December 2001

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WHO WAGS THE "E"TAIL? STRATEGIC PLANNING FOR E-BUSINESS IN SMES

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Abstract

An SME looking to exploit the Internet to develop online business will typically turn to website design consultants for assistance. Unfortunately, they often engage consultants without any clear idea of their intended e-business strategy and without due care as to effective engagement processes. Consultants, on their part, frequently adopt a cavalier approach to SMEs assuming that the "We know best" approach is what is required. This paper presents the initial findings from a study of ten Australian online retail business to consumer SMEs who contracted website design consultants to produce their sites. The study suggests that there is a significant gap between the intended strategies of SMEs and the actual e-business strategy implemented. Further it suggests that consultants need to review their own strategies for effective client engagement.

Introduction

Research has found that SMEs have been reluctant to adopt electronic commerce principles and practices in their day to day business transactions (Beer, 1999, DIST, 1998, Shern, 1998, SBI, 1998, Yen, 1998). The majority do not employ IT Managers or specialists. In the SME sector IT decisions and operational factors tend to be relegated to the realm of the Accountant, Manager or Owner-Operator and are mostly seen as a peripheral and sometimes annoying business factor (Prakash, 1998; Shern, 1998; DIST, 1998). Consequently, many SMEs tend to rely on external consultants to design and implement websites and in so doing often outsource their e-business strategy.

The questions addressed in this paper are:

1. Do SMEs have explicit e-business strategies prior to development of a website;
2. Are website consultants engaged through a formal engagement process, aligning business and web development strategies;
3. To what extent do SMEs feel their individual e-business needs are understood and met by website design consultants
4. Do consultants have established frameworks for developing online strategies for SMEs?

In an attempt to answer the above questions this paper incorporates a case study of ten Western Australian online SMEs who contracted Website Design Consultants to produce their sites. The SMEs chosen were established retail businesses and each utilised the services of different website design consultants. A total of five consultants provided services to these ten SMEs and they were also interviewed. The results from both sets of interviews are compared and some recommendations developed for future engagement practices.

Website Design Consultants and SMEs

Gable, (1989, 1991) identified a number of issues that SMEs need to consider when engaging the services of a consultant. These included the amount of time and effort the SME contributes to the project and the maintenance of a clear understanding of the role of the SME and the role of the consultant. He developed a twelve phase model of consultant engagement to clarify the role of a SME in selecting a consultant (see Table 1) and identifies three areas where SMEs can improve their consultant engagement process:

- assess client and consultant compatibility (phases 5, 6, 7 & 8);
- identify and address specific organizational roles (phases 1,2, 11 & 12) and
- accommodate evolving project objectives (phases 11 & 12)

Table 1. Gable's 12 Phase Model (1989)

1. define the problem;
2. evaluate internal resources available for the project;
3. canvass the market for prospective consulting firms;
4. develop a request for proposal (RFP);
5. check references;
6. evaluate proposals;
7. select a firm;
8. negotiate the contract;
9. announce the selection;
10. continuing review and refinement of mutual and individual responsibilities;
11. continuing monitoring and control of progress and
12. post-engagement evaluation of the service.

Although Gable's studies focus on first time computerization, it is felt that his model is applicable to Australian SMEs engagement of website design consultants as their first entry to e-business.

E-Business Strategy

Prior to consultant engagement a SME should have a clearly defined e-business strategy and the ability to align business processes with website strategy. (Angehrn, 1997; Poon, 1995; Bergeron, et al, 1998; Lawrence & Chau, 1998). Cragg, (1998) identified four components of Internet strategy that may be useful for SMEs to consider when engaging in online commerce.

Table 2. Cragg's Internet Strategy (1998)

Goal	Example
primary	to reach an international market
secondary	to market site to potential customers
Content	
started with	email, catalogue, order form
major use	marketing/promotion
WWW site for	product distribution
future plans	introduce new functions
Process	
led by	owner/manager
whose initiative	internal
built	external
Function	
functions of site	business-business, business-to-consumer

The above model is used as a tool to evaluate the level of SME involvement in the development of an Internet Strategy and how this may impact on the success of the SMEs venture into e-business.

