What is the extent of e-commerce adoption among the SMEs services industry in Klang Valley region of Malaysia? Research question 2:

What are the potential factors that hindering the adoption of e-commerce among the SMEs services industry in Klang Valley region of Malaysia?

1. 4 Aims and Objectives

The author is in desires to achieve the following objectives throughout this research: The first objective of the research is to studythe extent of e-commerce adoption among small and medium enterprises (SMEs) in services industry, particularly in Klang Valley region of Malaysia. The second objective is to explore each of the selected variables i. e. Organization, Technology, Environment& Financial factors in explaining the application of e-commerce. Thirdly, to determine the significant relationship between the dimensions of Organization, Technology, Environment& Financial factors and e-commerce adoption among SMEs services industry in Klang Valley region of Malaysia. Lastly, through the research, the author wish to contribute suggestionsor recommendations to overcome the identified factors which hindering e-commerce adoption among the SMEs services industry in Klang Valley region of Malaysia.

1. 5 Need for the study

E-commerce is no longer an unfamiliar term as the concept has been existence for nearly twenty years in the market ever since the emergence of internet. Numerous researches have been done in the information & communication technology (ICT) adoption within the organization and also to the extent of consumer behavior towards online shopping trends. The author will focus on literature research during the first stage by reading through those published or unpublished books, journals, articles or newsto

understand the issue from different aspect and review of e-commerce

adoption. Prior literature is also able toprovide some useful insights and

allows the author to solicit and provide evidence forthe identified factors that

generally hindering the adoption of such application globally. The author will

also seek consultant from the subject matter experts to get in-

depthunderstanding of the issue. The subject matter experts consists of IT

consultant in e-commerce and as well as those companies that has been

adapted this new concept.

1. 6 Scope of the study

The scope of this study is to critically assess and analyze the most relevant

factors that hindering the adoption of e-commerce in SMEs within Klang

Valley region of Malaysia. The author will only be focusing on SMEs that

currently operates in services industry. Services industry in Malaysia mainly

covers wholesale, retail, trade services, food & beverages, transportation

and storages, private services such as beauty centre, repair, and laundry,

and professional.

1. 7 Organization of the study

This research will be based on five chapters as described in the followings.

1. 7. 1. Chapter I Introduction

Chapter one is covering the introduction and background of the study,

problem statement, research questions, aims and objectives, and the need

for this study.

1. 7. 2 Chapter II –Literature Review

Chapter two is the literature review, which identified and discussedthe prior literature that is already available on the subject matter. Published or unpublished articles, journals, news, and other related to the study will be included in this section. This chapter is to establish a solid background of information required to complete the research area.

1. 7. 3 Chapter III – Research Design and Methodology

Third chapter explains on the methodology that applied for the study. It covers research design, framework, hypothesis, questionnaire, selected population and sampling in SMEs services industry of Klang Valley region and data collection method.

1. 7. 4. Chapter IV – Data Analysis and Findings

Chapter four will be based on summary of the results obtained from the research methodology and present the findings of the research by analyzing data.

1. 7. 5. Chapter IIV – Summary, Conclusion and Recommendation

This chapter will draw a summary and conclusion from the findings and relate them to the primary objectives in order to determine whether the research has met its objective. In addition, the author will seek to provide recommendationin order to improvise the current problem. This chapter also covers the limitations of the study.