

Traditional business versus e-business in Romanian's SMEs

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Abstract: The role of SMEs in the Romanian economy is indisputable. They are those that provide clearly continue development of the industry. The development of this sector has brought a problem regarding the internationalization of their activities. This process is very important for improving their competitiveness, export begin considered vital to increase Romanian SMEs activity. Romania's integration in European Union brought both advantages and disadvantages for local entrepreneurs. The current paper presents the results of a comprehensive study regarding several SMEs from Romania and how opened are them to the new economy "e-economy". An e-enterprise is the goal and the result of a successful e-management. To implement e-management successfully, we should take e-technology as precondition and e-source as foundation, in an operation mode of e-service, with the guarantee of e-speed, to achieve a goal of e-organization. In this paper, the connotations of related e-concepts are described in detail; the operation process model of e-enterprise and conceptual model of e-management are also built.

Key words: Romanian SMEs, E-business, Traditional business, Opportunities

1 Introduction

In this era, information is regarded as a strategic critical resource for generating value added products and services; therefore, the third millennium is nominated by scholars as the era of knowledge and information technology. The shift of societies towards the information society has had deep effects on numerous aspects of human life such as economical, social and cultural aspects [1].

The prime forces of change include globalization, higher degree of complexity, new technology, increasing competition, changing client demands and changing

economical and political structures [2]. The application of information technology can provide a competitive edge, increase customer service and create a flexible production environment [3]. The impact of information technology on human societies is not less than that of industrial revolution, therefore the information technology developments and its application is regarded as the fourth industrial revolution [4].

In fact, World Wide Web is bringing a tsunami wave of change that affects all aspects of society. Markets of products and services have been radically changed by our Internet-connected world.

2 Traditional business versus e-business in Romanian SMEs

The revolution in information technology has exploded into the new knowledge economy and new information technologies are changing the ground rules for information flow in societies. The importance of using new technologies to provide information access is of great significance in the global economy [5]. In other words, information technology is the focal point of electronics, data processing and telecommunication.

Why invest in “e”?

There are three main reasons why developing countries should invest in “e”. First, information and communication technologies can improve the ways they produce, market and buy and sell their goods and services. For instance, SMEs can use online auctions and exchange mechanisms on the web to buy and sell everything from automotive parts to almonds and from shoes to flowers.

Second, ICTs can help level the competitive playing field between developing and industrialized economies. For example, because the Internet is a global system, companies’ exact locations are becoming, in many respects, increasingly irrelevant. Sellers can open new markets in previously unthought-of places and exchange valuable data across borders and time zones with small investments in standard Internet technologies.

Third, electronic business — retail and business-to-business — is growing substantially despite the dotcom companies staggering a few years ago. And it’s not just business — governments are getting in on the act. A solid investment strategy in “e” can help SMEs enter new markets and overcome or sidestep many traditional obstacles they face while competing internationally.

The public sector has a role to play here, working with business, as any national strategy to use “e” for trade development should start ‘from the bottom up’. Once strategy-makers identify the business sector’s needs and concerns, they can work towards creating an enabling environment, including a legal framework, e-government, financial access, Internet access and practical training. It also makes sense to focus in priority on areas and sectors where “e” tools can be most effective, i.e., export sectors with the most potential to transform quickly and become efficient users of ICTs in the conduct of their business.

Parallels between traditional business (industrial economy) and e-business

Industrial economy

- tangible assets
- certainty, little change
- traditional skills

- value based on ‘scarcity’
- mass markets
- simple products & processes

Digital Economy

- intangible assets
- uncertainty, highly dynamic
- new skills
- value based on ‘abundance’
- mass-customization
- enhanced products & processes

We focus in this paper more on **e-business** and its impact than on the traditional business case.

The intensity and impact of electronic business depend on the business activity of companies, and on the configuration of the value system in which these companies operate.

In manufacturing sectors, companies focus on procurement processes, optimizing supply chain management and integrating with retail and distribution.

In a project-oriented business such as construction, applications supporting project management have a high potential.

In tourism, online information and reservation services have become a commonplace.

In telecommunications, it is hardly possible to make a clear distinction between the use of e-business by telecom firms themselves and the provision of related services to customers. Hospitals aim at improving the efficiency of their internal processes as well as document exchanges within the health system by means of ICT, thus cutting costs.

