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**An Internet Adoption Framework for Marketing by Small Business  
Enterprises in Developing Countries**

**Submitted by:**

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**This thesis is presented to fulfil the requirements for the award of Doctor  
of Philosophy, Victoria University**

**April 2013**

## **Statement of Originality**

I, Noor Fadhiha Mokhtar, declare that the PhD thesis entitled **An Internet Adoption Framework for Marketing by Small Business Enterprises in Developing Countries** is no more than 100,000 words in length including quotes and exclusive of table, figure, appendices, bibliography, references, and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except otherwise indicated, this thesis is my own work.

Signature:

Date: 6 April 2013

## **Abstract**

This study proposes an Internet adoption framework for marketing in small business enterprises, particularly in developing countries. The proposed framework could be incorporated as part of the business strategies for small business enterprises to assist owner/managers plan for exploiting the Internet more systematically. The main indicators in the framework are e-readiness, aims and strategies (which lead to the Internet marketing approach by small business enterprises), marketing strategies, the Internet marketing approach, and, finally, an evaluation of the Internet marketing performance.

Adopting a qualitative research approach, the study employed an online focus group and multiple case studies. The online focus group in the first phase of data collection consisted of academic experts from various disciplines. The participants had recognized expertise in e-commerce and small businesses, marketing, ICT, and small business operations in developing countries. The results from the discussion were used to test the proposed framework.

The second phase of data collection involved multiple case studies. Fieldwork interviews were conducted amongst small business owners/managers in Malaysia and Brunei Darussalam. Interview questions were developed from the revised framework that emerged from the first phase of the study. The results from the fieldwork interviews were analysed and used to refine the framework. The final framework provides an overview for small business enterprises in developing countries (particularly owners/managers) in relation to transitioning from traditional to online marketing approaches.

## **Acknowledgements**

This thesis would not have been possible without the support of many people. First of all I would like to offer a special thank you to my supervisor, Associate Professor Dr. Stephen Burgess, from the School of Management and Information Systems at Victoria University Melbourne for his invaluable assistance, support and guidance. Stephen gave me timely guidance and directed me in ways to encourage my growth as a PhD student and as a researcher. Throughout this I have come to view Stephen as a respected supervisor and academic mentor. I am forever grateful for his assistance. I wish to thank Dr. Rafel Paguio, my co-supervisor for his invaluable feedback and ideas and also his ability to conceptually view the entire work.

To be a research student at Victoria University has been a great adventure. Special sincere appreciation goes to my friends and colleagues who have provided invaluable input into this thesis and to all the other doctoral students for the intellectual challenges they have offered over the years.

This research journey would not have been possible if it were not for the enormous support of my family members and many friends whose interest has been unwavering. I would like to thank my parents, who have always encouraged and supported me to pursue my higher education and prayed for my success. I am grateful to my siblings for their support during my PhD. I would like to reserve my last, but biggest thanks to my close friends for their enormous understanding, encouragement, sustained interest and compassion and love from afar. Finally, I would like to acknowledge all the people who have contributed to this thesis in one way or another, even if they have not been personally named above. Many people, memories and events have accompanied me during this research journey.

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# 1

## INTRODUCTION

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### 1.0 Introduction

The rapid growth of the Internet has brought many innovations and benefits for businesses and contributed to the globalization of markets. Small business enterprises (SBEs) stand to gain as much (if not more) than large enterprises. Research evidence substantiates the many advantages that SBEs can gain through use of the Internet in business operations, such as cost savings, the ability to reach wider markets and improved customer relationships. However, many SBEs, particularly in developing countries, continue to employ only traditional marketing approaches rather than adopting Internet marketing approaches.

The main objective of this study is to develop an Internet adoption framework for marketing by SBEs in developing countries. The purpose of the framework is to provide guidelines for SBEs on the adoption of the Internet for business. A well

designed framework should also encourage non-adopters to use the Internet as a part of their new marketing approach.

In this chapter, the research problem and its context will be presented. This is then followed by the data collection involved in this study. The significance of the study and the structure of the thesis will be briefly explained.

## **1.1 Research problem and context**

The Internet presents opportunities to SBEs to gain the benefits from the use of Information and Communication Technologies (ICT). The Internet is widely used in developed countries by small, medium and large enterprises. In developing countries, SBEs have become one of the major contributors to economic growth. However, the use of the Internet by SBEs in developing countries is lagging behind when compared to SBEs in developed countries. SBEs in developing countries face barriers due to external limitations related to the available infrastructure, availability of skilled workers, and government policies, such as incentives, financial and non-financial support.

In the context of marketing, SBEs often lack a formal and systematic marketing plan. Most marketing strategies depend on owners and/or managers to make a decision. Having an appropriate marketing strategy is important for SBEs to guide the direction of the business. The introduction of Internet marketing is a new

marketing approach that can provide opportunities for SBEs to market their products or services in globalised markets, as well as reduce marketing costs.

The research framework has two objectives. The first objective was to identify the indicators that have an impact on e-readiness.<sup>1</sup> SBEs may then use the result to evaluate their e-readiness level in adopting the Internet. The second objective was to provide suggestions and recommendations for SBEs on how to use Internet marketing to enhance business growth and/or improve their lifestyle.

Three research questions underpin this study:

- a) What factors influence Internet adoption in developing countries?
- b) How do these factors differ between developing and developed countries?
- c) How does the adoption of Internet marketing improve the marketing activities of SBEs in developing countries?

These research questions were answered at the end of this study.

## **1.2 The study**

This study involved two phases of data collection. In Phase One, an online discussion was conducted. Experts in areas related to the topic were invited to provide feedback on the initial conceptual framework which was uploaded via the website. The feedback and comments provided by experts were analysed and use

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<sup>1</sup>E-readiness is defined as the evaluation of the business environment, through which small business enterprises (SBEs) are prepared and made ready to adopt the Internet and gain its benefits.

to test the initial conceptual framework. In Phase Two, interviews with small business owner/ managers were conducted. The interview questions were derived based on the refined framework in the Phase One. The results from Phase Two were analysed and the final framework was presented. Thus, the framework was developed from the initial literature, tested through feedback and comments from the online expert panel (Phase One – theoretical perspective) and refined via interviews with small business owner/ managers (Phase Two - practical perspective). Further details follow of the main phases of data collection.

### **Phase One: Expert Panel**

In this phase, an expert panel was invited through an online discussion to provide feedback and comments concerning the initial conceptual framework. The expert panel consisted of academicians from several disciplines between e-commerce and small businesses, marketing, ICT, and small businesses in developing countries (or academics with a cross-section of expertise in these areas). Experts were chosen based on publication records (journal articles, conference papers, book chapters, and other relevant literature) and recommendations by peers. The feedback and comments received from the expert panel were used to refine the initial conceptual framework. A revised framework was developed after this phase of the study.

## **Phase Two: Fieldwork interviews**

The objective of this phase was to further refine the Phase One framework. In this phase, fifteen fieldwork interviews were conducted in Malaysia and Brunei Darussalam with small business owners or managers. The results from the fieldwork interviews were analysed and used to refine the framework. The final framework was then presented.

### **1.3 The significance of the study**

This study identifies the benefits to SBEs of adopting Internet marketing:

- The owner or manager of SBEs will have a better understanding concerning the advantages of adopting and implementing Internet marketing as part of a new marketing approach. This study will help small business owners or managers to improve their businesses by adopting the Internet as a part of their marketing strategy. Thus, with a better understanding of Internet marketing, owners or managers will be able to encourage their employees to shift from traditional marketing to a new approach that contributes to increasing productivity and competitiveness.
- Policymakers in SBE industries can be better informed in their encouragement of small business enterprises to adopt Internet marketing to gain business success in the global market.

Although there are numerous studies on ICT and business, only a small number of studies concern SBEs in developing countries, and even fewer studies specifically focus on the use of the Internet for marketing purposes. Thus, this unique study contributes to a new body of knowledge.

## **1.4 Structure of Thesis**

This thesis is structured with ten chapters and three appendix chapters. Chapter One describes the background of the study, and provides an overview of the research methodology and significance of the research. The literature review is discussed in Chapters Two until Five. In Chapter Two until Chapter Four, the literature review covers contemporary issues, while the theoretical background is explained in Chapter Five. Chapter Six outlines the research methodology applied in this study. Chapter Seven analyses the data gathered from Phase One: Expert Panel. Chapters Eight and Nine analyse the data collection for Phase Two: Multiple Case studies, and discuss the results. Chapter Ten is the Summary and Conclusion chapter.

Appendix One lists the researcher's publications that are related to the study. Appendix Two includes the full version of the interview questions used in Phase Two of this study. Appendix Three provides guidelines to SBEs in developing countries in analysing all aspects of businesses before making decision to adopt the Internet for their businesses. The structure of the thesis is as follows:

## **Chapter One – Introduction**

The overview of the study introduces the research background, research problems and context, research methodology, and the significance of the study.

## **Chapter Two until Chapter Four – Literature Review (Contemporary Issues)**

These chapters discuss the issues related to the area of study. The major areas of this study consist of SBEs, ICT (particularly the use of the Internet for marketing purposes), and developing countries. The chapters then discuss ICT penetration and growth in developing countries. The chapters also discuss a definition of SBEs, SBEs' unique characteristics and the contribution of SBEs to economics. The chapters then describe the business aims and strategies that are related and appropriate to SBEs, followed by a discussion of the marketing approaches taken by SBEs. The discussion concludes with the introduction of Internet marketing as a new approach for marketing.

## **Chapter Five – Literature Review (Theoretical Background)**

This chapter outlines the theoretical background to support the development of the framework. The chapter discusses the particular issues in relation to e-readiness. The chapter then describes the models, frameworks and previous studies that are associated with the adoption of the Internet, e-commerce and Internet marketing. In this chapter, the initial conceptual framework is presented.

## **Chapter Six – Research Design and Methodology**

This chapter describes the research design and methodology of this study, and the research methods that will be applied during the data collection stage. This study involved two stages of data collection: an online focus group and fieldwork interviews. The online focus group consisted of experts from multiple backgrounds of expertise that are related to the area of study (ICT, SBEs, marketing, and developing countries). For the second stage of data collection, the fieldwork interviews were carried out with SBE owners or managers in Malaysia and Brunei.

## **Chapter Seven– Phase One/Expert Panel**

This chapter explains the first stage of data collection involved in this study. The chapter describes the selection process of the experts and the structure of the expert panel discussion. The chapter then analyses the results gathered from the expert panel discussion and the revised framework is presented.

## **Chapter Eight – Multiple case studies**

This chapter describes the selection of the countries included in this study and outlines the background of the selected countries.

### **Chapter Nine – Phase Two/Discussion and analysis of multiple case studies**

This chapter outlines the analysis and the results gathered from the fieldwork interviews with the Malaysian and Bruneian SBE owners or managers. The final framework is presented.

### **Chapter Ten – Summary and Conclusion**

This chapter outlines the overall issues covered in this study. The chapter then presents suggestions for future research and a summary of the study. The chapter also concludes the research remarks and the contributions of this study.

### **Appendix One – Publications**

This appendix lists the published work that is associated with this study.

### **Appendix Two – The interview questions**

This appendix presents the template of the interview questions.

### **Appendix Three – Guidelines to SBEs**

This appendix encloses guidelines to SBEs before considering Internet-marketing for their business development.

