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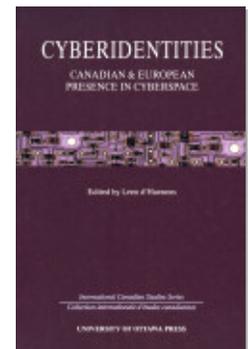
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ICTs FOR SMEs: THE SME WINS ON THE INFORMATION HIGHWAY

by Karel UYTTENDAELE

I INTRODUCTION

During the months of February, March and April of 1997, Fabrimetal and CRIF-WTCM teamed up with the local Belgian Chambers of Commerce and Industry (comprising 35,000 members) to launch an ICT promotion program for the Belgian SMEs, concentrating on Electronic Commerce and on Co-operative Networking between SMEs. It was felt that thanks to Internet technology, ICT was suddenly within the reach of all SMEs, allowing them to make a huge leap toward reaching an ICT penetration on par with or surpassing the big companies. Nevertheless, it was stressed that one should proceed in small steps (E-mail, electronic purchasing, co-operative networking, simple marketing) in order to get acquainted with the new medium, then expand later with an owned Web-site and Commerce Server, then going international.

During 38, 90-minute interactive sessions at 29 different locations, organized between February 14 and April 14, 1997, over 1,600 SME managers were reached with practical demonstrations of Internet-based E-Commerce and Internet-enabled Networking between SMEs. Positive messages illustrated why and how SMEs can prosper in the new global networked economy and how they will stimulate employment and consumption. Ample time was reserved for (lively) question and answer sessions while all technobabble, expensive wording and hypertrendy theories were banned.

Two teams of five people toured the country, carrying with them equipment and software with a value of ECU40,000. The total investment in person-days and depreciation exceeded ECU120,000. Approximately 25 percent of this investment was taken care of by the Chambers of Commerce. Both partners were in charge of *their* investment. Above all there was a strong desire to move fast and to provide *neutral* and clear advice to the participants. Hence it was decided not to apply for public grants nor for commercial sponsoring. All costs were absorbed by the two federations. Only a fraction of the costs incurred were recovered through participation fees.

II YOUR SME WINS ON THE INFO HIGHWAY

Demo sessions

Business-to-business E-Commerce

The virtual giant: SME networking

Discussions

- New ICT within the reach of SMEs
- Dancing with the giants
- New business opportunities on the Info Highway
- Obstacles on the Info Highway

III CONTENT

During the Roadshow two scenarios were presented.

3.1 Internet-based electronic purchasing (E-commerce)

This scenario demonstrates a stock-keeping system. A company's computer system automatically registers the depletion of warehouse stock and asks the supervisor if an item should be ordered from the supplier; if the answer is yes, the order is automatically placed in the supplier's computer system, etc. This model demonstrates interaction between two companies.

3.2 Internet-enabled networking with complementary SMEs (virtual company)

In this example, known as a virtual company, one company receives an order and decides to hire another company to do part of the design work. The design company in turn needs a mould-maker in order to produce the requested part, thus involving a third company; these companies therefore form a temporary "virtual company." All the communication related to this project is done via the Internet. The *Master of Ceremonies* (MC) talks the audience through these scenarios in a lively, entertaining and non-technical way, while three actors represent the three companies. The scenarios are devised in such a way that all aspects can be shown via a Web browser, projected on a large screen. This enables the presentation to demonstrate clearly and effectively how Electronic Commerce can change the way companies do business. The show is approximately 60 minutes long, but since it always provokes questions, a complete session usually takes around 90 minutes.

During the presentations, the MC gives many practical tips: for instance, he stresses the importance of proceeding in small steps for *quick wins* (i.e., proceeding via E-mail to electronic purchasing, co-operative networking, and perhaps simple electronic marketing), in order to become acquainted with the new medium. Later expansion could include establishing a Web-site, Commerce Server and possibly *going international*.

The essence is to provide positive messages illustrating why and how SMEs can prosper in the new global networked economy and how they can stimulate employment and consumption. The message is kept clear and direct: *technobabble* and trendy *net-head* theories are banned!

IV POSITIVE MESSAGES

Some positive reflections on the particular position of the SME in the new networked global economy are a stimulus for further discussions among the participants on the roadshow.

4.1 Positive message one: ICT is within the reach of SMEs

Thanks to those two demonstrations, Electronic Materials Management (E-Commerce), and Networking with complementary SMEs, Fabrimetal and CRIF-WTCM hoped to demonstrate that SMEs make a significant leap forward in terms of access to the newest ICT. Thanks to Internet technology, the SME can now dispatch ten proposals to the other side of the world at a cost lower than the cost of one postage stamp.

