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Partnership and the e-commerce initiative of small businesses

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The deployment of new technologies such as the Internet is changing the way that businesses work, but success is not universal. It is evident that a wider range of skills is needed than just technical skills, and a wider vision is needed than just the vision of one business. For small businesses especially, they must be seen in the context of their communities, for their relationship with public sector departments and other supporting and regulatory bodies, and as partners to much larger businesses that may or may not choose to do business with them. The appropriation of ICT in support of business development provides an emerging body of research that seems to be useful in understanding the prospects for success of small businesses that may themselves be emerging from and striving to serve communities. In this way, a wider range of competencies is needed that will deal with relationships and partnerships, as well as simple internal operational issues. As the nature of partnerships changes, so the mix of required competencies varies from one circumstance to another. A model is presented that shows some of the critical relationships between the Internet (on the one hand) and the stakeholders of a business and the relationships with them (on the other). This model is the foundation for current research that is looking at the success and unsuccess of e-commerce in the financial services industry.

Key words: Competencies, e-commerce, internet, new technologies, small business.

INTRODUCTION

The use of information and communication technologies – especially the Internet – is changing the way that businesses, governments and civil societies work. This change is challenging businesses' ability to use technology effectively, though technology has been used to improve the quality and speed of business communication but, it has not been effective in ensuring small business development. New research is needed to address this problem.

Gurstein (1999) refers to this field of research as community informatics – the social appropriation of information technology for small business development and local community benefits. He promotes a direct approach to the problem so as to associate community development more effectively with the opportunities presented by information and communication technologies.

Other experts introduce other new ideas; for example, model developed by Romm and Taylor (2000) is based on the idea that community informatics project success depends on social harmony within communities.

There are other counter-examples that do not have such admirable intentions; for example, it is reported that the Caribbean states are building a digital inclusion programme for schools without any emphasis on effective use (Menou, Poepsel and Stoll, 2004:46).

SMEs as a critical feature of economic growth

A holistic approach to economic development of community is important, as it combines the many factors affecting social, economic and political relations in human interaction and partnership (Keeble and Loader, 2001: 3). Partnership is especially important, because we must be concerned with the development, deployment and management of community information systems that are formulated with, and by, communities – to solve their social,
economic and political problems (Clement et al., 2004: 13). This is only possible through a partnership with those agencies that are critical to solving those problems, such as public service departments and banks.

In developing and implementing transformation policy, the South African government identifies small business development as the bedrock of economic growth, although the hedonistic aspirations of policy-makers could undermine the viability of inclusive long-term partnerships (Davies and Smith, 2004: 65). If we do seek to encourage economic activity through the development of small businesses that take advantage of the available information and communication technologies, then partnership becomes even more important, because e-commerce (as it is generally known) is all about sharing information with business partners in mutually beneficial ways. In e-commerce it is not sufficient just to run a business, it is also necessary to manage partnerships in new ways, often based on new technology-related opportunities.

Hence, if we believe that small businesses are indeed important to economic development, access to digital technologies and the capability to achieve effective use are particularly important – policies alone are not enough. In growing and strengthening the entrepreneurial capability of small businesses, a wider range of skills and competencies is required than has previously been the case.

Small businesses cannot do it alone – they are inevitably part of a wider network of larger businesses (that partner with them), public administrations (that support and regulate them), and a civil society (that provides them with both human resource and markets for goods and services). Hence, the economic appropriation of technology by small businesses requires some kind of engagement with these other role players, to overcome any impediments in achieving partnership, especially with technology. This argument can be extended, so that community engagement becomes the very pillar of the information society that accommodates small businesses and all that goes with them, including information and communications technologies and partners of different kinds (Erwin and Taylor, 2004: 23).

The role of ICTs in small business development

The growing number of small businesses with access to computers and the Internet emphasises the need for effective use of information and communications technologies. Though investment in these technologies is increasing, the benefits for users have remained limited and research has attempted to address these limitations.

Various experts have identified barriers to effective Internet technology use, such as: limited access to facilities, outdated hardware and software, inadequate skills, minimal support, time constraints and even a simple lack of interest in, or knowledge of, the necessary technical aspects (Berg, Benz, Lasley and Raisch, 1998; Clark, 2000). However, some small businesses that have managed to integrate technology into their operational and management processes have been studied, and have been recognised as most suitable partners for other businesses in a societal and political context (O’Bannon and Judge, 2004: 197).