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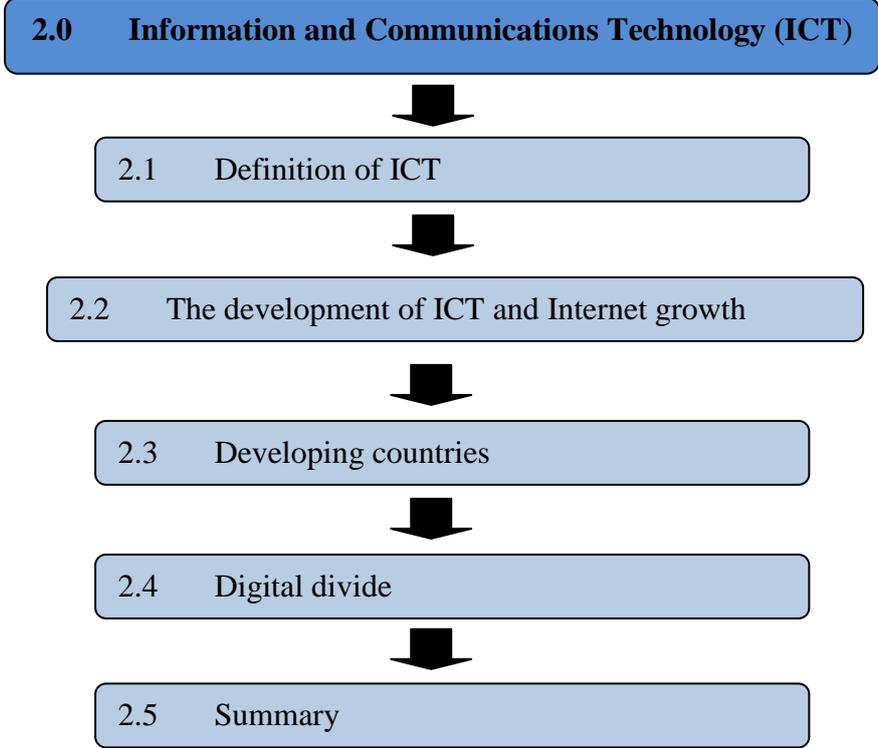
## **INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)**

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### **2.0 Information and Communications Technology (ICT)**

This study explores the use of the Internet (an ICT) for marketing by small business enterprises (SBEs) in the context of developing countries. It draws on theories and concepts from a variety of fields and develops the relationships based on the major areas of interest. This chapter represents a part of the contemporary issues which will be considered in the development of the framework.

This chapter consists of five sections. The structure of the sections is shown below:



## **2.1 Definition of Information and Communications Technology (ICT)**

Information and Communications Technology (ICT) usage has experienced rapid growth and continues to increase in terms of usage from year to year. The rapid growth of ICT provides many opportunities and benefits, especially for businesses to explore wider markets in the globalized world. For small business enterprises, the use of ICT can improve their productivity, minimize their operation costs and provide more market opportunities through the use of the Internet.

The use of Information and Communications Technology (ICT) continues to drive the world economy (The Economist Intelligence Unit, 2009). The widespread use of ICT in the economic and social spheres is also known as the 'New Economy' (UNCTAD, 2007). The new economy is where the use of ICT has brought a new economic paradigm, which involves broad policy implications and their impact on national economies (UNCTAD, 2007). What is ICT? ICT is defined as any technology that enables communication and the electronic capture, processing, and transmission of information (Parliamentary Office of Science and Technology, 2006, p. 1). TechTarget (2012) defined ICT as “an umbrella term that includes any communication device or application, encompassing: radio, television, cellular phones, computer and network hardware and software, satellite systems and so on, as well as the various services and applications associated with them, such as videoconferencing and distance learning”.

ICT encompasses many diverse applications and instruments, such as computers, telephones and other audio-visual instruments) that can be used by people with different levels of skill (UNCTAD, 2007). The UNCTAD report also indicates that the use of ICT is significant for improving the productivity of work within the organization, as well as among organizations, among all market participants (consumers and suppliers/producers), and between the government and the rest of the economy.

The introduction of wireless and distance communications provides more flexibility and networking in organization activities (UNCTAD, 2007). A study by Bresnahan, Brynjolfsson, & Hitt (2002) concerning the demand for ICT skilled workers indicates that the use of ICT in developed countries is related to changes in organizational practices and activities, such as the transformation from mass production to flexible production technologies, faster and reduced levels of transactions with customers and suppliers, decentralized decision-making, better coordination, and improved communication within the organization. The benefits of ICT offer new opportunities for developing countries for insertion in the global value chains and for diversifying production activities and exports (UNCTAD, 2007).

However, there is still a gap in ICT development between developed and developing countries. The next section will discuss the development of ICT and Internet growth.

## **2.2 The Development of ICT and Internet growth**

A report by the International Telecommunication Union (2011) showed the sustained growth of ICT. According to UNCTAD (2011), the use of mobile phones offers less constraint to businesses in many developing countries <sup>2</sup>due to the limitations of coverage for fixed telephony. According to the report, fixed telephones remain important to many businesses, as they support line sharing for

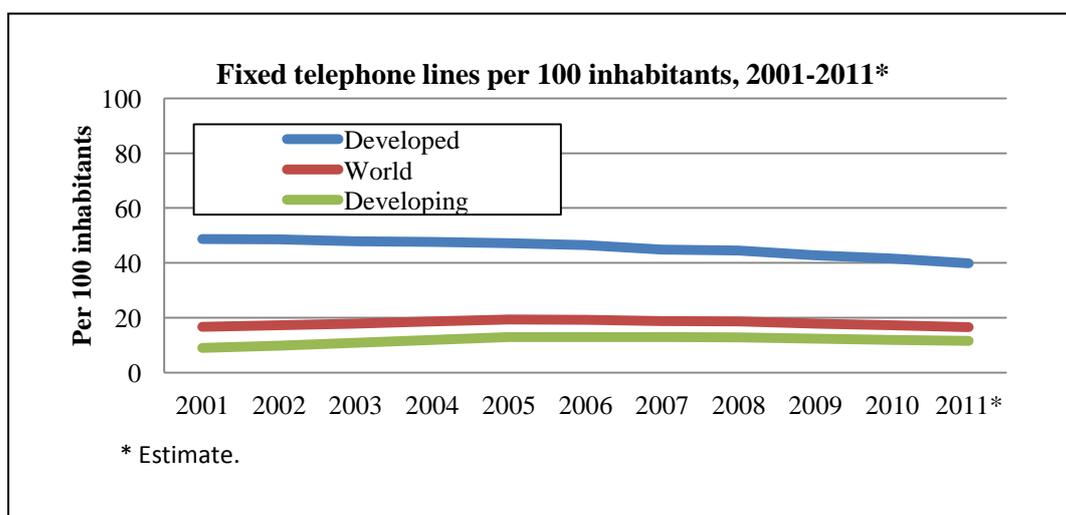
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<sup>2</sup> Developing countries are discussed in detail in Section 2.3.

offices, tariffs are lower than mobile phones and fixed telephone lines can support Digital Subscriber Line<sup>3</sup> (DSL) broadband access. At the end of 2010, there were 1.1 billion fixed telephone lines around the world with an average penetration of some 16 subscriptions per 100 inhabitants (International Telecommunication Union, 2011). The use of fixed telephones has declined since 2005, especially in developed countries. Users disconnect conventional fixed telephone lines and switch to mobile and voice over broadband connections (UNCTAD, 2011).

Figure 1 presents the trend of fixed telephone lines in developed and developing countries.

**Figure 1 Trend of fixed telephone lines per 100 inhabitants, 2001-2011**

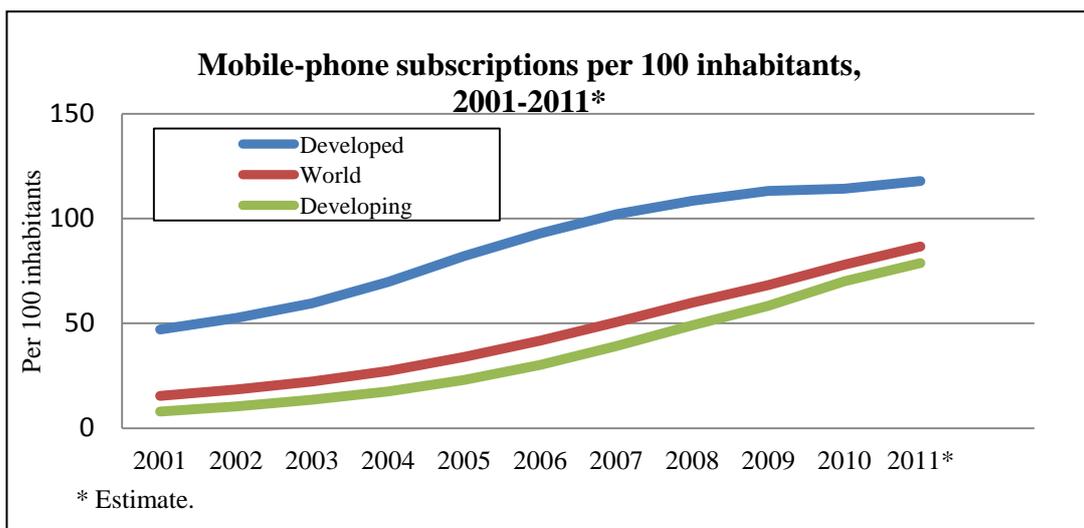


Source: International Telecommunication Union (2011)

<sup>3</sup>A Digital Subscriber Line (DSL) is a technology that provides Internet access by transmitting data over the wires of a local telephone network.

In contrast, there has been increased diffusion of mobile subscriptions in both developed and developing countries (International Telecommunication Union, 2011). According to UNCTAD (2011), the mobile phone has become the most common ICT tool amongst users in rural areas of developing countries. The limitations of fixed line access infrastructure, particularly in rural areas, indicate a preference for mobile telephone subscriptions in developing countries. Thus, the widespread use of mobile phone subscriptions draws a new ICT landscape. Figure 2 illustrates the worldwide mobile phone subscriptions for 2001-2011.

**Figure 2 Worldwide mobile-phone subscriptions, 2001-2011**



Source: International Telecommunication Union (2011)

In addition to fixed telephone or mobile cellular usage, the Internet also has become one of the well known mediums of telecommunication. The Internet has grown rapidly and it has become one of the dynamic ICT developments over the years.

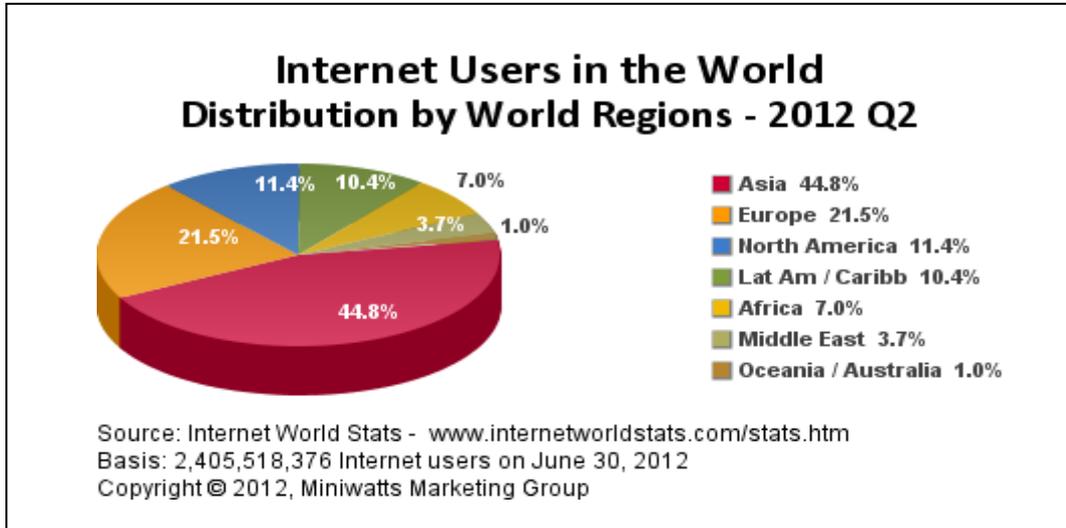
The next sub-section will discuss the Internet and its penetration in developing countries.

