

# The e-Trade Bridge Paradigm for SME Competitiveness

## Why a Paradigm?

A Paradigm is a model representation of a physical or conceptual system describing its components and how they work together.

A paradigm can be useful for many things; it can be used to understand complex systems since it simplifies their approach, to diagnose systems and identify where they fall short and should be improved, to guide practitioners in the design of a solution to improve a particular instance of a system under examination or to guide them in the design of methodologies, and to help practitioners agree with each other because they have a common approach.

Countries do not export; businesses do. As a consequence, ITC focuses its activities on exports and SMEs in developing economies. In addition, recognizing that the digital divide makes it more difficult for developing countries to reap competitiveness benefits, ITC had to form a conceptual representation of what is competitiveness and how enterprises, new technologies and competitiveness inter-relate and could be influenced.

These are the concepts upon which ITC's e-Trade Bridge programme is based.

## Relationship between E and Business

Information and Communication Technologies (ICTs), or E as they are familiarly called, impact businesses both directly and indirectly:

- **E in business** is the way ICTs can have a direct impact on business through the improvement of effectiveness and efficiency of the business's production or marketing processes.
- **E as a business** is the case where E is the business of the enterprise. It directly impacts this business, and indirectly impacts the businesses which benefit from these E products and services. It is worth adding that E as a business does not survive long if there are no businesses implementing E in business, i.e. developing an e-industry without encouraging demand for its services is a sure recipe for failure.
- **E for business** is the way E can have an impact on businesses indirectly through the business environment in terms of the availability of quality e-specific resources

Many new technology initiatives in developing countries are geared towards building an Internet infrastructure or creating a local supply of new technologies goods and services (an e-industry) for both domestic and export purposes, and call upon government institutions to foster and facilitate such initiatives. On the other hand, few initiatives are actually undertaken to ensure that economic operators (enterprises) are in a position to strengthen their demand for such goods and services and to encourage them to do so.

Linking E and business in three ways, E for business, E as business and E in business, makes sure that both businesses and using ICTs in business, get the emphasis they deserve within the development of the economy, and encourages economic development participants to also undertake initiatives which strengthen the demand for new technology goods and services and which help businesses reap the competitiveness benefits made possible by new technologies.

## Instigators of new technology initiatives

New technology initiatives can be and should be instigated by different types of actors. These actors can be classified in three levels:

- **Macro level** actors, typically government institutions,
- **Meso level** actors, such as trade support institutions, training institutions, NGOs, financial institutions, e-industry services businesses, chambers of commerce, trade or business associations, etc.,
- **Micro level** actors, such as enterprises, SMEs, cooperatives, etc.

Macro level, Meso level, and Micro level initiatives are quite different in nature. In addition, there is room for a great variety of initiatives within each level.

## Scope and definition of E initiatives

The basic tenet which governs our approach is:

- Human and economic development are the primary goals of societies,
- Trade fosters economic development,
- Competitive businesses are engines of trade,
- E can help businesses be competitive.

Our purpose here is not to discuss these principles or beliefs, but rather to concentrate on how E can help businesses be competitive.

For E to help businesses become competitive, entities at the Macro level, at the Meso level, and at the Micro level, must take initiatives which serve one or more of the previously defined purposes: E for business, E as business, E in business.

These E initiatives fall into categories as defined below and represented into the E initiatives matrix.

A business needs resources as input for its management, marketing and production processes: these are the information & know-how, human, physical assets & financial, and networks & relationships resources. It can find and acquire these resources from the environment, or invest in its current resources and grow them in-house. As a consequence, an environment which is rich in the right kinds of resource helps businesses implement their strategy.

Initiatives taken by Macro level institutions concerning resource creation to facilitate the utilisation of ICTs by SMEs fall into the **Resource Creation** cell of the E initiatives matrix (not to be confused with wealth created by the business during its operations). These include policies and strategies aimed at creating a pool of resources which are needed by SMEs to use ICTs, such as a national education plan for e-literacy, the creation of e-specialist university curricula, budgeting funds to help SMEs finance equipment and software, making the legislation conducive to using new technologies for business transactions, etc.

Initiatives taken by Meso level institutions concerning resource allocation to facilitate the utilisation of ICTs by SMEs fall into the **Resource Allocation** cell of the E initiatives matrix. When a Meso level institution undertakes projects providing SMEs it has selected (either by mandate or by choice) with services using up its own resources or resources granted by Macro level institutions, it actually acts (willingly or unwillingly) as

a agent of allocation of resources. If, for whatever reason, the project had involved another set of SMEs, these would have benefited from the resources instead of the SMEs from the first set. Chance plays a non negligible role in who gets the resources, but initiatives to change the allocation by creating a Meso level institution or influencing the mandate or audience of an existing one, can be undertaken either by Micro level enterprises or by Macro level institutions.

Initiatives taken by SMEs concerning resource acquisition to facilitate their utilisation of ICTs fall into the **Resource Acquisition** cell. These include measures taken by SMEs to facilitate a paradigm shift within the SME in order to enable ICT usage.

	e for business	e as business	e in business
Macro	Resource creation	Institutionalised e-Industry initiatives	e-Government
Meso	Resource allocation	e-Industry initiatives	e-Facilitation
Micro	Resource acquisition		e-Business

Initiatives taken by Macro level institutions to institutionalise businesses dealing in E fall into **Institutionalised e-Industry Initiatives**. These include initiatives to set-up national telecommunications companies, national Internet access providers, etc., as an attempt to start an e-industry with public funds when the short-term economic justification is weak or private capital is inadequate or very risk adverse.

Initiatives taken by Meso level institutions in the e-industry fall into the **E-industry Initiatives** cell. These include initiatives taken by enterprises whose business is ICT-centric such as Internet service providers, web designers, portal managers, e-business solution providers, etc., as they provide support and services to other e-industry enterprises at the Meso and Micro levels, and to non-e-industry enterprises at the Micro level.

Initiatives taken to use ICTs in the management of processes fall into the 'E in business' column. **E-government** for government procurement, information dissemination, online administrative procedures, etc. **E-facilitation** for online training, selling equipment online, online financing, etc., undertaken by Meso level institutions. **E-business** for the digitisation of management processes (planning, execution and control of resources), and production and marketing processes.

## Why do we call this paradigm the e-Trade Bridge paradigm ?

The paradigm was instrumental during the conceptualization stage of the e-Trade Bridge for SMEs Programme (ETB) in terms of finding and defining the programme's unique niche ie. the "use-divide"

### The Use-Divide

[\(click here to read more about the use-divide\)](#)

ETB is an integral part of the Enterprise Management Development programmes where national capacities for training and consulting is strengthened to provide assistance to the enterprise managers to make informed decisions about **why** and **where** they should be using Information and Communication Technologies (ICT) in managing their businesses in accordance with the business strategy. This is called bridging the use-divide©.

The use-divide is quite simple to describe. Although there is adequate telecommunications infrastructure, although there is sufficient access, ICT use, by SME managers in particular, seems to be lacking. In the same countries some enterprises, especially bigger ones, use the ICT availability almost to its full extent. Hence the use-divide.

The ETB does not go into answering **how** the ICTs can and should be used. This is because (a) the field changes almost daily, (b) numerous public and private initiatives produce solutions; (c ) it is felt inappropriate to suggest specific solutions.

In conclusion ETB's work solely concentrates on building the management competencies of SME managers to make informed decisions about where, and why they should (or should not) use e-business solutions.