Research Design and Methodology

The research design and methodology for this study is qualitative in nature and based on an *interpretivist* perspective and use of case studies. The cases were chosen via a deliberate theoretical sampling plan (Minichiello et al,1995). The researcher collected online small business contacts from four Internet directory sites www.aussie.com.au, www.ozsearch.com.au; www.perthwa.com.au and www.webwombat.com.au. From this, ten online SMEs were identified and their websites assessed based on the following model of website activities (see Table 3). The website activity model was synthesised from Internet usage surveys and interviews.

Table 3. Website Activity Model

	Use of Site	Communication	Promotion	E-transactions
SME #1	Educational products supplier	email for client queries	local, national & international customers	order online via email form – products available in a variety of languages. Pre-payment req.
SME #2	Clothing retailer	email for client queries	local, national & international customers	order products via email order form. Prices not included in catalogue.
SME #3	Giftware	email for client queries and for suppliers	local, national & international customers	full electronic transactions via shopping cart, credit card enabled.
SME #4	Music retailer	email for client queries; online newsletter & calendar of events	local, national & international customers	Searchable database of music. Orders placed via a Secure Transaction Server using credit card or International money order.
SME #5	Boating retailers	email for client queries.	local, national & international customers	Product catalogue with email/fax back order information.
SME #6	Car retailer	email for client queries, newsletter,	local & national customers	Searchable database of makes & models – links to car manufacturers.
SME #7	Reticulation supplier	email for client queries.	local & national customers	Searchable database– secure online e-transactions via credit card
SME # 8	Giftware retailer	email / newsletter (subscription only) for clients.	local, national & international customers	online catalogue, secure online e-transactions via credit card
SME #9	Lingerie retailer	email for client queries	local & national customers	online catalogue, secure online e-transactions via credit card
SME #10	Sport & Leisure retailer	email for queries – mailing list, calendar of events.	local customers.	information of products & services, special offers, email/fax back forms for purchases.

Results and Analysis

The interview data was analysed using a matrix as proposed by Miles & Huberman (1994). The data was then further analysed using Gable's 12-phase model for consultant engagement.

Table 4 illustrates how closely the SME case studies adhered to the guiding principals of the 12-phase model (Gable, 1989) for consultant engagement:

Table 4. SMEs and Gable's (1989) 12-Phase Model

Gable's 12-phase model	1	2	3	4	5	6	7	8	9	10
1) Define the problem	•	•	•	•	•	•	•	•	•	•
2) Evaluate internal resources	•		•	•	•	•	•	•	•	•
3) Canvass the market									•	
4) Develop RFP									•	
5) Check references	partially				partially				partially	
6) Evaluate proposals										
7) Select firm	•									
8) Negotiate a contract	partially			informally						•
9) Announce selection										
10) Continuing review of responsibilities	•						•			
11) Continuing monitoring and control	•					•	•			
12) Post-engagement evaluation	•									

Evaluation of Consultant Engagement

None of the case SMEs utilized each of the steps in Gable's model. Seven of the SMEs relied on recommendations from friends, colleagues or their ISP, trusting that the recommendations were appropriate. Only one SME developed an RFP and obtained several quotes. Three SMEs viewed the refereed sites suggested by the consultant, but did not contact either of the sites for a verbal or written confirmation, SME #4 "got a feel for them" during informal discussions. SME #3 did check the consultant references and found them to be excellent but later realised that these referred only to IT skills and their business expertise was non-existent.

Six of the SMEs did not have a formal written contract with their consultants although SME #1 had negotiated a verbal contract in relation to pricing for the design of their site. The verbal contract was not adhered to and when presented with the final bill SME #1 stated: "…that was a real shock, because I told him from the beginning I had a really strict budget and it was blown right out…".

Interestingly, all SMEs had, or were in the process of, severing the consultant/client relationship. For all the SMEs this decision was not merely a cost-cutting exercise, all felt they lacked control over the site and could manage the site better internally:

In the analysis of the data, pricing and service were recurrent themes for all the SMEs and the importance of clarifying the role of consultant and client was very clearly highlighted. In several of the cases, it appeared that the SMEs passively trusted the consultant to produce results at minimal cost. Nine of the SMEs felt that they had been overcharged and did not receive value for money from their website design consultants.