### **2.2.1 The Internet**

The Internet is defined as “the physical network that links computers across the globe. It consists of the infrastructure of network servers and communication links between them that are used to hold and transport the vast amount of information on the Internet” (Chaffey, Ellis-Chadwick, Johnston, & Mayer, 2006, p. 26).

A study by Internet World Stats (2012) on Internet users in the world distribution by world regions for 2012 shows the level of Internet penetration (refer Figure 3). It indicates that Asia has the most Internet users with 44.8 per cent compared to other regions in year 2012. However, this is probably related to the higher population in Asia which is almost 3392 million (for instance, as compared to Oceania which only 35 million).

**Figure 3** Internet users in the world distribution by world regions – 2012

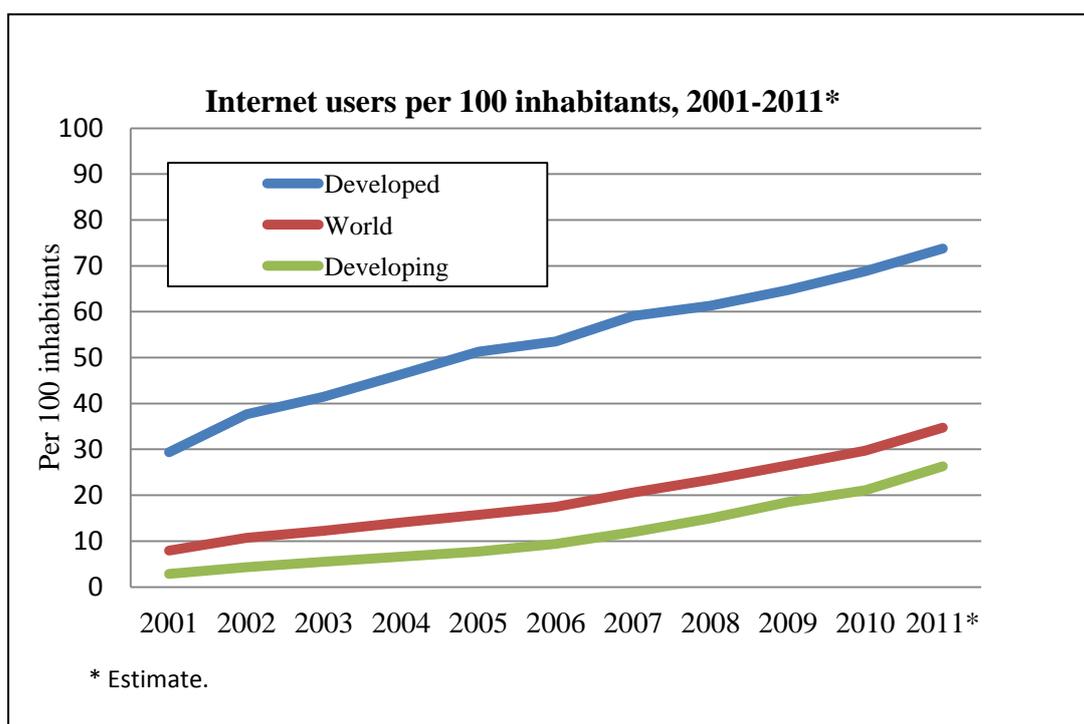


Source: Internet World Stats (2012)

The use of the Internet, especially in developing countries has increased rapidly in recent years (Chinn & Fairlie, 2006; Qiang, 2010). This is supported by data from the International Telecommunication Union (2011), which shows an increase in Internet users in both developed and developing countries (refer Figure 4). The International Telecommunication Union (2011) also reported that there is an increase in fixed-broadband subscriptions of more than double over the past five years. Recently, wireless-broadband Internet access became the strongest growth sector of Internet subscriptions (International Telecommunication Union, 2011). The UNCTAD (2011) report also revealed that wireless-broadband access, including prepaid mobile broadband, is growing in developing countries and that there is a change of usage pattern, in that more Internet users are shifting from fixed to wireless Internet connections or devices. Wireless Internet connection

offers a more practical broadband entry point for developing countries (UNCTAD, 2010). According to UNCTAD (2010), the cost to install wireless broadband is lower than fixed broadband. For mobile broadband, countries can rely on existing networks.

**Figure 4** Internet users per 100 inhabitants, 2001-2011



Source: International Telecommunication Union (2011)

Access to the Internet continues to grow in developing countries and it varies by region or level of income (UNCTAD, 2010). For example, a report by the International Telecommunication Union (2011) disclosed that most developing countries, households, schools, hospitals, and other public institutions located outside the major urban areas do not yet have access to high-speed Internet

connections. Internet access in rural areas of some countries is limited by the lack of coverage, and, to some extent, the lack of electricity for recharging mobile handsets (UNCTAD, 2010).

From a business perspective, the use of the Internet affects the productivity in both large and small enterprises (UNCTAD, 2011). The use of the Internet by enterprises continues to increase in developing countries even though there is still a difference in terms of type of ICT activity, which depends on the size of enterprises and the economic sector (UNCTAD, 2011). Despite the disparity of the adoption of the Internet by businesses in developed and developing countries, the use of the ICT and Internet draws these benefits (UNCTAD, 2010):

- Minimizes information search and transaction costs.
- Improves communication along the supply chain, which has a positive impact on the enterprise itself and also improves the functioning of the markets.

However, some enterprises in developing countries choose to stay with their traditional business practices rather than adopting the Internet (discussed further in Chapter Three).

## **2.3 Developing countries**

This section will discuss the developing countries and their digital divide, particularly in respect of the development of the Internet. The purpose of this section is to introduce readers to developing countries and the digital divide, which covers a part of the research theme.

### **2.3.1 What is a developing country?**

The *Penguin Dictionary of Economics* defines a developing country as “*a country that does not meet the characterization for the industrialization growth on terms of economic development as the level of national income is not sufficient to yield the domestic saving required in order to finance the investment necessary for further growth*”(Bannock, Baxter, & Davis, 1992, p. 113).

There are many terms and categories that can be used to define developing countries. For example, Bannock (2005) defined a developing country as a country that has not reached a certain specific level of growth of industrialization, and which has less earnings where people live on far less money, and often lack public services compared to developed countries.

A developing country is defined as a low-and middle income country in which most people have a lower standard of living with less access to goods and services compared to people in high-income countries (The World Bank, 2011). The World Bank (2011) categorised countries based on gross national income (GNI)

per capita. The economies of the countries are divided into four categories; low income, (USD 1,005 or less); lower middle income, (USD 1,006 - USD 3,975); upper middle income, (USD 3,976 – USD 12,275); and high income, (USD 12,276 or more). Low and middle income levels are considered to be developing countries. According to the World Bank (2011), the classification used is for convenience in categorizing the countries. The classification of these countries does not mean that all the developing countries are experiencing the same stage of country development or other economic development, or even reflect the status of development.

It is important to remember that these countries are heterogeneous (Austin, 2002; Karake-Shalhoub & Al-Qasimi, 2006; MacLean, Souter, Deane, & Lilley, 2009; Sadowsky, 1993) as this study will often refer to developing countries as a similar group. The term ‘developing countries’ covers a wide range of nations and cannot portray the large number of categories between countries, governments, economic environments or other factors. Referring to this study, most countries experience a number of common challenges in adopting ICT (Salman, 2004).

The next section will discuss the digital divide faced by developing countries in adopting ICT and the Internet.

## 2.4 Digital divide

The rapid proliferation of information and communication technologies has led to a new dimension of economic growth. The growth of ICT has led to major dynamic driving forces in productivity, competitiveness, and collaboration at both the national and international level (Popova & Popov, 2005). Despite the prosperity from ICT growth, a new form of exclusion with the emergence of ICT is taking place, known as the 'digital divide' (Schulz & Olaya, 2005). The digital divide often relates to the term of differences, inequality and gap. The biggest attention of inequality in the digital divide is technological opportunities, as it relates to physical access to computers, networks, and other technologies (Dijk, 2006). Fink & Kenny (2003, p. 16) reviewed the definition of digital divide from four perspectives:

- A gap in access to use of ICT – measured by the number and spread of telephones or web-enabled computers, for instance.
- A gap in the ability to use the ICT – measured by skills base and the presence of numerous complimentary assets.
- A gap in actual use – the minutes of telecommunication for various purposes, the number and time online of users, the number of Internet hosts and the level of e-commerce.
- A gap in the impact of use – measured by financial and economic returns.

Tien & Fu (2008) indicated that the digital divide is one approach for measuring the inequality of the knowledge society. Fuchs (2009) defined the digital divide as “unequal patterns of material access to, usage capabilities of, and benefits from computer-based information and communication technologies that are caused by certain stratification processes that produce classes of winners and losers of the information society, and of participation in institutions governing information and communication technologies (ICT) and society”. Fuchs (2009) described the material access as the availability of the hardware, software, applications, networks and the usability of ICT devices and applications. Usage and skills access refers to the capabilities required to operate the ICT hardware and applications. Fuchs (2009) added that the benefit of access refers to the benefits gained by individuals or societies and institutional access relates to the participation of people in organizations to govern ICT and the Internet.

The inequality in the digital divide is not limited to developing countries as it also affects certain wealthy countries (Roe, 2006). A study by Çılan, Bolat, & Coskun (2009) in respect of the digital divide within and between member and candidate countries of the European Union supports that there was a digital divide between the EU15 countries and the countries that were candidates for the EU in 2004 (Romania, Bulgaria, and Turkey).

A study by Murelli & Okot-Uma (2002) claimed that the majority of developing countries had, to date, not yet taken full advantage of the opportunities offered by

ICT, or adequately prepared themselves to meet the challenges. They were lacking in preparedness including:

- Lack of full knowledge and recognition of the benefits of ICT and the impact of ICT on future economic growth,
- Inadequacy of ICT physical infrastructure, hardware, and software,
- Lack of skills and capacities to implement ICT work,
- Deficiencies in strategizing and implementing the policies for ICT (Murelli & Okot-Uma, 2002).

Shih, Kraemer, & Dedrick (2008), in their study on ICT diffusion in developing countries, conclude that the availability of investment resources (loans and foreign aid), the level of complementary assets, and the openness of foreign investment play an important role in driving ICT investment in developing countries, which make them different from developed countries.

## **2.5 Summary**

This chapter discussed the development of ICT, which consists of fixed telephone, mobile cellular, and the Internet as the medium of telecommunication. The discussion highlighted the rapid growth of the Internet. The literature review also explored the use of the ICT in developing countries and the digital divide, which constitutes exclusion from the emergence of ICT growth. Access to the Internet continues to grow in developing countries even as the developed countries still are

the major users of the Internet. There is also an imbalance of Internet access in developing countries, especially in rural areas where the lack of telecommunication infrastructure is considered.

The next chapter continues the literature review on contemporary issues, particularly those concerning the perspectives of small business enterprises. It will discuss the definition of small business enterprises, their characteristics, the aims and strategies of small businesses and the reasons for the digital divide in regards to SBEs.