4.2 Positive message two: The immediate future of E-commerce, or paperless commerce

The share of paperless commerce in the overall business turnover in the US is extremely limited. Over the next two years, the growth between professional partners (between SMEs and their vendors or between SMEs and their professional customers) will be exponential. Remarkably, the expected evolution of interactive home-shopping will only be moderate. Despite massive media attention, this survey rates consumer E-Commerce as small potatoes. We believe this is good news for the future of wholesalers, for the distribution sector as a whole, and even for individual neighbourhood shops.

4.3 Positive message three: There are no more advantages to big business

SMEs often say: "OK, we now have got access to the newest and most powerful ICT. We however have the feeling that the giants of Industry and Services still benefit from many more advantages, e.g., economies of scale." Does this statement still hold?

Peter Drucker remains one of the most astute observers of modern corporate society. He declared in the August 1996 issue of *Wired* magazine:

In the last 15 years, the world over, there has been practically no growth in big companies. There are a few exceptions – a few information companies. If you adjust for inflation there are very few in the Fortune-1000 companies that have grown. But the medium-sized companies have grown very, very fast over the last 20 years! That is why we have had no rise in unemployment. By and large, there are no more advantages to big business. There are only disadvantages. Big companies had three advantages, and they are all gone. The first was they could get transnational or international money that a medium-sized company could not. Now everybody can. Number two is information. It used to be that nobody had any information. But as you go more international, as the economy becomes global, the access to good information becomes crucial. If you are a medium-

sized company, then the CEO still knows every customer and still knows the industry. You can't know that in the US\$10 billion company; you get reports. Reports tell you what your subordinates want you to know. The last and most important factor is that young, educated people do not want to work in the big institutions. That's even true in Japan today. I have an old habit: every September I go into the registrar's office and ask them to give me the folders of my very good students from 10 years back, 8 years back, and then I call them up. They almost all started in a big company for the simple reason that big companies have campus recruiters and training programs. But it used to be that three out of five changed from a big company to another big company. Now more than half have changed from a big company to a small or medium-sized company. They often say, we would really like to have some security, but there ain't no such thing. All of them know that those days are gone. So they say: If there's no security in the big companies, then why should I be bored to death? In the medium-sized company, I don't have the big job, but when somebody has to go to Shanghai to straighten out a distributor, I go. And I have fun.

More reasons that SMEs will benefit most from the Internet revolution are: giants are already well-computerized. During the next two years all the giants will continue to be fully occupied with re-engineering, downsizing, delocalization, the search for core competencies, discussing mergers and acquisitions, discussing innovation strategies, etc.: all activities whereby the management team are not concentrating on their customers nor on their product. In the meantime, SMEs can take further advantage of their built-in flexibility, fast decision making, low cost structure, and 100 percent product and customer dedication.

As the financial threshold to the most modern ICT is low, Peter Drucker sees SMEs from now on dancing with the giants.

4.4 Positive message four: Jobs along the information highway

Will the information society increase net employment? Does this not contradict the popular belief that technology leads to more productivity, however, to fewer jobs and, in the end, to a decrease in the buying power of the masses?

The expectation is that *traditional* SMEs will not only achieve significant productivity increases and become more competitive, but will see hefty increases in their turnover and will need more people. It is obvious that a general implementation of Internet and/or Intranet by two-thirds of all Belgian SMEs will lead to the need for lots of professionals capable of installing the networks, building Web-pages and E-catalogues, acting as consultants, and manning the service provision companies and call centers. It is not unthinkable that more and more young entrepreneurs or even senior managers will take the plunge and start their own businesses. Especially now that the financial threshold for access to this high-tech type of business is rather low. A starter in this type of business does not have to invest in expensive machinery or in large buildings.

Bottom-up stimulation for the implementation of web-commerce servers at the vendors

The SME as a buyer: the bottom-up stimulation by SMEs for the implementation of Web-Commerce Servers, both upstream, at the location of the industrial vendors (the giants), and at the location of the wholesalers. The expectation is that when large numbers of SMEs insist that their vendors place their orders electronically, this demand will lead to significant new and productive capital investments and new jobs! Vendors do benefit significantly from making all ordering information available on-line to their customers, and this goes far beyond savings on the printing costs of paper catalogues.

Top-down stimulation of tele-working, distance learning, home shopping, tele-administration, infotainment and the residential user

SMEs are setting an example for a top-down stimulation in the introduction of multimedia applications for the masses. SMEs and self-employed entrepreneurs operate in close harmony with the residential user. By setting an example they lead the way to a faster introduction of a whole set of multimedia services for the individual consumer: tele-working, distance learning, home shopping, tele-administration, video-on-demand and infotainment. Again, new opportunities for more work.