Companies are increasingly using ICT to link together their business processes and systems internally: hooking departments together to provide better products and more responsive services more efficiently; with those of their suppliers, distributors and other partners, increasing efficiencies even further; with public authorities; with their customers, allowing them to respond more directly to market trends and sell worldwide. E-business therefore allows new forms of partnership, and improves both the way companies work and the products and services they offer. One must take into account the fact that, e-business means talking about new issues: business-to-consumer (B2C), business-to-business (B2B), e-tailing, business-to-business-to-consumer (B2B2C), consumer-to-business (C2B), consumer-to-consumer (C2C), peer-to-peer (P2P), mobile commerce (m-commerce), location-based commerce (l-commerce), intra business EC, business-to-employees (B2E), collaborative commerce (c-commerce), e-learning, exchange (electronic), exchange-to-exchange (E2E), e-government [6].

According to well-known specialists the trading partnerships that business-to-business electronic marketplaces are also known as “**B2B e-markets**”, defined as:

a) electronic trading platforms that bring together businesses with the purpose of buying and selling [7]

b) “virtual online markets where buyers, suppliers and sellers find and exchange information, conduct trade, and collaborate with each other via an aggregation of information portals, trading exchanges and collaboration tools” [8].

Computer has facilitated the collection, processing and transfer of information and therefore has resulted in cost reduction, productivity, quality and efficiency improvement in all industries [9].

Information technology has numerous applications ranging from tax collection to bank organization, from oil excavation to creating energy systems, from document management to the analysis of complex scientific problems etc.

The sector of small and medium-sized enterprises is considered to be sensitive to the transformations of the market and legislation, to the State interventions, and will be certainly affected by Romania’s accession to the EU structures. Most of the Romanian companies are closed, traditional enterprises, having conservative stock-holding structures, characterized by inability of communication, lack of transparency, and servile attitude towards authorities.

E-management is an umbrella name for several e-business modules. It includes tools for transparent information exchange and on-line collaboration between different players in the supply chain. E-management encompasses the processes that will ensure that business and IT departments are aligned with each other and are able to deliver the level of service, availability, security and performance required for e-business success.

E-management refers to the behind-the-scene information systems that support the management including data and information management, maintaining electronic records and using electronic tools to communicate and work together [10].

In many developing and emerging countries, small and medium-sized enterprises (SMEs) are increasingly concerned about being able to benefit from the electronic, or “e”, dimension of the information age. They are far more aware of the rich potential of “e” to sharpen their competitiveness in world markets. But with limited resources and a bewildering choice of information and communications technologies (ICTs), they need help in deciding how and where to invest.

Governments, trade support agencies and technical cooperation institutions can help ‘put “e” to work’ for the benefit of these firms. SMEs are, after all, the

backbone of most developing country economies and foremost among their exporters.

E-trade capability does not mean that the exporter must be able to conduct each stage of the international transaction electronically. For the moment the market does not demand it. Export development in the digital economy is not an “all or nothing” proposition.

The challenge is, nevertheless, to work towards acquiring e-trade capability at every stage of the transaction. This requires a concerted response not just from the entrepreneur, but also from the public-sector, strategy-maker and managers of trade support institutions (including banks).

The “e” dimension emerges as a powerful trade tool, widening market prospects, increasing market visibility, improving access to clients and reducing transaction and promotional costs. It throws open entirely new business opportunities, and also helps do ‘old’ business in new, more efficient ways, bringing new forms of support to exporters. Acquiring technology is one thing; making it work to benefit SMEs and society at large is quite another.

Countries want to ensure that their SMEs and the communities that rely on them for their economic well-being benefit tangibly from new digital opportunities [11]. This was a key factor linking the debates at the World Summit on the Information Society (Geneva, December 2003 and Tunis, December 2005) to the achievement of the United Nations’ Millennium Development Goals by 2015.

E-business (electronic business), derived from such terms as “e-mail” and “e-commerce,” is the conduct of business on the Internet, not only buying and selling but also servicing customers and collaborating with business partners [12]. One of the first to use the term was IBM, when, in October, 1997, it launched a thematic campaign built around the term. Today, major corporations are rethinking their businesses in terms of the Internet and its new culture and capabilities. Companies are using the Web to buy parts and supplies from other companies, to collaborate on sales promotions, and to do joint research.

Exploiting the convenience, availability, and worldwide reach of the Internet, many companies, such as Amazon.com, the book sellers, has already discovered how to use the Internet successfully.