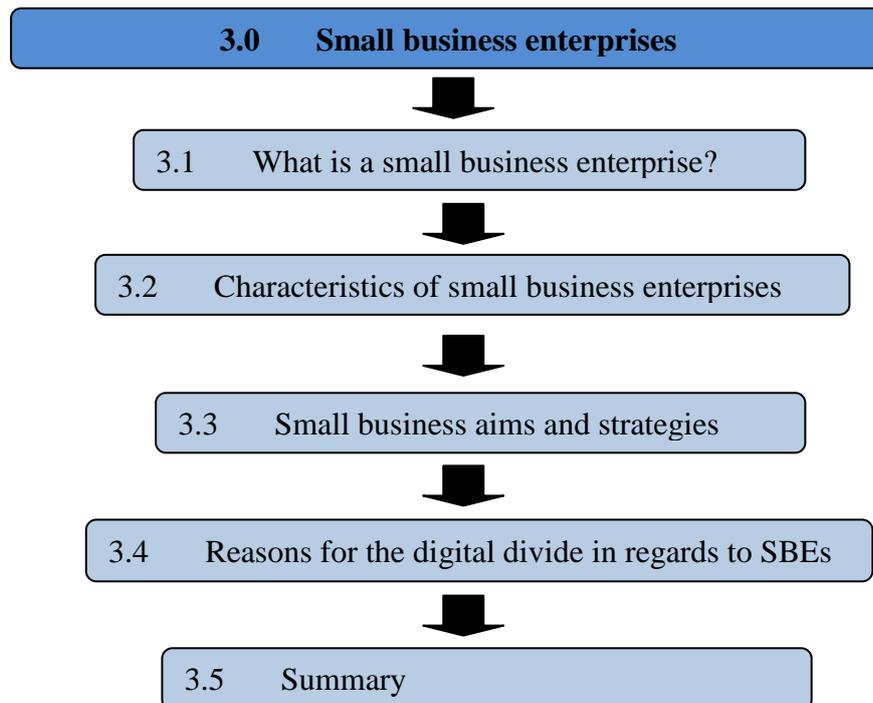
# 3

## SMALL BUSINESS ENTERPRISES

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### 3.0 Small business enterprises

This chapter reviews the literature on the definitions for small business enterprises, the characteristics, aims and strategies of small businesses and the reasons for the digital divide in regards to SBEs. The structure of discussions in this chapter is as follows:



Small business enterprises (SBEs) play an important role in economic development and their contribution to the economy and ability to create more employment opportunities is widely recognized. SBEs are the drivers of economic growth and innovation (Kotelnikov, 2007). As Kazmi and Farooque (2000) noted, SBEs play an important role in the overall production in developing countries. This is supported by Stephenson & Arinaitwe (2006) who noted that the potential growths of SBEs are the medium social and economic development in less-developed countries around the world.

### **3.1 Definitions of small business enterprises**

There are many definitions for SBEs, which vary from region to region. Many scholars indicate that a small business is a business that has few employees, a low turnover, and a less informal structure that is usually managed by one person, who is also the business owner (Bridge, O'Neill, & Martin, 2009). Bridge et al. (2009) add that definitions of small business vary widely the term 'small business' has separately been defined according to the size of the business itself, the number of employees and/ or sales turnover. Below are a few definitions of a small business based on the perspective of different countries.

#### **Definition 1: Malaysia's perspective**

An SBE can be defined as a firm that has a sales turnover of between MYR 250,000 and MYR 10 million or has full time employees of between five (5) and fifty (50) for the manufacturing, manufacturing-related services and agro-based

sectors. For the services, primary agriculture and information and communication technology sectors, the sales turnover would be between MYR 200, 000 and MYR1 million or full time employees of between five (5) and nineteen (19)(SME Corporation Malaysia, 2011a).

**Definition 2: Nigeria’s perspective**

“The National Association of Small and Medium Scale Enterprises (NASME) defines small scale enterprises as a business with less than fifty (50) employees employed by firm with an annual turnover of NGN100 million” (Lal, 2007).

Table 1 summarizes the most common definition of SBEs used in some regions around the world. It shows that there are substantial differences in how small businesses are defined across regions. The difference between areas is so stark that Burgess (2002) suggested that small business research should only be examined with knowledge of the definitions of ‘small business’ that were used in the studies.

**Table 1 Criteria of defining SBEs adapted in some countries.**

<b>Country</b>	<b>No. of employees</b>	<b>Other criteria</b>
<b>European Union</b>	Under 50	Annual turnover/annual balance sheet total does not exceed EUR10 million. (European Union, 2012)
<b>Canada</b>	Under 500 in manufacturing and 50 in services	Annual sales less than \$5 million (Statistics Canada, 2008)
<b>Australia</b>	5 or more, but less than 20 persons.	<ul style="list-style-type: none"> <li>• Independent ownership and operations</li> <li>• Close control by owners/managers who also contribute most, if not all the operating capital;</li> <li>• Principal decision-making by the owners/managers.</li> </ul> (Australian Bureau of Statistics, 2009)
<b>India</b>	None	Total investment not more than 10 million Indian rupees in manufacturing industries and 1 million in service industries (The Office of Development Commissioner (MSME), 2012)

The Bolton Report (1972) indicated that a definition of SBEs is based on three criteria, which are:

- small market share,
- managed by owners in their personalised/own way,
- works as an independent business; does not act as part of a larger enterprise.

Bridge et al. (2003) stressed that most of the definitions of small business are based entirely on a quantitative perspective rather than considering the qualitative perspective. Bridge et al. (2003) highlighted a number of qualitative characteristics that should be included in defining 'small business'. The definition

of a small business should attempt to include at least two of the following four characteristics:

- Independent management. Typically the owner is also a manager of the business;
- Capital and ownership are owned by an individual or small group;
- The location of the business is usually in the local area, with the owner and the employees living in one home community. Nevertheless, it is not necessary that the products/services are aimed at the local market only; and
- The size of the business is relatively small compared to a large business. The measure can be in terms of sales volume, number of employees or other significant comparisons (Bridge, et al., 2009).

The definition of SBE that will be used in this study is:

*'Any business that employs less than twenty employees, has a relatively small market share, and is managed by the owner or part owner in a personalized way'.*

The definition, which applies to SBEs in certain countries, also refers to small and medium-sized enterprises (SMEs), as the definition varies from country to country. Thus, the terms of SBEs and small and medium-sized enterprises (SMEs) will be used interchangeably in this study as is relevant to the definition of SBEs.

## 3.2 Characteristics of small business enterprises

*“The differences in administrative structure of the very small and the very large firms are so great that in many ways it is hard to see that the two species are of the same genus....We cannot define a caterpillar and then use the same definition for the butterfly.”*

Dame Edith Penrose (1959) cited in Bridge, et al.(2009)

Small business enterprises (SBEs) constitute a heterogeneous group in size and nature with complex interrelationships involving owners, family, employees, business networks and external contexts (Kuwayama, 2001; Parker & Castleman, 2007). Smaller businesses have a simpler organizational structure, fewer capabilities and resources, and are more liable to internal and external constraints (Al-Qirim, 2004). SBEs often have limited administrative innovation (Lee, 2004). Lee added that SBEs are normally operated by fewer employees and are directly managed by an owner-manager. In terms of organizational structure, the SBE organizational structure is very flat, with centralized decision making and the owner-manager is the focus for any innovation of the product and the expansion of the market activities. SBEs are less concentrated on administrative innovation (Lee, 2004).

The research findings by Kaloo (2010) indicated the features of small business enterprises, which are:

- The management functions performed by small and large enterprises are the same in name and objective only, inasmuch as in small enterprises the owner typically also becomes a manager and performs all the management functions. In contrast, for large enterprises the same management functions are performed by a specific person in-charge, such as a specialist or coordinator.
- Qualified managers who have better academic qualifications are less likely to be owners-managers of small enterprises. The findings revealed that qualified managers have an option to work with large enterprises, avoid the risks, have organized working hours, but lack the prestige and public recognition that is typically associated with the owners-managers of small enterprises.
- The impetus is associated with many sources, such as culture, necessity, and talent. It is noted that only entrepreneurs who can draw on a high degree of commitment, perseverance, flexibility, resourcefulness and tolerance for adversity can succeed in managing a small enterprise.

Wasuntiwongse (1999) highlighted the reasons why entrepreneurs initiate the start up of small businesses:

- **To operate and have the business on their own.** These entrepreneurs have had previous experience working as an employee in a small business. They have learned and developed the skills from their earlier employment.

- **To create a career for entrepreneurs.** Entrepreneurs seek no career other than self-employment. Most of their ways of thinking are very influenced by the tradition of self-employment among the family members or society.
- **To earn a living.** Entrepreneurs started the business as they had no other choice of employment. They may have been forced to resign from previous employment or do not have adequate training (such as housewives) to gain employment for themselves.

Kuwayama (2001) identified several characteristics of small businesses which are:

- Small businesses encounter difficulties in obtaining and processing the information concerning their business strategies and policies.
- They typically operate independently from larger businesses.
- Small businesses normally operate in a small market or primary market.
- Small businesses are controlled by the owners/managers that contribute all or almost all of the capital.
- As the small businesses are usually independently owned/ operated in an individual way, all the decision-making depends on the owners/managers.

Production operations for small businesses are generally simple, labour intensive and mainly use traditional technologies, while the operational activities depend more on skilled workers than on the entrepreneur's own operational skill (Wasuntiwongse, 1999). Turner (2003), in her study of small businesses in

Makasar, Indonesia, found that small businesses often avoid any type of formal registration from authorized bodies. Turner also added that small businesses are often exposed to risk or harassment from corrupt institutions. Small businesses in developing countries face difficulties in penetrating international markets (McIntyre & Dallago, 2003). Kuwayama (2001) contended that small businesses in developing countries use obsolete management methods, which are hard for them to adapt to a new competitive environment and they also face the problem of gaining access to qualified human resources. Thus, they encounter difficulties obtaining and processing the information necessary to define their objectives and strategies (Kuwayama, 2001). According to Matambalya & Wolf (2001), most small businesses in East Africa suffer from a limited market due to the obstacle of poor infrastructure, which leads to relatively isolated markets with limited demands.

There are significant differences in terms of the internal and external components facing entrepreneurship in developing countries compared to developed countries, such as financial resources, laws and regulations, characteristics of locations, characteristics of employees, taxes and government (Stephenson & Arinaitwe, 2006). Karanasios (2008) listed some important characteristics of SBEs in developing countries, which are:

- they have limited resources,
- they have basic technology needs, such as the use of a computer for e-mail use or basic word processing purposes only,
- the businesses are run informally,
- most of them rely on family labour,
- the business start up or capital is mainly from family sources or the owners,
- they often lack managerial and competency skills.

Most small businesses in developing countries are unprepared and struggling to adapt to the complex demands of the information economy, as they lack sources to take full advantage of the opportunities to begin their transition to the information economy (Chacko & Harris, 2006). Chacko & Harris (2006) added that SBEs in urban areas benefit more than rural areas in terms of infrastructure, applications and services, whereas SBEs in rural areas face similar problems to those found in developing countries (such as lack of Internet communication services) due to restricted access in some remote areas (Burgess, 2002). For example, limitations of transport infrastructure, (such as airports) make it difficult for SBEs to transport goods and link to outside markets (Henderson, 2002).

Small business enterprises (SBEs) in both developing and developed countries need access to a range of financial resources to support their business sustainability and growth (Hussain, Millman, & Matlay, 2006). SBEs in

developing countries face difficulties in accessing adequate financial resources, which creates an obstacle to them for business start-up, and growth as well as the adoption of new technology in the business (Murelli & Okot-Uma, 2002; Payne, 2002).

As small business enterprises have unique business characteristics that make them different from large enterprises, the next section presents the differences between these two types of enterprise.

### **3.2.1 Differences between small and large businesses**

Small businesses differ from large businesses not just in terms of size but also in other aspects, such as organizational activities, operations, and management structure. Schaper, Volery, Weber, & Lewis (2011) summarized the major differences as follows:

- *More female owners-managers*; there are more female owned small businesses compared to larger businesses or corporations.
- *Fewer qualifications*: in general, fewer small business owners-managers hold formal tertiary or technical degrees or diplomas –either in their business area or in a particular area of expertise – compared to executives in larger businesses.
- *Fewer union employees*: the employment relationships and job contracts are dealt with directly between the employer and the staff due to the

informal nature of the workplace rather than through the agency of a trade union.