Cragg's Internet Strategy

Only one of the SMEs actually planned the implementation of their website. The others relied on ad-hoc ideas, thoughts and hopes for their sites. SME #1 had ongoing discussions between the partners of the firm to generate ideas and future plans based on their original goals of reaching an International market and increasing overall profits. SME #2 stated that they did not have a written plan "just ideas, obviously I'd like to develop it to other things". The plan developed by SME #3 was written after discussions with business colleagues and several consultants, but quickly became a superfluous document. The written plan was not adhered to and the site development became an "evolutionary process".

When interviewed, the SMEs could verbally identify their primary and secondary goals, but were less clear in regard to content strategy. All the SMEs had future goals for their sites but had not formulated a structure for ensuring their ideas were captured, that plans and timeframes developed, or that future costs were identified.

The View from the Consultant Perspective

One of the client concerns identified by Gable in his analysis of consultant engagement is that consultants often appear to have minimal relevant experience. The background of the five consultants involved in the site designs of the ten SMEs is shown in Table 5. All of the consultants explicitly stated strategic management skills of some kind and emphasised project management skills.

Table 5. Consultant Background Information

Consultant	Founded	Staffing	Services (other than web design)	Date website started
#1	1996	35-40	Business Strategy	1997
#2	2000	6	e-commerce strategy	2000
#3	1997	3	Strategic management	1997
#4	1998	4	Strategic management	1998
#5	2000	6	Business management	2000

Each of these consultancies were interviewed and only five stages of the Gable model were found to apply even partially to their engagement process as shown in Table 6.

Table 6. Consultants andGable's 12-Phase Model

Gable's 12-phase model	1	2	3	4	5
1) Define the problem	•	•	•	•	x
2) Evaluate internal resources	•	•	•	•	•
5) Provide references		x	x	x	x
7) Select firm	x	x	x	x	x
8) Negotiate a contract	x				x

Legend: x completed step
• partially/informally completed step

Only one (#1) had any guidelines for handling SMEs as a group and only one (#1) had provisions to draw up a contract in consultation with the SME. Consultancy #5 did draw up a contract but without SME consultation. Typically the consultants views expressed were that informal processes worked best with SMEs.

Pricing was also an informal process and where hourly rates were used no predefined maximum hours were agreed. Generally the consultants agreed that SMEs rarely understood what their requirements were and had even less understanding of the iterative

nature of website development, the need for updating and the need for evaluation. Only Consultancy #1 expressly offered evaluation services although these were not actually applied in the cases studied.

Table 7. Pricing Schedule

Consultant	Pricing Schedule
#1	milestones – 20% initially; 25% test site; 30% site completion; 25% site live.
#2	set rate – based on project timeframe & tasks
#3	hourly rate
#4	hourly rate
#5	hourly rate

Conclusion

There are many factors affecting the success of SMEs entering the world of e-business and this paper focused on two possible factors. Firstly, consultant engagement for web design was investigated using Gable's 12 phase model for consultant engagement, and secondly e-business strategies were explored to identify the main intended uses of the website adapted from Cragg's Internet strategy models.

Prior to consultant engagement, a SME needs to have a clear idea of their Internet goals and the strategies required for achieving those goals. However, none of the case SMEs appeared aware of this concept. Although the SMEs could identify their primary, secondary and content goals verbally, they tended to rely on ideas, memory and hopes for the future success of their online venture. None of the SMEs had allocated an ongoing budget for future maintenance and development of the sites nor had they clearly articulated or formalized future aims, identified time-frames or developed clear strategies for achieving any of these objectives. . It was found that none of the case SMEs fully adhered to Gable's 12-phase model and the ten SMEs in this study each felt a strong measure of disillusionment with the consultant engagement process and also with the resulting e-business strategy.

The analysis of the interview data collected from the consultants showed that they were similarly deficient with respect to strategic formulation - this is less surprising when one considers that the majority (4 out of 5) were also SMEs. Gable's 12 phase model highlighted the need for clear understanding of the mutual roles and obligations of the client/consultant relationship. The model could be used in order to guide negotiations and relations between the client and the website design consultant to achieve a more successful outcome

The development and evaluation of an RFP, steps 4 and 6 in Gable's model,would have clarified for the SMEs exactly what they were seeking from a website design consultant. In conjunction with the RFP, the preparation of a firm contract (step 8) would have assisted in circumventing these problems

Ongoing research for this project involves an online focus group of SMEs and future work is directed towards an Australia-wide cross-case analysis of SMEs and engagement of website design consultants, and an analysis of consultants and their strategies for e-business development.

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