Information & Communication Technology (ICT) for Enhancing Competitiveness of SMEs

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Presentation Stream

- SME Perceptions with regards to e-Trade
- Prospects and Challenges
- ICT for Enhancing Competitiveness of SMEs
- SMEs in Korea
- Recommendations
ICT and SMEs: Key Observations

- Communication with customers is the driving force behind adoption of ICT in business activities.
- Businesses with some degree of export orientation or targeting overseas customers appear to experience increased incentives for getting online.
- SMEs are willing and able to pay for ICT if they see immediate relevance/value creation to their business.
- Infrastructure and access speed remain serious barriers for small businesses, particularly outside of urban areas (entails high connectivity charges due to absence of local ISPs).
- Security concerns and banking regulations limit adoption of online payments/transactions.
Challenges for SMEs to Harness ICT for Enhancing Competitiveness

- Low level of e-readiness on the whole
- Cost of computer equipment
- High Initial set-up costs
- Cost of telephone connections and regular charges
- Financial constraints
- Problems in payment mechanism: low usage of credit cards
- Insufficient bandwidth - unsatisfactory access speed, poor net experience
- Lack of ICT knowledge and skills
- Language barriers .. and more importantly
  lack of strategic focus that could build upon power on ICT
Networked Readiness Assessment
(Center for International Development/Harvard University)

Countries under CID/Harvard NRI study
Networked Economy
(E-Commerce Sub-Index)

Countries under CID/Harvard NRI Study

- Singapore
- Hong Kong
- Japan
- Republic of Korea
- Malaysia
- Thailand
- India
- Philippines
- Indonesia
- Sri Lanka
- Republic of China
- Bangladesh
- Vietnam

E-commerce sub-index

- US

0 1 2 3 4 5 6

2.31 2.57 3.04 3.18 3.38 3.39 3.82 3.37 3.38 4.01 4.06 4.1 4.21 4.1 4.27
Competitiveness of SMEs in Emergent Business Environment

- Increased use of networks by businesses worldwide will alienate those who remain unprepared (with outsourcing and the notion of extended enterprises taking hold).
- Services will increasingly become more important than product (web pages delivering customized services e.g. Help for consumers for making their choice, etc) - dynamic trade with capability to respond with customized responses.
- Need to bring about cultural and intellectual shifts to succeed in increasingly interactive business environment.
- Price restructuring - increasingly fixed prices will give way to prices that reflect market conditions and treat different kind of customers differently.
- Paradigm shift - internet shifts power from sellers to buyers by reducing the cost of switching suppliers.
- As large companies increasingly tend to exploit digital means, supply chains in the form of SMEs will be forced to participate - creating new opportunities as well as threats to SMEs.
Prospects / Opportunities

- E-business provides SMEs the opportunity to access global markets, broaden their customer base, and enhance export prospects.
- Prospects of extending value chain – (Example: Travel business. Airline ticket becomes an entrée for hotel booking, Car rental, travel insurance).
- Intelligent yield management - Bid-ask auction markets for goods in oversupply, creating spot market for time-sensitive goods (e.g., Garments/carpets/pashmina in Nepal).
- Just-in-time, just-for-you stock management.
Vision and Future Trends

Source: Gartner Research and Advisory Services, April 2001
The A-B-C of the ITC Strategy

Towards International Competitiveness

Creating Competence

Building knowledge

Awareness Raising

Stages of E-Trade Development
Role of Government & Trade Support Institutions

Building the E-Trade Bridge

Strategy
- Awareness
- Knowledge
- Competence

Function
- Information
- Training
- Advisory
- Networks

SMEs

Governments

Trade Support Institutions

E@ITC
# Character of SME

<table>
<thead>
<tr>
<th>Type</th>
<th>Employee</th>
<th>Capital-Revenue (Bn. KRW)</th>
<th>Small Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>Under 300</td>
<td>Under 8 (Capital)</td>
<td>Under 50</td>
</tr>
<tr>
<td>Mining, Construction, Transportation</td>
<td>Under 300</td>
<td>Under 3 (Capital)</td>
<td>Under 50</td>
</tr>
<tr>
<td>Wholesale, Information industry and other computer related</td>
<td>Under 300</td>
<td>Under 30 (Revenue)</td>
<td>Under 10</td>
</tr>
<tr>
<td>Seed &amp; seedling, Fishery, Hotel, Broadcasting</td>
<td>Under 200</td>
<td>Under 20 (Revenue)</td>
<td>Under 10</td>
</tr>
<tr>
<td>Pharmaceutical Wholesale, Mail order, Door-door sale, Travel agent</td>
<td>Under 100</td>
<td>Under 10 (Revenue)</td>
<td>Under 10</td>
</tr>
<tr>
<td>Agriculture, Forestry, Wholesale, Food-beverage related general retailer</td>
<td>Under 50</td>
<td>Under 5 (Revenue)</td>
<td>Under 10</td>
</tr>
<tr>
<td>Others</td>
<td>Under 50</td>
<td>Under 5 (Revenue)</td>
<td>Under 10</td>
</tr>
</tbody>
</table>
Number of SMEs in Korea

Source: Statistics of Small and Medium Enterprises for 2004, Korea Federation of Small and Medium Business
Number of SME Employees in Korea

Source: Statistics of Small and Medium Enterprises for 2004, Korea Federation of Small and Medium Business
Four Strategies for e-Trade in Korea

Accelerating the e-Trade in business society

Enhancing int’l cooperation for paperless trading

Actualizing the Seamless e-Trade Service

Nat’l e-Trade Infrastructure based on Internet
Recommendations

- Trade related support institutions should take activities that enhance the level of awareness of SMEs on ICT based strategies for enhancing export competitiveness - building confidence (Legal framework, banking, security, privacy, infrastructure, etc).

- Government, donor community and the private sector should take a proactive role in creating business models in some niche areas aimed at creating demonstration effects – promoting experiential activities (e.g. A pilot initiative aimed at developing a vertical market in herbs).

- SMEs should support structure and favorable policy environment in order for them to be able to effectively respond to export as well as digital opportunity.

- Macro-level policy responses should be formulated in order to ensure affordable access to ICT as well as address other legal and regulatory issues.
Recommendations.. contd.

- Greater attention will need to be given to analyzing how firms relate to each other within global value chains and to the specific types of transactions they are involved so as to develop strategies for enabling SME in developing countries to participate.

- SMEs should be supported to articulate export strategies and focus on harnessing Internet to support these strategies rather than be overwhelmed by technology - (at the end of day it is products or services that matter rather than the channel for selling them).

- Government should lead by example to promote e-culture among SMEs and introduce on-line procurement and e-Governance to streamline government-business interface.

- Industry specific issues should be addressed vis-à-vis export competitiveness.
Information Source

1. Harnessing ICTs to enhance export competitiveness of SMEs in Developing countries: Prospects and challenges for a country like Nepal
   Manohar K Bhattarai, ICT Consultant, UNDP/UN-Habitat

2. ITC e-Trade Bridge Network Symposium Geneva, December 2003
   e-Trade Bridge for SMEs: Current Status, John Gillies, EMDS
   Geneva, Switzerland

   e-Readiness, Şule Özmen, Professor, Marmara University, Istanbul, Turkey

4. Building the E-trade bridge for SMEs, ITC, Apr. 25, 2001

Thank You All for Your Attention!

Enjoy Your Stay in Korea, and

Have a Good Time!
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