- *Fewer hours of operation per week*: although many perceive or expect small businesses to operate longer business hours than large ones, in some countries (such as Australia), the number of part-time, home-based operations skews the results towards a low average number of operating hours.
- *Less likely to use formal management improvement and planning techniques*: larger businesses often adopt many systems and procedures to enhance the firm's performance, whereas small businesses are less likely to adopt these kinds of system.
- *Less likely to access government assistance*: the assistance from government tends to be limited although they often provide specific assistance to small businesses.
- *Less likely to export*: small businesses tend to focus on local markets rather than international markets.
- *Less financing*: most of the financing for the business comes from the owners.
- *Less likely to want to grow bigger*: many small business owners have a goal to succeed in the business but not to constantly expand, which differentiates the genuine growth-oriented entrepreneurs from conventional entrepreneurs.

- *High Failure rate*: one of the fundamental characteristics of small businesses is the high failure rate (Storey, 1994). Even though the overall level of business exits is quite low there is no clear link between firm size and business exit rates.
- *Difference in managerial perspectives*: the business decisions of small businesses heavily depend on the owners-managers. The approach of small businesses in respect of the operation of the business is different from larger businesses in terms of marketing activities, perceived risk and other related matters.

Small business enterprises are typically poor in developing business strategies. The next section will discuss the business aims and strategies of small business enterprises.

### **3.3 Small business aims and strategies**

As noted in the previous literature, SBEs often lack appropriate business strategies to support their business growth. This section will discuss the business aims and strategies, particularly for SBEs in planning their business direction.

Strategic planning is related to long-term business goals, the implementation of goals, and the allocation of resources in realizing the goals (O'Regan & Ghobadian, 2004; Stonehouse & Pemberton, 2002). According to Wang et al. (2007) strategic planning leads to better business performance. However, SBEs

are typically lacking in strategic planning and long-term vision (Mazzarol, 2004). Thus, SBEs may not achieve their complete planning goals and full performance and the survival of their business might be placed at risk when they neglect strategic planning for their potential growth (Berry, 1998).

The next section will discuss the business strategies commonly used by SBEs.

### **3.3.1 Growth strategy**

A growth strategy is one approach that can be employed by small businesses owner/ managers who are interested in expanding the size and scope of their businesses.

Previously, many businesses obtained the way to growth by separately developing and managing a business portfolio. However, recently that strategy is no longer suitable for the changing environment in respect of the economic pressure that does not encourage large capital expenditure (Irvin, Pedro, & Gennaro, 2003). Irvin et al. (2003) added that such businesses need to stimulate growth by searching for synergies between previously different sections of their business. Instead of buying new business opportunities and market channels, Irvin et al. suggested that businesses develop new opportunities from inside the former business, and transform the less performing sections of the business into synergistic businesses.

In addition, the growth of small and medium enterprises often rely on the entrepreneur's choice of strategies (Hambrick & Mason, 1984); the ability to overcome the obstacles to growth (Barber, Metcalfe, & Porteous, 1989); the ability to construct structural adaptation for organizational growth (Hambrick & Crozier, 1985); or construct the structural characteristics, particularly in the external environment (Aldrich & Fiol, 1994; Eishenhardt & Schoonhoven, 1990). According to O'Gorman (2001), the growth of businesses is determined by the success strategies of the business itself, which is dependent on the choice of strategies made by the owners-managers. Storey (2006) highlighted three components that are associated with the growth of the firm – characteristics of the entrepreneur; characteristics of the organization; and types of strategy related to the growth. In relation to Storey's key elements, Smallbone, Leigh & North (1995) listed the area of strategies and actions that need to be concentrated on, which are:

- products and markets,
- production processes,
- employment and use of labour,
- changes in ownership,
- changes in organization and management.

Healthy businesses have an opportunity for rapid growth if the resources are sufficient (Hillbrand, 2006). Hillbrand, in his findings from European studies, indicated that almost 25 percent of SMEs show high potential growth, which is a

considerable portion compared with larger businesses. Nevertheless, only 10 percent of SMEs are able to achieve their business goal, as measured through employment and turnover (Commission, 1999). Burke & Jarrat (2004), based on an empirical study of SMEs in Australia, described the strategy as an explicit plan and an implicit pattern of behaviour. Entrepreneurs' attitudes and their decisions pertaining to growth influence the growth of small businesses. Julien (2000, p. 5) cited in Hillbrand (2006) pointed out that, "the biggest obstacles to rapid growth that small businesses face is their inability to change, even if the market grows rapidly. As a rule, management will continue to behave as if the enterprise were still small". Hillbrand (2006) also argued that the growth planning by owners-managers of the businesses is often influenced by environmental situations.

Hillbrand (2006) proposed an approach (Growth Scorecard) that enables managers to determine the right strategy planning and help them avoid unintended effects, such as incurring a complexity mismatch between the business environment and the managerial capabilities. Gundry & Welsch (2001) suggested that the key strategic success factors perceived by high-growth oriented entrepreneurs are the reputation of their business, a strong focus on quality products or services, available cash to grow the business and effective leadership.

A study by Hashi & Krasniqi (2011), on the similarities and differences in the growth patterns among two groups of SMEs in two areas at different stages of transition (three advanced transition economies, Poland, Hungary and the Czech

Republic and three laggard economies, Albania, Macedonia, and Serbia and Montenegro), focused on three factors that influence SME growth –innovation and innovation activities, firm characteristics, and business environments. The findings indicated that although both groups of countries are at different stages of transition, and experienced organizational obstacles, they share similar characteristics and the role of entrepreneurship – SMEs in both areas are significantly affected by technological and organizational innovations. The decision of growth strategy is also related to the organizational resources and capabilities (Zou, Chen, & Ghauri, 2010). Zou et al. (2010) suggested that managers need to consider the current resources of their businesses before selecting a growth strategy.

### **3.3.2 Cooperation strategy**

Cooperation strategy is defined as “the attempt of organizations to realize their objectives through cooperation with other organizations rather than in competition with them” (Child, Faulkner, & Tallman, 2005, p. 1).The authors stressed that a cooperation strategy of sharing with others that possess the skills and assets could benefit those organizations that are lacking the competencies and resources, thereby providing better access to new markets, and greater opportunity for mutual synergy and learning. Cooperative strategies are especially critical for the survival and growth of small businesses, which require these strategies more than larger organizations (Suarez-Villa, 1998). This is because many small businesses suffer from a relatively limited resource base (Jarillo, 1989), especially in vital

areas, such as research and development and international marketing, and consider their own resources as being limited to compete in the global market (Koivisto & Vesalainen, 1994).

The cooperative strategy can be either formal (for example joint ventures, licensing or management contract) or informal (Haahti, Madupu, Yavas, & Babakus, 2005). The formation of a cooperative network among organizations could be one of the solutions for small businesses to survive in the marketplace (Pesamaa & Hair, 2007). Pesamaa & Hair (2007) suggested that a cooperative strategy is needed, as small businesses can face difficulties competing in markets located in remote geographical areas. In their studies on the influence of culture and size upon inter-firm marketing cooperation for the salmon farming industry in Scotland and Chile, Felzensztein & Gimmon (2007) found that small businesses in that industry in Scotland were more proactive in building inter-firm cooperation for international marketing activities. In contrast, Chilean businesses faced constraints in building social networking with inter-firm cooperation due to their 'micro size', and, consequently, they were unable to afford membership in the national salmon-trade association, which facilitated cooperation and interaction among its members. According to Ussman & Franco (2000), the Portuguese textile and clothing sector was monopolized by SMEs, and the majority were family businesses. Due to size, availability, technology, purchasing and marketing activities and financial constraints, SMEs faced difficulties in maintaining the development of their business strategies and cooperation could be one of the

alternative solutions for them to explore the market opportunities, necessary resources and know-how, which they are unable to achieve alone. The results obtained also show that the level of cooperation agreements between Portuguese SMEs was quite limited due to certain reasons, such as lack of knowledge concerning the incentives offered by the firms involved in the cooperation process, lack of trust in potential partners and a refusal to share resources and/or knowledge with others. Ussman & Franco (2000) argued that although the cooperation process is difficult and complex, it also has some positive results that can be useful to businesses to improve competitiveness.

A study by Vanyushyn, Holmlund, & Kock (2009) on cooperation with competitors and internalization among SMEs in the West Coast of Finland revealed the main objectives that drive SMEs to cooperate with competitors:

- to find new customers,
- reduce marketing costs,
- improve productivities,
- gain new knowledge.

This is supported by Qian & Chen (2011) in that most of the SMEs in Guangdong, China, chose a cooperation strategy as their business strategy in order to improve their technology capacity. SMEs can strengthen their competitive positioning as they are able to improve their access to international markets (Carson, Madhok, &

Wu, 2006; Cullen, Johnson, & Sakano, 2000) and improve the sharing of knowledge (Levy, Loebbecke, & Powell, 2003).

### **3.3.3 Strategic alliance**

Strategic alliances are “purposive arrangements between two or more independent organisations that form part of, and are consistent with participants’ overall strategies, and contribute to the achievement of their strategically significant objectives that are mutually beneficial” (Pansiri, 2005, p. 1099). A strategic alliance can provide opportunities for businesses to tap into the resources, knowledge and skills of their immediate partners (Todeva & Knoke, 2005). Kauser & Shaw (2004) demonstrated that behavioural aspects of international strategic alliances have a greater impact on the performance of managers’ satisfaction with international strategic alliances.

A strategic alliance strategy can be an important tool for attaining and maintaining competitive advantage (Elmuti & Kathawala, 2001). Additionally, the strategic alliance concept can appeal to businesses because of the potential cost savings in executing operations, looking for the best quality or technology and identifying the cheapest labour or production costs. A survey by Jaouen & Gundolf (2009) on the patterns and governance modes of alliances in South France found that micro businesses not only sought financial benefits through their cooperation in order to achieve a greater market share, but also sought to access complementary resources in helping them to overcome their shortcomings.

A high degree of harmony, loyalty and sincerity is also shown to have a positive impact on international strategic alliances (Kauser & Shaw, 2004). Kauser & Shaw (2004) also added that communication in terms of quality of information transmitted, the extent of information shared and participation of both parties in the planning of goals and activities is crucial for the success of an international strategic alliance. This is supported by Pansiri (2008) who identified commitment and capability as the indicators that influence the satisfaction, market share and profitability, and overall alliance performance.

According to a study on New Zealand wineries conducted by Bretherton & Chaston (2005), the key success factor in a strategic alliance strategy is having a clear strategic intent, combined with adequate capital, which allows ownership and control of key resources and capabilities. There has been a long tradition in the wine industry of using strategic alliances to access resources and capabilities in order to deliver final products (Bretherton & Chaston, 2005). Strategic alliances are an innovative tool for SMEs to market their products and services. This is supported by O'Dwyer, Gilmore, & Carson (2011) who revealed that SMEs engage in strategic alliances for innovative marketing purposes to accomplish two different outcomes: (1) to accomplish different organizational goals, and (2) to counter existing obstacles, such as limited resources.

### **3.3.4 Lifestyle**

There are a number of small business enterprises that are looking for a lifestyle reason for running their businesses, which impacts on their strategic aims (Levy & Powell, 2003). Levy & Powell (2003) in their study of SME Internet adoption towards a contingent model indicated that one of the participants who practiced his business for lifestyle reasons revealed that he was not looking for business growth and only markets his products locally. Deakins & Freel (2003) described owners of small businesses who run the business on a lifestyle basis “normally called sole traders, employed few or no people and their major objectives were likely to be concerned with survival and ensuring that the business provided them and their family with sufficient income...in other words, the owner is only concerned with maintaining a lifestyle that he or she may have been accustomed to in a previous form of employment” (p.277). The lifestyle determines the business growth that the owner of the small business wants to have (Bridge, et al., 2003). This is supported by McMahon (2001) who indicated that lifestyle businesses typically exist to support the source of income and employment of the owners-managers of the businesses. The businesses are often operated in a manner consistent with the lifestyle preferences of the owners-managers. Lewis (2004) suggested that in lifestyle businesses associated with a lifestyle strategy the owners-managers “desire to live their life in non-economic terms”. The research findings by Lewis (2004) in the study of New Zealand SME owners “lifestyle” revealed that most of the owner-managers involved desired to grow the business

but within certain limits, such as to maintain their lifestyle and concentration on the family.

