Impact of IT on the Growth of SME's

Ikhlaq Ahmad

Liverpool Hope University

Liverpool, United Kingdom

Email. Ikhlaaque@gmail.com

Abstract

Small and medium enterprises (SMEs) are defined in different ways by various peoples and associations in different context. Some people have defined SME in terms of employees in an organization and some has defined it as annual turnover of an organization or firm. SMEs have a very important and key role in the economical development of most of the countries. The aim of this paper is to explore IT application role in the success of SMEs and how these applications could further enhance SMEs performance.

1. Introduction

The Small and medium organizations are playing a major role in economic growth and they consider as the cornerstone to the economic. The economic growth of a country is dependent on the development of small to medium sized enterprises.
(SMEs), thus many countries recognize the necessity to study as well as support SMEs. For example in United States the SMEs represent more than 98% of the total business economics (Delbridge and Kirkpatrick 1994). compared to large organizations SMEs is more flexible to provide service and cost effective product, managers and structure for SMEs are able to accept new models of doing business. Different countries use different parameters to define SMEs, some use the number of persons employed, amount of capital invested, amount of turnover or nature of the business. There are a range of different definitions for SMEs in many studies.

According to BIS department for business innovation & skills (2009) SMEs are defined as enterprises which have at most 250 employees and an annual turnover not exceeding 50 million Euros. There are about 3.7 million SMEs in UK which has annual turnover of one trillion pounds and produces forty percent of GDP. In addition, 12 million people are employed in different SMEs. In 1998 380,000 businesses were online and the UK government make a target 1.5 million SMEs to be
online by 2002. (Delbridge and Kirkpatrich, 1994) In 1980s when the minicomputer and personal computer were getting common to use SMEs get the opportunity to introduce these low cost computers. The large organisations can afford these computers and hire specialists and maximise their information system resources. In 1990 growth is being seen in SMEs using computing with a little change in their management staff. In this context, the contribution of this work is to investigate Information technology impact in Small to Medium Size Enterprise. Rest of this paper has been organized as follows. In section 2, Related work is presented. The focus of section 3 is to explore impact of IT on SME’s. Conclusion and future work is covered in section 4 whilst references are given in section 5.

2. Related Work

Many studies have been discussed which business characteristics could be effect SMEs adoption of electronic business Hawkins et al (1995). Hyland & Mataly (1997), Rao & Metts and Monge (2003) pointed out that small and medium enterprises are different in terms
of business sector, business size, market etc, result are not generalisable across the whole SMEs sector. Fallon & Moran (2000) stated that there are relationship between business size (number of employee of the SMEs) and the level of electronic business adoption. Similarly Ghulam and Shariq, (2005) found that small to medium enterprises are characterised by an absence of standardization and formal working relationships, generally have a horizontal organizational structure, and maturity of staff is limited.

SMEs are characterized by lack of standardization and formal working relationships, usually have a flat organizational structure, and lack of expertise for employees. Both studies showed that the similar results were viable despite varying geographic extend or market focus. Number of studies identified that not only business size and business sector effect adoption electronic business, (Ghauri, P. and Gronhaug, K. 2005) found that SMEs have less resources, Barry & Milner 2002, OECD 2004 found most SMEs lack from ICT skills, and OECD 2004 found that SMEs differ from slow
Some authors (Saunders et al., 2003) have found most SMEs have limited market share. In the last decade SMEs are using the Internet, World Wide Web (www) and other IT applications to increase their markets, to do business with customers, and improve their competitive position. The Information technology revolution has affected all organizations but of particular interest is its effect on small and medium-sized enterprises (SMEs). SMEs just start to recognize the positive impact that information technology can provide to them such as computer terminals, specialists) and limited impact in the marketplace (Sekaran, U., 2003).

A level of international marketing as a business characteristic linked with adoption of electronic business technology. Characteristics may be determined by the inherent characteristics, behaviours of entrepreneur, inherent size, stage of development, or identified by limitations such as: limited resources (such as finance, time, marketing, knowledge) or lack of specialist Expertise(owner-managers tend to be generalists rather than...
e-mail, Internet, and their applications can have on their business.

There is no doubt that IT help SMEs to compete in their local market, with organization located in other countries. Developed and developing countries in the world are interested in the Information technology adoption in SMEs nowadays, because of the benefits from the adoption and greater financial success for SMEs, economic growth and revenue tax for the countries. Information technology is on the most growing business nowadays thus it contributes to economy. Information technology applications can help business to establish distinctive strategic positions to a much greater extant than previous information.

A number of organizations involve in basic IT in way from doing business, while others recognized enhance in business development and improve marketing with commercial partners. In spite of the understanding of SMEs which is different from country to country, the Internet an example of IT applications allowed to implement more technology driven solutions to improve the productivity
and information for all SMEs. The Internet has emerged as a key business for SMEs enterprises in developed and developing countries more than large companies. Most developing countries are recognizing this opportunity to help SMEs (Sekaran, U. 2003).

3. IT in SME's

The Internet and other IT applications given small companies the same reach to global marketplaces as larger rivals which have invested millions in building an international presence. Technology adoption has provided many advantages and benefits to the seller and buyers by decreasing the cost and time in their daily transactions for instance with minimal capital expenditure, a company using e-commerce an IT application can easily and quickly locate best suppliers, more customers and the most suitable business.

Otherwise the benefits of Information technology also allow the accessibility and convenience for consumers. Identify several potential and actual benefits to organizations and their customers.

There are three perspective
potential benefits and these are as follows.

Benefits to organization: Information technology expands the marketplace to national and international markets, decrease cost, improve supply chain, the business always open, many innovative business models, etc. Information technology enables companies to become more efficient by lowering costs, increasing productivity, and achieve business goals faster.

Benefits to consumers: E-business as an example of information technology provide consumers with many choices of products and prices, allowing customers to shop at anytime and from any location. Business enables them to make comparisons between products and services and choose best price with best products, quick delivery in the case of digitized products (e.g. music, software and books), allows customers to interact with other customers. These benefits were found to be the most important perceived consumer benefits of e-business shopping in experiential studies by (Ghauri, P. and Gronhaug, K. 2005).
The benefits to society through adaptation of Information technology include reduced air pollution, information technology applications enable people to work at home and shopping from home, enabler poor countries to enjoy products and services that were unavailable in the past. Many SMEs recognize and take profit many benefits to find new customers and suppliers and compete in markets and growth economic of a country. Zheng, et al 2004 noted that Internet present opportunities for small and medium sized enterprises (SMEs) to harness the benefits of information and communication technologies in an affordable simple way. IT applications adoption in SMEs enhances marketing exposing to them to global competition and reached new customers. Brian (2004) stated that SMEs have modernized and automated the way they do business and have been exploiting internet technology to expand their reach and communication with their partners, suppliers and customers. IT applications still very low in use in SMEs and most SMEs use internet
for spreadsheets, accounting, word-processing, and payroll.

4. Conclusion and Future Work

The contribution of this work is to investigate information technology impact on Small to medium size enterprises. In future we will be looking into the factors which are considered as obstacles in the adaptation of information technology in SME’s. We are committed to share our research findings with the ongoing research in this area.

5. References