There is an emerging concept of technology-enhanced partnership management; those businesses that are not prepared to face the changes and challenges of technology-enhanced partnership management risk disadvantaged. O’Bannon and Judge (2004: 198) explain that a readiness to adopt technology enhances the prospects for successful partnership, and for successful partnership management. Governments and big corporations should make provision for the development of small businesses capable of delivering high-levels of techno-co-operative partnership, for mutual benefit.

Purpose of this paper

This paper develops a theoretical framework for the effective use of information and communication technology by small businesses in South Africa, based on an examination of stakeholders’ interests and the need for social harmony between and amongst partners.

SMALL BUSINESS COMPETENCIES FOR E-COMMERCE

Small businesses must use a combination of technical and managerial skills to develop and deploy technology effectively, and to enhance partnerships. The investment in information and communications technologies is seen as a key issue, not only for efficiency reasons but for strategic reasons as well. Small businesses can use technology to leverage relationships with their partners, thereby extending their influence over partner strategies and offering the most efficient and effective modes of working. Information relating to partnership activities, from simple transactional information through to information about strategic intentions, can now be shared easily, and is seen by some as an essential factor in process management, representing the beginning of human thought and determined management actions. Macgregor (2005: 2) defines information as the input to, and output from, the mind, that determines individual actions; when these actions are related to management decisions, the performance of a business and its partners may be affected. Partners lacking either technical or managerial skills will likely take actions that are detrimental to other partners.

Figure 1 shows how business competencies can be seen as central to successful information technology investments.

1) Business competencies come in different kinds: financial affairs must be well managed, production must be controlled,
and procurement that is not well executed can lead to serious problems. Partnership management is seen as a new competency that is important to any business that is striving to develop new kinds of partnership, essentially driven by new technological opportunities such as e-commerce (upper right portion of the Figure 1).

2) Business success is seen as dependent on a number of different success factors — possibly not all of which are currently understood in the new field of e-commerce. These individual success factors relate directly to business as well as technology competencies, and to the quality of the technology investment (central and lower left portion of the Figure 1).

In summary, where a partnership is based in any way on technology, success requires a combination of management and technical skills, and the technical skills require appropriate training and support.

The need for harmonisation

Romm and Taylor (2000) and O’Niel (2001) emphasised that the prospect of community informatics projects is directly linked to harmonisation of interests; they argue that a lack of social harmony is often associated with less successful outcomes in CI projects. Harmonisation of interests is assisted by a full and proper understanding of the technology-related benefits offered to those who are concerned, typically (in our area of interest) the community and the small businesses that wish to serve it, or larger businesses that might choose smaller businesses to provide selected goods and services. A fulsome view of the harmonisation of community, business and the technology interests, all in support of the relationship between them, will help to meet the objectives of information and partnership management. The changing and challenging attributes of information and communications technologies determine that achieving this is simultaneously difficult in theory and cumbersome in practice.

One of the problems is the limitless plethora of information. We live and work in an era of information saturation that makes it difficulties for small businesses trying to deal with the information aspects of partnership management (Macgregor, 2005). In some instances, useful information has been ignored or discarded because of a lack of an effective information management practice. So, at the same time that some argue that the Internet provides information and facilitates effective management, and that the Internet can be used to improve the quality of partnership among and within partners (Mason, 2001) it seems to present quite specific problems that detract from these advantages.

Understanding the business environment is important for successful involvement of small businesses in e-commerce activities. According to Bytheway and Dhillon (1996), environmental analysis “of technology trends, competition, economic factors and socio-political aspects” is required. They highlighted the different kinds of partnership that might prevail: adversarial partnerships have been common in conventional business, but co-operative partnerships are more fashionable (and possibly necessary) in e-commerce. The business culture that exists on either side of a partnership may reinforce or mitigate against successful partnership; the process of harmonising business cultures will have a direct effect on the development and management of

Figure 1. Competencies ion business (Onojaefe, 2004)
appropriate technology-related partnerships in e-commerce environments.

Since the context is becoming more complex, changeable and challenging, there is a need to develop a framework that will organise the issues more easily for management, and for techniques that will enhance their understanding of the potential benefits of e-commerce for small businesses. At the heart of this is the need to evaluate future benefits that might be achieved, and to understand the factors that might lead to success and failure.

**FACTORS FOR SUCCESS AND FAILURE**

There is little or no evidence about e-commerce success or failure for small South African businesses; in order to find original work on success factors it is necessary to cast a wider net. Scott, Diamond and Smith (1997) studied success factors and, looked at the establishment of 450 public Internet access points by the Australian government. These access points were grossly under-utilised, according to the authors because they failed to provide private access. They therefore recommended that private access be provided through local Internet service providers (ISPs), supplemented by community out-reach support and training. Elsewhere it has been found that a lack of attention to the elaborate interplay between hardware and software undermines sustainable partnerships, despite awareness campaigns, education and training (Simpson, 2005: 81).