With small business aims and strategies, small businesses also face the challenge of adopting ICT due to certain limitations. The next section will discuss the reasons for the digital divide in small business enterprises.

### **3.4 Reasons for the digital divide in regards to SBEs**

It is useful to discuss the reasons for the digital divide, as this study explores the readiness of SBEs in developing countries. Several factors are related to ICT diffusion and will be discussed below:

#### **3.4.1 Availability of infrastructure**

Many developing countries face limitations related to a lack of suitable telecommunication infrastructure to facilitate Internet connectivity (Murelli & Okot-Uma, 2002). Several developing countries have a poor telecommunication infrastructure in terms of Internet connectivity, the underdeveloped state of Internet Service Providers and lack of fixed telephone lines for end user dial up access (Hawk 2004). Kotelnikov (2007) found that many small and medium businesses in the Asia-Pacific region faced major constraints due to poor telecommunication infrastructure. This could be improving, as Strauss & Tekada-Hagiwara (2010) highlighted that infrastructure development such as electricity,

transportation, and telecommunication in Asia has been growing and improving significantly.

Small business enterprises (SBEs) in developed countries, especially in urban areas, experience better benefits in terms of infrastructure, applications and services compared to rural areas (Chacko & Harris, 2006). Similar problems are also faced by SBEs in developing countries (rural areas), which face problems, such as lack of Internet communication services due to restricted access in some remote areas (Burgess, 2002). Poon & Swatman (1999) highlighted the importance of readiness in having adequate access to the Internet. Nevertheless, the time allocated for Internet adoption and development could interfere with core business activities. In addition, several Asian countries, for example, Malaysia, Hong Kong and Singapore, developed ICT infrastructure and facilitating e-commerce innovation (Kendall, 2001). Xiaoming & Kay (2004) discovered that countries with higher GDP per capita, literacy rate, well established telecommunication infrastructure, and political stability experience higher diffusion of the Internet, such as Hong Kong, Singapore, South Korea, and Taiwan followed by countries like Malaysia, Brunei and Thailand.

Al-mutawkkil, Heshmati, & Hwang (2009) argued that developed countries invest more in ICT compared to developing countries This is supported in a study by Hanafizadeh, Saghaei, & Hanafizadeh (2009) on ICT infrastructure and access, which shows that European countries have the highest level of ICT infrastructure

and access development compared to other countries. A study by Al-mutawkkil, et al. (2009) demonstrated that although most developed countries lead in most of the major ICT infrastructure, there are some developing countries, such as China and Singapore that are competing to fully develop their ICT infrastructure.

### **3.4.2 Availability of skilled workers**

Another challenge faced by SBEs is a lack of skilled workers to support and maintain ICT applications. ‘Human capital’ is an important factor that contributes to SBEs’ e-readiness (Ramayah, Yan, & Sulaiman, 2005). A significant *digital gap* exists between the richer and poorer countries in respect of the use of ICT and the availability of skilled ICT workers (Shih, et al., 2008). Most SBEs are left behind compared to larger businesses in adopting ICT. This is not about the lack of investment funds or access to the technology, but the relatively low quality of human capital –lack of knowledge and skills (Arendt, 2008). A study of factors affecting the adoption of electronic commerce technologies by Australian small businesses found that the lack of skills, knowledge and poor training of staff were barriers that contributed to the lack of Internet adoption in such organizations (Lawson, Alcock, Cooper, & Burgess, 2003). A study by Al-Gharbi & Ashrafi (2010) on the barriers of adopting the Internet by Omani businesses disclosed that the lack of qualified or skilled workers is one of the factors that affects ICT adoption. This is supported by Alam, Noor, & Kamal (2009) in their studies on ICT adoption in small and medium enterprises in Malaysia, which indicated that

there is a significant relationship between ICT knowledge and skilled employees with ICT adoption.

Apulu, Latham, & Moreton (2011), in their studies on factors affecting the ICT adoption in Nigeria, indicated that the majority of small and medium enterprises in Nigeria are sceptical of investing in ICT due to the high cost of training their employees and maintaining ICT equipment. Most Nigerian small and medium enterprise owners or managers are reluctant to train their employees, as they are afraid of losing their employees (after training) to better job offers.

### **3.4.3 Financial issues**

Finance could be considered as a critical element to small businesses in their ability to invest in ICT as small businesses are highly dependent on their financial conditions (Stephenson & Arinaitwe, 2006). Eyiah & Cook (2003) reported that banks view small businesses as being too risky and involving high transaction costs. There is also limited information on loan applications by small business owners or managers, causing difficulties for banks to assess their loan proposals (Eyiah & Cook, 2003). According to a study by Meas (2006), the “start-up” capital for small businesses in Cambodia is approximately USD 100,000, and family members typically play the role of providing the start-up capital. Meas (2006) found that the share of the banks is very limited in providing capital start up when compared to local lenders and family members. Most small businesses in Cambodia preferred to borrow capital from local lenders to satisfy their financial

shortages rather than borrowing from the banks, even though the interest rates of the local lenders was higher than the banks. This is because the small business owners found it was difficult to understand and follow the banking procedures, which they perceived as too difficult.

A study by Kurnia & Peng (2010) concerning the readiness of the Chinese grocery industry in developing countries to adopt electronic commerce, indicated that the small size of the business and limited financial resources create challenges for these business to adopt ICT technology. The interviews with participants in the study revealed that businesses with strong financial resources intend to recruit more technical or skilled workers towards the implementation of the Internet. This is supported by Apulu et al. (2011) which disclosed that a lack of financial resources has a significant impact on the development of small and medium enterprises in Nigeria. This factor affects the utilization and adoption of ICT in most Nigerian small and medium enterprises.

Businesses in developing countries face different challenges compared to developed countries (Molla & Licker, 2005a). For example, businesses in developed countries experienced well developed, accessible and affordable infrastructure, which contrasts with the constraints of quality, availability and the cost of accessing the telecommunication infrastructure in developing countries; (Humphrey, Mansell, Pare, & Schmitz, 2003). The cost of adoption has a significant relationship with Internet adoption (Alam, 2009). A study by

Karanasios & Burgess (2008) on the use of the Internet by small tourist enterprises in developing countries (Malaysia and Ecuador), indicated that the cost of adopting the Internet influenced the type of activity they performed online. Half of the Ecuadorian participants complained that ICT was expensive. Karanasios & Burgess (2008) also noted that the difference in the price of Internet access paid by Ecuadorians and Malaysians becomes one of the challenges to adopt the Internet.

#### **3.4.4 Culture**

The cross-country differences of culture can act as a barrier to ICT adoption (Erumban & Jong, 2006). It is important for SBE owners or managers to know their own culture and level of organizational learning, before promoting organizational learning to their employees (Graham & Nafukho, 2006). Graham and Nafukho also added that efforts should be made to understand the background of employees who are involved in the learning processes. Thus, the level of education, skills, capital availability, business culture and other factors are fundamental to successful business operation. Teo, Tan, & Buk (1998), in their study on the factors affecting Internet adoption among businesses in Singapore, concluded, “that organizational and technological factors were more important than environmental factors in the adoption of the Internet” (p. 113). They also highlight the most significant contingent factors affecting Internet adoption which were technology policy, compatibility of the Internet with organizational culture and infrastructure and top management support.

Tarafdar & Vaidya (2007) considered organizational culture to be one of the factors that contribute to the organizational readiness for ICT adoption. The elements, such as end users' prior exposure to ICT, strong support for discussion of new and innovative ideas, support in terms of risk taking and experimentation, technology advancement, and proactive business strategy, contribute to the increase in readiness to adopt ICT. Kurnia & Peng (2010), in their study on the readiness of the Chinese grocery industry to adopt the Internet, found that Chinese culture is currently not ready to fully utilize the use of the Internet in business transactions, as most of them still prefer face-to-face interactions due to the lack of trust in business relationships. In addition, developing countries often have their own business culture (limited applicability and transferability of Internet adoption), which differentiates them from developed countries (Gibbs, Kraemer, & Dedrick, 2003; Hempel & Kwong, 2001; Molla & Licker, 2005a, 2005b).

### **3.4.5 Government policies**

Some scholars agree that governments play an essential role, particularly in developing countries, in creating a favourable environment for ICT (Montealegre, 1998; Mujahid, 2002; Pradhan, 2002; Rizk, 2006; Sadowsky, 1993). The government could be one of the factors that influence the rate of adoption of the Internet through the application of rules and regulations (Wymer & Regan, 2005). However, SBEs might be reluctant to invest in ICT due to the fear of changing policies resulting from changes of government (Kapurubandara & Lawson, 2006). A study by Wang & Lin (2008) found that government policies were an

influential factor in the adoption of ICT among SBEs. However, the appropriate policies by the government could encourage SBEs to invest in ICT for their business performance (Ssewanyana & Busler, 2007). However, Al-Qirim (2007) argued that government policies and strategies only have a minor impact on the adoption of the Internet in SBEs. This is supported by Chong & Ooi (2008) who found that government influence does not provide a significant barrier to adopting the Internet.

Government programmes and incentives for SMEs vary across national economies to suit the local conditions of the respective countries (Harvie & Lee, 2002). An annual report by the SME Corporation Malaysia (2011b, p. 35) highlighted six focus areas in the SME Masterplan (2012-2020) as a policy direction for SMEs. The focus areas are:

- Encourage greater support for innovation and technology adoption among SMEs.
- Enhance human capital and entrepreneurship development among SMEs.
- Ensure that creditworthy SMEs have access to financing for working capital and investment.
- Expand access to market for goods and services produced by SMEs.
- Ensure the legal and regulatory environment is conducive to the formation and growth of SMEs, while protecting the broader interest of society.
- Improve the infrastructure needed by SMEs to operate effectively.

In contrast, a study by Hashim (2011) on the assessment of e-commerce and government policies and initiatives indicated that SMEs with government initiatives to adopt e-commerce are more likely to adopt than other SMEs. Government initiatives are ineffective as they are generally too small, and do not cover the costs after introduction. Hashim (2011) suggested that government programmes and initiatives need to be evaluated and designed to determine which are appropriate to assist SMEs as a whole.

### **3.4.6 Owner's attitude**

The decision to adopt the Internet is highly reliant on small business owners or managers. The attitude and knowledge of small business owners dominates the decision to adopt the Internet (Levy & Powell, 2003; Levy, Powell, & Yetton, 2001). Owners-managers of small businesses who have a positive attitude towards Internet adoption also perceived Internet adoption as adding strategic value for the business (Cohen, 2001; Grandon & Pearson, 2004). Fillis, Johannson, & Wagner (2004) argued that although positive and negative attitudes towards Internet adoption appeared in all sizes of business, small businesses are strongly dominated by their owners-managers to make any decisions. This is supported by Mpofu & Watkins-Mathys (2011) in their study on understanding ICT adoption among the small firm sector in Southern Africa, which indicated that small business owners-managers are positive and willing to adopt the Internet to enhance their business operations. For example, one of the small business owner-managers who operated a small hotel indicated that they did not have Internet

access for their guests and had to take their guests to the nearest point for Internet access. It caused inconvenience to their guests, and, thus, the owners-managers considered adopting the Internet for their convenience.

