Small Business E-commerce in Developing Countries: A Planning and Implementation Framework

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Abstract - E-commerce is said to be growing in developed and developing countries, and has been described as offering significant benefits to small businesses. In developing countries however, e-commerce adoption amongst small businesses has proven to be the exception rather than the norm. Small businesses in developing countries face a broad range of obstacles, some of which are: access to capital, availability of telecommunications and lack of internal skills. This paper proposes an e-commerce planning and implementation framework for small tourism enterprises in developing countries.

Keywords: E-commerce, small business, developing countries, tourism, planning framework.

1 Introduction

Many development professionals and aid organizations agree that Information and Communication Technologies (ICTs) have the potential to lift the sagging fortunes of developing countries, allowing them to achieve economic growth and close the gap between developed and developing countries.

However, some observers point out that ICTs can widen the gap between these countries. In India for example, despite the massive growth in IT and ICTs, it has done little to diminish poverty in what has been described as the highest concentration of poverty in the world [1]. Ultimately, most observers agree that ICTs are not a panacea for the problems of resource poor nations, nevertheless, they present an invaluable opportunity for developing countries to invigorate and sustain economic growth [2, 3]. In other words, developing countries have more to gain than lose by utilizing technology.

ICTs, in particular the Internet, have been highlighted as a technology that shows promise for small firms in developing countries. One area where the Internet and e-commerce is expected to have a large impact is tourism. Many studies have highlighted the importance of tourism and its role in development [4, 5, 6]. Tourism is a major export for over 80% of developing countries [7]. Tourism is also labor intensive [6], and creates linkages to other areas such as accommodation, food and beverages, recreational activities, transport and souvenir sales etc which generates further employment [5, 8].

This paper begins by examining small businesses in developing countries and moves on to look at the use of e-commerce by small businesses in developing countries. Finally, an e-commerce planning and implementation framework is proposed and described.

2 Small Business in Developing Countries

Small businesses in developing countries generally tend to be resource poor [9]; have basic technology needs; are informal in nature, rely on family labor [10, 11] and suffer from information scarcity [12, 13]. In developing countries small businesses typically avoid bank loans due to such problems as issues with bureaucracy through to internal problems such as lack of knowledge in applying for a loan [11, 14]. This means that small businesses tend to have more difficulty finding the capital needed to invest in ICTs [15]. In addition to this, small businesses in developing countries face numerous challenges to growth, some of which are: poor infrastructure, limited markets [16], corrupt institutions [11] and a political environment that favors larger businesses [17, 18].

2.1 E-commerce and small business in developing countries

E-commerce is defined as “any use of information and communications technology by a business that helps it improve its interactions with customers or suppliers” [15 p.6]. Payne [15] suggests that small businesses are in a good position to adopt new technology because they are not slowed down by bureaucracy and hierarchies. Despite this, small enterprises still face a range of technical and non-technical issues that complicates technology adoption and impact the ability of small business to exploit technology. The literature suggests that despite the much publicized benefits there is a general lack of knowledge of the full potential of the Internet [19] and often the benefits are not seen to be applicable [20].