The sustainability of partnerships is largely dependent on the extent to which partners' interests are understood and the process by which these interests are satisfied. Sustainable partnerships demand a process of ongoing social interactions and projects or programmes that are aimed at developing and implementing change, or influencing the attitudes of partners in appropriate ways (Wilkinson, 1989). There is a distinction between the development of partnerships (including capacity building and leadership training), and the evident levels of social, education and business capacity within individual partners. While both are important from a partnership point of view, it is suggested that more emphasis should be given to the development of partnership in e-commerce context. The development and management of partnerships should then focus on building the capacity of partners for the purpose of business interaction and collaboration. Partners must work together to find solutions to the problems facing them, so that all effort is directed at overcoming common difficulties and establish techno-cooperative partnership practice, as noted by Bytheway and Dhillon (1996).

**The nature of partnerships**

National, provincial and local government efforts to promote small businesses with developmental assistance in South Africa have to deal with the complex issue of sustainable partnership, economic inequalities and change management arising from social appropriation of ICT in a business context. The traditional “horizontal” approach to problem solving through government incentives is slowly changing to a “vertical” approach, requiring expert opinion to solve business problems (Simpson, 2005: 84). Effective partnership requires “bottom-up” tools and programmes that provide small businesses with the opportunity to engage one another in solving problems of equity, economic empowerment and networking (Onyx and Bullen, 1997). Many partnership initiatives have been widely developed and implemented, but fail to address information and communications technology inclusion and effective use. To ensure benefits, and a cohesive business management process, information and communications technology should be properly managed for effective use within a partnership, so as to avoid artificial obstacles to partnership formation (Mannion, 1996: 2; Popham, 1996; Schuftan, 1996).

According to Sher (1986), business and social partnerships are often developed for partners and not by them – clearly this will be the case in an unequal partnership where one – the stronger – insists on a style of partnership that they consider advantageous to themselves. A weaker partner is vulnerable to external factors and may be unable to sustain success by responding to the variable circumstances imposed upon them. If the South African government, for example, wants to develop and implement a strategy based on Internet access for small businesses then they should not just be trained in the effective use of information and communications technologies, they must be trained in negotiation skills and in strategic management. Then, perhaps sustainable partnerships between government, small business and their immediate communities will emerge that will support small businesses. This is contrary to the strategies being adopted in developed European countries and the US, which place emphasis on self-help. A government in a developing country, that encourages community empowerment and capacity building and then reneges on funding for the acquisition of ICT, will cause small businesses to fail. For these initiatives in developing countries to be successful, harmonious government, community and business partnership is unavoidable necessary.

Early experience indicated that this can be achieved by understanding the needs of the different stakeholders, and by providing finance, technology, hardware and the technical knowledge to support and maintain it (Wilkinson, 1986). In this case the Australian Government funded a regional telecommunications infrastructure project with total spending of $464 million, to improve both local and regional communications networks. The primary motive of the project was to ensure that stakeholders took ownership of developing and managing a healthy and sustainable community of small businesses, through partnership. It was expected that government support and funding for initiatives of this nature should sharpen the vision and will of the
community to be more responsible, more responsive and more proactive to managing the achieved and perceived technology-related benefits for economic growth. Without a co-operative partnership, government projects are doomed to failure, as was found in this Australian case.

Building business and social partnerships

Other work reinforces the argument that the achievement of sustainable social stability, economic empowerment and business benefits requires the development and management of sustainable partnership (Cavaye, 1999; Labonte, 1999). Though partnership building suffers from additional complicating factors such as security, trust and the visible and invisible costs involved, a lack of effort to build partnerships can lead to business failure and unattainable national, provincial and local government objectives (Blackwell ad Colmenar, 1999). Where adversarial business practice might even play on these complicating factors for strategic advantage, a well directed business and social partnership empowers, motivates and commits individuals to maximise their contribution to common objectives, with an open and willing attitude to adopt change (Gannon, 1998). Thus, the building of business and social partnerships requires a two-way system of individual empowerment through information and communications technologies, and the strengthening of the partnership network infrastructure (Milio, 1996).