A study by Alam (2009) concerning the adoption of the Internet by Malaysian SMEs indicated that owners-managers play an important role in the adoption and utilization of the Internet. The findings also revealed that owners-managers who possess computer knowledge and skills will adopt the use of the Internet faster. Nevertheless, owners-managers who have experience with the usage of the Internet are able to influence the adoption rate of the Internet.

### **3.5 Summary**

For this study, small business enterprises are defined as:

*“Any business that employs less than twenty employees, has a relatively small market share, and managed by the owner or part owner in a personalized way”.*

SBEs are a heterogeneous type of business with unique characteristics. Among their common characteristics are: (1) the organization of SBEs is very flat; (2) the business is operated by fewer employees and directly managed by an owner-manager; (3) the decisions are centralized and made by owners-managers; (4) typically they face limitations in terms of resources, managerial skills, and

competency; (5) often the business operates informally; and (6) they are typically poor in business strategies.

SBEs often lack the business strategies to support and enhance their business growth and motivation. This chapter discussed four business aims and strategies that are associated with small business enterprises: growth strategy, cooperation strategy, strategic alliance, and lifestyle strategy.

In addition to poor business strategies, small businesses also face challenges that influence their e-readiness and adoption of the Internet. The challenges are:

- availability of infrastructure,
- availability of skilled workers,
- financial issues,
- culture,
- government policies,
- owner's attitude.

The next chapter will discuss marketing approaches by small business enterprises. The marketing approaches of these businesses depend on their owners-managers to decide their marketing direction. The next chapter will also explore the use of the Internet as a new marketing approach for small business enterprises.

# 4

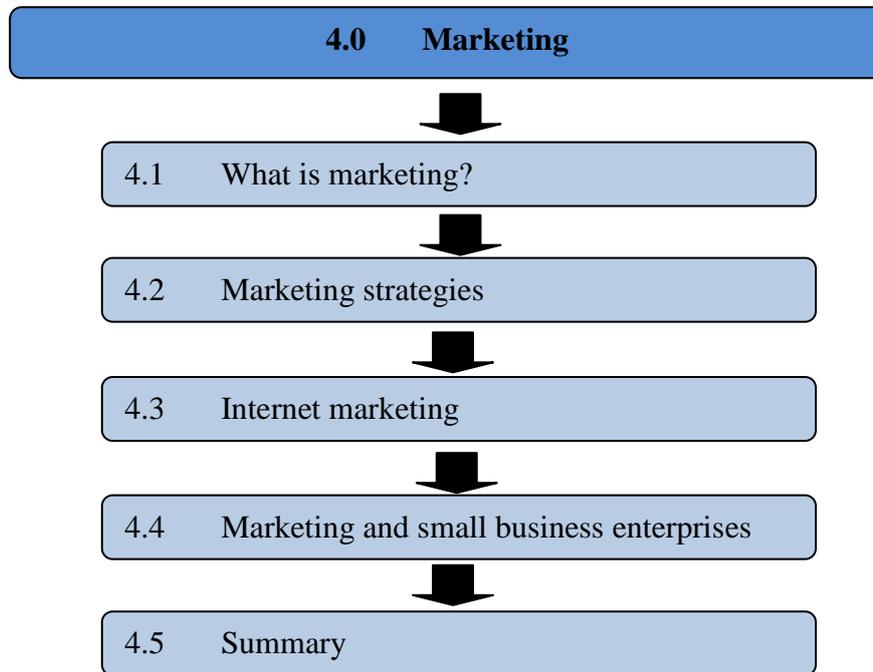
## MARKETING

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### **4.0 Marketing**

This chapter presents marketing theory and findings research evidence that relevant to SBE adoption of Internet marketing particularly those SBEs, who adopting Internet marketing as a new marketing approach. The basic principles of marketing are examined to investigate how they apply to Internet marketing and how Internet marketing is altering previously accepted principle. New strategies for Internet marketing are highlighted. The opportunities that could be gained through the adoption of Internet marketing by SBE business operations are also be discussed.

The structure of the discussion is as follows:



## 4.1 What is marketing?

The Chartered Institute of Marketing (2008) defined marketing as *the* management process responsible for identifying, anticipating and profitably satisfying customer requirements. The American Marketing Association defines marketing as “*an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders*” (Kotler & Keller, 2009, p. 5).

The above definitions are considered as an operational approach to marketing activities, which have often been applied by larger businesses when doing

marketing. No specific marketing definition for SBEs could be found in the literature that links the definition of the marketing with entrepreneurial behaviour (Carson, Cromie, McGowan, & Hill, 1995; Reynolds, 2002). Marketing is about the art of meeting human and social needs by choosing the right target markets, and managing the customers through communicating and delivering customer value (Kotler & Keller, 2009). Marketers refer to the marketing mix as consisting of four Ps– product, price, place and promotion – which comprises the main elements to meet the needs of the customers within the target market (Pride et al., 2006). Pride et al. (2006) noted that the essence of marketing is to create satisfying exchanges between customers and business enterprises in order to gain benefits for both.

This study adopts The American Marketing Association definition quoted earlier.

#### **4.1.1 The Marketing Mix Attributes (4 Ps)**

This section will discuss the four well-known attributes of marketing mix – product, price, place and promotion. This marketing mix forms the parameters for marketers to control the internal and external marketing environments. Each of the elements has its own essential ingredients to support marketing activities. Kotler & Armstrong (2010a) defined each of the elements of marketing mix as:

- **Product** –refers to the goods and services offered by the business to the target market.

- **Price** –the amount of money that customers have to pay for the products and/or services.
- **Promotion** –activities by the business to communicate and market their products and/or services to the target customers.
- **Place** –locations that the products and/or services are available for the target customers.

According to Kotler & Armstrong (2010a), all marketing mix elements are blended together for effective integrated marketing programs in order to achieve the marketing objectives.

In order to market products and/or services effectively, thus appropriate marketing strategies are needed.

Marketing strategies engage with planning, implementing and controlling to create customer value and achieve a profitable relationship with customers. The next section will discuss the marketing strategies common to small business enterprises.

## **4.2 Marketing strategies**

Marketing strategies are the primary strategies that management emphasizes on an ongoing basis (Knight, 2000, p. 15). A marketing strategy involves all activities in an organization that formulate the business strategies and goals (Knight, 2000).

The strategies reflect marketing and quality leadership, and specialization of the products (Morrison & Roth, 1992). Marketing leadership could be a nexus of strategic gestalt and could be the important driver for business success (Knight, 2000).

Carson (1990) merged the concepts of limited proactivity and personal management into the concept of an 'involved' marketing style, and explained how small business marketing is often characterized by high direct involvement on the part of the owners-managers. It also relates to how it relies heavily on intuitive ideas and decisions of the owners-managers (Carson, 1990). Nevertheless, SBEs experience a variety of challenges in the business environment, such as limited financial resources, a shortage of skilled workers, and inadequate infrastructure (Kodakanchi, Kuofie, Abueyaman, & Qaddour, 2006). The marketing approaches of these businesses depend on how the owner operates and runs the businesses, which are often mixed and informal. Bode (2003) suggested that many SBEs do not have a strategic planning for their businesses.

Due to the limitations faced by small businesses, Storey & Sykes (1996) suggested that certain strategic alternatives are typically more appropriate for small businesses, which indirectly compete with larger businesses and involve the development of close customer relationships and product adaption. Perry (1987) contended that small businesses should adopt Ansoff's Matrix, which is appropriate for business growth.

Ansoff's Matrix will be discussed in the next section.

### **Ansoff's Matrix**

Some scholars relate most of the growth strategies based on H. Igor Ansoff's Product-Market Matrix (Harper, 1992). The matrix consists of four strategies to support business growth – market development, market penetration, product development, and diversification (Ansoff, 1988).

#### *Market development*

Market development is defined as *a strategy for company growth by identifying and developing new market segments for current company products* (Kotler & Armstrong, 2010a, p. 45). The authors advocate market development as a part of the strategy to find new geographical markets. It involves expanding their traditional store formats to other regions or expanding to new countries with an attempt to increase the revenue for the company (Ansoff, 1988).

#### *Diversification*

Diversification involves offering new products to new markets (Ansoff, 1988). Diversification could be one of the strategies for company growth through starting up and acquiring businesses outside of the company's current products (Kotler & Armstrong, 2010a).

### *Market penetration*

Business growth could be achieved with the present products and in the present market (Ansoff, 1988). It involves obtaining higher sales from existing markets by attracting current non-customers who either do not purchase products in the offered categories at all or purchase them from competitors. In a market penetration strategy, the loyalty of existing customers could be improved and the value of their shopping baskets increased (Ansoff, 1988).

### *Product development*

Product development could be considered by offering modified or new products to existing markets (Kotler & Armstrong, 2010a). Ansoff (1988) explained that product development strategy could be carried out by providing the existing customer base with new product categories in the current markets.

Ansoff's Matrix could be an alternative choice to business growth. Figure 4 shows Ansoff's Matrix.

**Figure 4      Ansoff's Matrix**

		<b>Products</b>	
		Present	New
<b>Markets</b>	Present	Market Penetration	Product Development
	New	Market Development	Diversification

Source: Ansoff(1988, p. 109)

A study by Richardson & Dennis (2003) on retail activities by UK vineyards applied the Ansoff's Matrix to analyse the strategic marketing tools used by these businesses. According to the findings, most of the vineyards applied the market penetration strategy in order to survive in the market. In the case of UK vineyards, Richardson & Dennis (2003) indicated that the goal of wine producers is to persuade overseas' customers to buy local products. The wine producers concentrated on producing attractive products that suit the price that customers are prepared to pay. A few vineyards with strong financial support sought an alternative market penetration by buying an established competitor with an existing supply network or reputation. However, vineyards that have limited financial funds are only able to achieve limited market coverage.

A survey by Richardson (2002) found that vineyards all over the world were developing their business websites for the purpose of increasing business sales, direct marketing/promotion, tourist promotion, and indirect marketing (supporting wholesales). Larger vineyards were normally searching to emphasize their marketing penetration through the business websites and not to compete with existing outlets. Whilst, medium sized and small sized vineyards were seeking to expand their sales by using comparatively cheap methods of promotion to bring their regional products to wider target markets.

Product development involves a new product in an existing market. For example, some vineyards might produce both alcoholic and non-alcoholic drinks to expand their existing market. Others produce a range of unlabelled wine for sale to small vineyards that face a shortage of stocks due to poor crops (Richardson & Dennis, 2003). Richardson & Dennis (2003) added that some vineyards produce grape juice in order to cater to visitors who wish to consume non-alcoholic drinks, especially for car drivers. The findings by Richardson & Dennis (2003) also suggested that tourism becomes an obvious partner to vineyards in diversifying the businesses. There were several vineyards located in country areas that offered their spare farm cottages for rent to tourists and collaborate with national cottage-hire companies for publicity. According to Richardson & Dennis (2003), one of the vineyards owners commented that the income from renting the farm cottages was used to maintain the vines in terms of keeping the vines free from disease.

Some of the vineyard owners might convert an old winery into a self-contained tourist cottage.

### **4.3 Internet marketing**

Recently, Internet marketing has become popular in all types of business, including SBEs (Chaffey, et al., 2006; Ngai, 2003). Internet marketing is defined as *the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products, and services that satisfy the goals of both buyers and sellers* (Imber & Betsy-Ann, 2000). Chaffey et al. (2006, p. 8) defined Internet marketing simply as “achieving marketing objectives through applying digital technologies”. Internet marketing and e-marketing terms are often used synonymously and are taken as having the same meaning (Gilmore, Gallagher, & Henry, 2007). However, Chaffey, et al. (2006) indicated that the term ‘Internet marketing’ refers to the external perspective of how the Internet can be used in relation to traditional marketing to attain customers and deliver the services to customers. Whilst, ‘e-marketing’ refers to a broader scope as it refers to digital media, such as the Internet, e-mail, and wireless media as well as customer data management and systems generally referred to as e-CRM<sup>4</sup> systems. A study by Harrigan et al. (2010) on the use of generic Internet technologies (Internet access, email, web sites, and relatively simple databases) towards SME performance suggested that even the use of generic Internet technologies can

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<sup>4</sup>e-CRM is referred on managing relationships with customers by using ICT as a communication tool.

assist SMEs to advance their customer relationships and contributes to conceptualizing their e-CRM capabilities.