The export of "broadband" know-how

When it comes to the early use of broadbanded multimedia applications (richly illustrated e-catalogues) Belgium may occupy a particularly strong position: 95 percent of all homes are connected to *the cable*. In the northern part of the country (Flanders Region) venture capitalists have begun to upgrade the existing analogue cable distribution system; within the next three years, 2.2 million residences will be connected to a high-speed two-way digital information highway. To Fabrimetal's knowledge, this is the largest undertaking of its kind in the world. Within the next three years, 6.5 million people will be able to surf at high speed on a broadband Internet.

Belgium must take advantage of a unique situation whereby two capable operators, the incumbent operator Belgacom (with ADSL broadband modems) and a newcomer, TELENET (with cable modems), will fight for the favours of broadband consumers. This will lead to lower prices of bandwidth, and bandwidth is addictive! Belgium may obtain a one-year advantage over other high-tech regions in the use of broadband multimedia solutions like E-Commerce. The know-how derived from an early mass implementation of high-speed multi-media enhanced E-commerce may be exported to other countries and, again, create new jobs.

In summary, Fabrimetal has identified four major levels of opportunity for profitable investments and consumer spending: (1) high-tech starters, (2) traditional SMEs, (3) setting an example through SMEs both for vendors and residential consumers, and finally (4) Belgium as an exporter for broadband know-how. It is not unlikely that these opportunities for extra turnover and spending will eventually help to overcome rather widespread pessimism by leading to new investment and consumer spending, and kicking off a positive spiral of more work, more buying power, more consumption, and so on.

V CONCLUSIONS

Fabrimetal and CRIF-WTCM hope to have demonstrated that thanks to Internet technology, SMEs and starters are at a turning point in their history. Now they can make a huge leap forward; it is possible to invest in small steps, achieve quick wins, and increase turnover and profits. Examples of such small investments and related productivity increases are the use of E-mail, electronic purchasing, and straightforward networking with colleagues. Fabrimetal and CRIF-WTCM feel SMEs should not wait any longer to jump on the bandwagon of the Information Highway.

5.1 Some observations with respect to the spring 1997 roadshow

1. The average number of participants already using the Internet before attending the roadshow was only 25 percent, despite a stipulation in the invitation letter that some Internet know-how was a prerequisite. It was expected that within the next three months 75 percent of all participants would be on the Net (based on informal discussions after the sessions). The original target, to reach 1,000 SME managers, was surpassed by 60 percent. A positive sign regarding the interest of SMEs in the new medium!
2. The reasons for the success of these seminars: (1) practical applications without hypertrendy theory, (2) the recommendation to get started with small, risk-free steps ("quick wins"), (3) positive messages for SMEs. Eighty percent of all participants evaluated the session as "exceeding expectations" (both on content and on the quality of the presentations). Some positive comments: "enfin du concret," "an impressive, realistic and well-oiled professional show," "thank you for recommending to get started in small steps," "unbelievable that not one single line of code was written for this show," "please give us more of these positive messages," "this event ranks amongst the three most important SME events of the last year."
3. Reactions and comments from the SMEs located in less-favoured economic areas indicate that they are starting to realize that in the new networked global economy, they suddenly have access to the same tools as their big-name colleagues.
4. At the onset: skeptical questions (privacy ...).
Afterwards: constructive questions (how to...?).
5. The virtual company: a lot of missionary work.
6. Ditto for entrepreneurship.
7. During the first sessions the number of *skeptical* questions was high; as the weeks passed, the number of constructive questions (how to...?) outnumbered the sceptical questions.
8. Much more missionary work will be needed to convince Belgian SMEs to co-operate with complementary colleagues for the creation of *virtual giants*.
9. Ditto for students who need to be motivated at an early stage for more entrepreneurship.

10. Probably the most important obstacle to the needed accelerated roll-out of Internet access to the 185,000 Belgian SMEs, may be the shortage of IT technicians for the installation and maintenance of all the small networks. Most tasks can be executed by *IT technicians*. For the whole of Belgium only 150 of these have been graduating from *secondary technical schools*; in sharp contrast with a need of 2,000 per year! (This curriculum also prepares for *Industrial Engineering* studies, a degree to be obtained from a technical high school.)
11. The Belgian federal minister of SMEs called this roadshow an “exemplary effort of networking between professional associations,” and promised to take the lead in an interdepartmental effort for the simplification of administrative rules: (“We have to halt the *textual* harassment of SMEs”). The authorities have to move fast with the de-materialization of the paper trade documents as well.
12. At the end of April, the VRT, the Flemish public TV broadcaster, started a sequel on this roadshow targeted at the same SME audience and illustrated with more E-Commerce and Networking applications.
14. Another Belgian federation of Small Enterprises, with 80,000 members, has shown initial interest in the transfer of know-how from this ICT promotion package.
15. All know-how, software, slides, scenarios, scripts and special hardware are easily transferable to any other Belgian or non-Belgian organization interested in pursuing the same goals of promoting ICT for SMEs (Internet, E-Commerce, Networking).

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