MODEL FOR PARTNERSHIP MANAGEMENT

From this review of early and recent literature about small business practice, with e-commerce and partnership management issues, a number of important principles analysed and use to support the model. These principles are:

1) Success will not come from technology alone, but from a wider range of management skills.
2) A range of business skills will be necessary, but managing partnerships well will be a critical competency that may not be evident in small businesses that are trying to take advantage of the Internet.
3) Partnerships can be seen at different points in a business – in its relationship with its customers (perhaps that is the most traditional one, usually referred to now as “customer relationship management”), with its business partners (of which there are many different kinds, such as suppliers, banks and service providers) and with its staff, who require the requisite competencies if e-commerce is to succeed.
4) The quality of these partnerships will be seen through the benefits that derive from them, as seen in some aggregated way that is agreeable to all stakeholders.

This later observation is important, because it is so often the case that a stakeholder will dogmatically refuse to see any point of view or perspective other than their own. But, there is one important concept in modern business that attempts to aggregate all viewpoints: that is the concept of brand equity. It has become so important that corporations even want to include brand equity in their balance sheets, although how this might be done remains debatable.

Some experts see brand equity as the sum of everything that could conceivably comprise the impression that a business creates – not just with customers but with all those that contribute to such an impression including business partners and staff. As a relatively new area of management research, possibly parallel to the emergence of the Internet and certainly stimulated by it, brand management deserves to be taken seriously as a combination of competencies and capabilities that will assist a business – even a small business – to successfully deploy the Internet in its business activities. Not just in marketing, but in all that it does for internal and external stakeholders.

The Figure 2 depicts the concepts that arise from this discussion of issues, as impacted on by the adoption of the Internet partnership. Figure 2 can be described as follows:

1) Practically, small businesses undertake to build different kinds of relationship with their stakeholders – principally “Customers”, “Staff” and business “Partners”.
2) Two components – “Internet” and “CRM” – represent areas of management action that may or may not enhance the quality of partnerships.
3) Dealing with customers is often referred to as “customer relationship management”, or CRM. No doubt the relationship with partners and employees is the subject of similar thinking, and this needs to be investigated.
4) “Brand equity” is seen as the sum of all the perceptions of these key stakeholders, based on mutual benefits.
5) The lower part of the conceptual framework can be argued to represent “conventional thinking”, before the introduction of the Internet.
6) The Internet is then shown in the upper left part (Figure 2) and is presumed to impact on the “quality” of a relationship and thereby may or may not have “benefits”, and may or may not enhance the quality of partnerships with stakeholders.
7) Quality management of partners’ relation leads to real benefits, judged not by the quality of the technology implementation, but by the partners themselves.
8) The manifestation of these benefits is seen as increased or technologically enhanced quality in relationships with partners, or brand equity, or both.

This conceptual model is being deployed in research that examines the relationships between large financial service companies and their smaller partner businesses, at a time when Internet-based systems are being introduced with the intention of enhancing those relationships. Early experience indicates that success is by no means easy to achieve, and the concepts embraced here are proving helpful in
understanding where things can go wrong, by commission or by omission. A brief report on the status of this work will be provided at the conference.

Conclusion

As technology dictates the social and economic development activities of people, the role of information and communications technologies as part of this developmental framework is becoming increasingly important. The success of small businesses relies on partnerships with the small business community generally, the wider business environment, government, civil society and others. The relationship with civil society is particularly interesting as it is, in the end, both the driver of all businesses (through consumer demand) and the source of human resource for all businesses. 

Although concepts of partnership management exist in traditional management practice, it can be extended to the Internet provided that the components and elements of Internet partnerships are recognised and managed. From an early reading of relevant research, this will require a wider range of management skills than is at present recognised. For it to be successful, there should be an emphasis on (and understanding of) economic, infrastructural, social and human capital (Putnam, 2000). The principles of partnership development and management will not change with changing technology and online partnership management, but the detail will.

This paper has observed that the important business opportunities associated with the Internet can be successfully grasped, but that there are risks that can obliterate the benefits to be gained. An important risk is the mix of management competencies available to a small business, not just to manage the technology but also to manage the complex, soft, issues concerned with relationship management in a changing environment. Adequate technical and managerial skills are needed to ensure mutual benefits from technology investments by partners. Though improved management of partnerships and relationship management could lead to business success, the recognition of brand equity and brand management as an alternative management philosophy to deal with the Internet has been put forward. The framework provided here stands as the foundation for new research that will enhance the prospects for partners, and for good relationship management in all circumstances, especially those related to the introduction of the Internet and e-commerce.

REFERENCES


Figure 2. Conceptual framework (Onojaefe, 2004)