We made a survey to identify the main difficulties of the activity of SMEs in Romania and major ways to strengthen this sector.

The poll was conducted on a sample of several SMEs - micro, small and medium - from some economic sectors found in Romania.

It was also processing some statistical indicators calculated by us, or those obtained from local level (government or statistical offices) by the comparative method.

The results of researches about e-SMEs in Romania, in terms of using information technology, revealed the following: 83.26% of companies have computer equipment, if we compare with the 2008 we see that only 82.25% were; 81.44% of firms had access to the Internet from 72.93% in 2008; 72.52% of organizations used e-mail compared to 61.07% in 2008; 36.58% to 21.50% of companies in 2008 have the Intranet, 16.20% from 11.54% in 2008 have their own website and 11.01% of the economic units from 6.77% in 2008 are using on-line transactions. Also, 9.37% to 7.32% of companies in 2008 have no IT facilities.

The out puts of figure 1 shows that Romanian SMEs in terms of electronic business has to do much more than they do it until now, for this the government authorities must to imply in this field and to sustain it.

Fig. 1 – SMEs having access to the internet

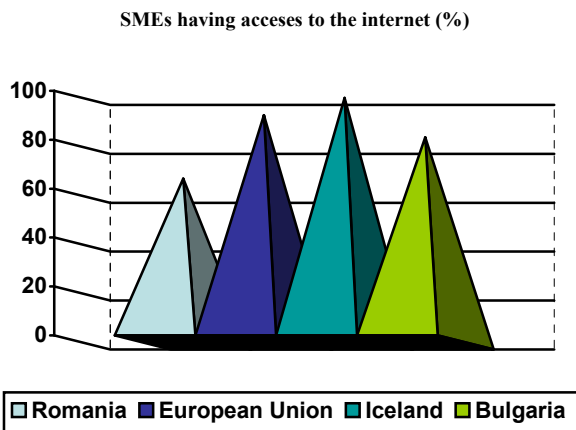
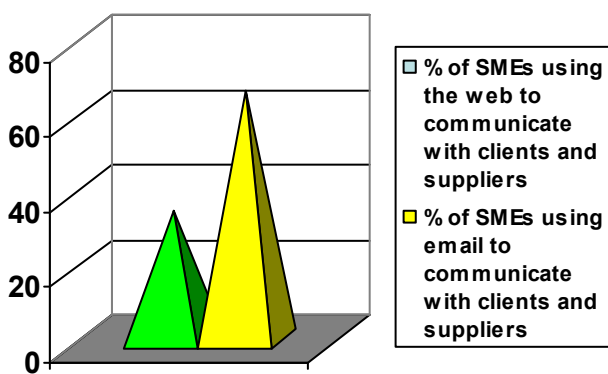


Figure 2 shows us that from all romanian SMEs which survived by us and which are using internet we can see that 66% of them ar using internet to communicate we clients and suppliers via web site and just 24 % of them via email.

Fig.2 - % of SMEs which communicates with clients and suppliers via web or email



Conclusion

E-business offers some opportunities for small firms, such as: facilitates cooperation (e.g. through project management tools or online collaboration tools for design), new technologies, integrating: The value of any communication technology is proportional to the square of the number of users of the system. Large companies have recognized that they need to get their small business partners "on board" in order to reap the full benefits of e-business.

All companies - big corporations, SMEs - face various challenges when contemplating E-business implementation.

These obstacles can be grouped into 6 main categories: Management and Strategy; Cost and Financing; Skills and Training; The Supply Chain; Technology Choices; Security & Reliability. The decision to apply e-Business technologies to a traditional business involves a huge number of choices at all levels of the organization: Strategic, Tactical or Operational. In the current business environment one wrong choice could cause the company to close, but on the other hand the trend is generally towards the greater use of technology in business and one right choice could transform the company into an industry leader. SMEs provide clear opportunities for economic development both locally and nationally.

Developing SME e-business expertise is essential to sustaining (and in some cases, achieving) competitive advantage. SMEs appear to be aware of (even if they do not embrace) the basic elements of e-business. The challenge, perhaps, is getting them to realize the same elements are also prerequisites for developing an organization's competitive advantage.

The future belongs to those who can use new technology to make themselves more efficient and develop better products and services.

Nevertheless SMEs ignore e-business at their peril.

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