The Internet is an important factor in enhancing a firm's market reach and operational efficiency (Porter, 2001). In addition, Poon & Swatman (1999) found that Internet marketing managed to fulfil some business objectives. Based on the research findings, whilst sales were lower than expected with the use of the Internet as a virtual marketplace, it helped to minimize time consumption in searching for resources, developing networking, and sharing expertise. Poon & Swatman (1999) also added that the effective use of the Internet for businesses depends on which sector the businesses are in. Furthermore, Herbig and Hale (1997) indicated that some businesses were found to be successful in advertising, marketing, promoting and distributing their products and services via the Internet while other businesses were hesitant to use the Internet for their particular needs. They were afraid to jump on the bandwagon but they are also afraid of being left behind by the current online businesses (Herbig & Hale, 1997).

The Internet has become a strategic tool for businesses in a competitive business environment (Ching & Ellis, 2004; Porter, 2001). Bell, Deans, Ibbotson, and Sinkovics (2001) used the term 'internetalization' to describe the deliberate use of ICT for internationalization purposes and 'active online internationalization (AOI)' by Yamin and Sinkovics (2006). AOI is a form of foreign market entry that involves Internet transactions which take place "*in the virtual rather than the real*

*or spatial domain*” (Yamin and Sinkovics, 2006, p. 340). Mathews & Healy (2008) explored the influence of the Internet on international market penetration and development for Australian SMEs. The study found that the Internet has influenced the traditional way of accessing and processing information by enhancing communication interactions. Pezderka & Sinkovics (2010) focused on active online internationalization (AOI) for small and medium-sized businesses, particularly in conceptualization of e-risk perceptions and implications. The study concluded that awareness of the potential risks in online internationalization comprise the first step in effective online risk management.

Internet marketing practices for the businesses include the use of a company’s website together with online promotional techniques, such as search engine marketing, interactive advertising, e-mail marketing and partnership agreements with other websites (Chaffey et al., (2006). Thus Internet marketing supports the objective of marketing to acquire new customers and provide services to existing customers as well as to maintain the customer relationship. The implementation of Internet marketing by SBEs could change the nature of their business around the world, as the Internet creates a faster communication channel for marketing (El-Gohary, 2007). The Internet can be a source of information to provide feedback and maintain the relationship with the customers (Aziz & Yassin, 2004). Aziz and Yassin (2004) also contended that the Internet helps marketers in gathering the information to customize their offers to their customers and prospects. Thus, the Internet has affected marketing in many ways (Herbig & Hale, 1997).

### **4.3.1 The 4 Cs: The New Four Ps of Internet Marketing**

The Internet does affect the four basic Ps –product, promotion, place and price objectives – and adds a set of its own four corresponding objectives that extend beyond these basic four. These 4Cs minimize the most basic objectives and help define a website’s primary purpose. The 4Cs are *customer, cost, convenience and communication* (Smith, 2003). Smith suggested that businesses should know what the *customer* needs and wants instead of the *product* itself. The new era of the marketing approach via the Internet offers improved customer service by customizing offerings for customers, personalised sites and provides added value that leads to customer loyalty and creating a totally new shopping experience rather than the traditional marketing approach, which is more concerned with physical presence (Walsh & Godfrey, 2000).

According to Market-Vantage (2004), many products are not functionally simple, and when combined with other associated technologies or services they are often too complex to be a complete solution. Even consumer products often require a brand to help influence the buying process going beyond the basic product features. The consumer must conform to adapt the operating environment that shapes perceptions about relevant value to a consumer (Market-Vantage, 2004). Businesses should consider the *cost* bear by the customers as well as making profits. The use of the Internet also provides *convenience* to customers as they could purchase the products from home (Smith, 2003). Internet marketing can offer services around the clock and around the world, which means people can

access it wherever they are located (Walsh & Godfrey, 2000). Businesses also need to focus on developing two-way communication with customers instead of having one-way communication (Smith, 2003). Businesses can take advantage of the Internet as a *communication* channel to exchange and communicate information with customers (Kiang, Raghu, & Shang, 2000). They added that the Internet could allow the businesses to quickly respond to market changes and customer preferences.

#### *Customer vs. Product*

Customer is an extension of the product in the 4Cs. Due to the rapid globalization, many low-cost producers attempt to copy good ideas towards the products that capture customers' imagination (Liu & Zhang, 2005). Peterson et al. (1997), cited in Poon & Joseph (2000), categorized products and services into three dimensions –cost and frequency of purchase, value proposition and degree of differentiation (refer Figure 5).

**Figure 5 Relationship of search/experience goods and tangibility**

Low tangibility	<p>Example: A consultant report delivered over the Internet</p>	<p>Example: A digitised sound track delivered through audio-on-demand service over the Internet</p>
High tangibility	<p>Example: Fashions purchased over the Internet</p>	<p>Example: A book purchased over the Internet</p>
	Experience goods	Search goods

Source: Poon & Joseph (2000, p. 22)

Goods in the cost and frequency of purchase dimension range from low cost, frequently purchased goods to high cost infrequently purchased goods. This dimension highlights the differences in the transaction and distribution costs depending on whether and how the Internet is used. The value proposition dimension classifies goods according to their tangibility. Internet commerce is especially well-suited for goods consisting of digital assets, such as computer software, music and reports (Rayport & Sviokla, 1995). The Internet maybe the ideal channel as the variable cost of distribution is nearly zero. The third dimension, differentiation, deals with how well the seller has been able to create a sustainable competitive advantage through differentiation. When differentiation dimension is achieved, the Internet can be used as a segmentation tool, which will guide buyers to the ideal product/service.

### **Convenience vs. Place**

The Internet is and always will be a virtual place. Home shopping is not new. It has been attracting millions of shoppers for many decades, through catalogues, television, radios, and others. This shopping online can be reviewed as an enhanced alternative to catalogue or television shopping. Online shopping enables the customers to buy from anywhere, and to do so 24 hours a day, 7 days a week. Electronic storefronts and electronic malls are two online shopping mechanisms. Electronic store fronts are an extension of physical stores, such as Dell or Wal-Mart, where orders can be placed (Turban, Leidner, McLean, & Wetherbe, 2008). An electronic mall is a collection of individual shops under one Internet address. It provides a one stop shopping place that offers a variety of products and services (Turban, et al., 2008).

### **Cost vs. Price**

The third C in Internet marketing is cost. Cost often related to price. Recently, most of the banks offer electronic banking, which includes various banking activities conducted from home, a business, or on the road instead of at a physical bank location. Providing customer account status and records via online can reduce calls to support personnel as the customer can manage their account at their own discretion (Liu & Zhang, 2005). It saves time and is convenient for customers. This third C in Internet marketing providing superior customer care, is able to minimize the cost and allow improved pricing dynamics (Liu & Zhang, 2005).

### **Communication vs. Promotion**

The Internet offers a whole range of promotional opportunities to both large and small businesses. An important dimension of the Internet is that the medium combines the features of both broadcast and publishing to facilitate two-way communication with customers (Chaston & Mangles, 2002). Berthon et al. (1998), cited by Chaston & Mangles (2002), proposed that the Internet can be used to generate awareness, passively provide information, demonstrate the product, and, if required by the customer, support interactive dialogue. Thus, the Internet allows the business to interact with prospective customers.

## **4.4 Marketing and small business enterprises**

Although the basic principal of marketing is generally accepted in businesses, both large or small (Reynolds, 2002; Siu & Kirby, 1998), marketing in small business enterprises becomes an issue that has been debated among both academics and practitioners (Brodie, Coviello, Brookes, & Victoria, 1997; Gilmore, Carson, & Grant, 2001). Marketing approaches for SBEs are mixed and less formal, depending on how owners run the business, making decisions on their own, and responding to current circumstances and opportunities. Thus, their decision making may be haphazard and chaotic, based on either personal or business priorities at any given point in time (Gilmore, et al., 2001; Scase & Goffee, 1980). Gilmore et al. (2001), and Hill & Wright (2000) added that behind the reason for informal, haphazard and limited marketing approaches is the relationship to the way owners run the business. Wright, ul-Haq, & Oktemgil

(2005) highlighted that the skills in setting up the business and technical knowledge in developing the products or services are not comparable with the skills needed to run the business successfully. In other circumstances, the owner responds based on the opportunities and the decision making tends to be haphazard if not apparently chaotic (Wright, et al., 2005). In contrast, Blankson & Stokes (2002) defined small business marketing as unplanned activities that are based on the intuition and energy of the owners to decide it. Many SBEs do not engage in strategic planning for their businesses (Bode, 2003). This is supported by Jamal (2005) who found that small business owners paid less attention to marketing strategies and marketing tools.

Chaston & Mangles (2002) added that the marketing theory development in SBEs is fairly limited and often depends on the application of conventional marketing models that are used more appropriately in large businesses than SBEs. This is supported by Reynolds (2002) who found that many owners-managers of small businesses have little interest in the conventional marketing approach, as they perceive that it is not appropriate for their business. Churchill & Lewis (1983) introduced five stages of small business growth –existence, survival, success, take-off, and resource mature. Churchill & Lewis (1983) noted that marketing has become a major issue to small businesses in the ‘existence’ stage, as, at this stage, the owners-managers of small businesses are often responsible for determining the marketing and sales activities of the business. With the growth of the business, marketing becomes a major issue.

Marketing capabilities and the attitude of owners-managers are the key factors in the start-up stage. Scase & Goffee (1980) agreed that it is important to examine and plan a marketing strategy, as it presents the first problem to consider as the life of a small business owner is often based on day-to-day survival instead of following a comprehensive marketing plan. The owners-managers of small businesses frequently reject the advertisement and marketing research, as they assume it to be expensive, inappropriate, and an indicator of a poorly run business (Curran, 1988; Watkins & Blackburn, 1986). Hence, Wai-sum (2005) claimed that many small businesses do not often have a strong marketing orientation. The limitation of resources, lack of expertise, and limitation of impact in the marketplace together with the small business characteristics influences small business marketing practices (Carson, 1990). Morris & Paul (1987), in their studies on entrepreneurial and marketing orientation of businesses, indicated that the marketing activities of small businesses tend to be influenced by their organizational culture. Further attempts to acknowledge the effects of management style and the culture of small businesses by Carson & Cromie (1990) identified a relationship among marketing activities, organizational culture, and entrepreneurial characteristics.

Hogarth-Scott et al. (1996) argued that marketing seems an unnecessary luxury for small businesses with the severe constraints and pressure to develop and implement marketing strategies. Hogarth-Scott et al. (1996) also added that as small businesses moved along the growth cycle, the pressure of systematic

planning and the associated information would increase. In addition, the limitations of the resources of small businesses will likely affect the investment in marketing (Hogarth-Scott, et al., 1996). The limitation of resources will affect small businesses' ability to implement other alternative marketing strategies; limit the small businesses to apply their marketing tasks; they will be unable to compete successfully in market entry due to insufficient resources and be unable to afford to purchase specialized marketing expertise (Davis, Hills, & LaForge, 1985; Oakey, 1991; Weinrouch, Mann, Robinson, & Pharr, 1991).

Hogarth-Scott et al. (1996) found related factors that affect the growth and performance of small businesses, which include:

- a successful product-market strategy,
- the ability of the managers to gain the opportunities and cope with difficulties,
- greater tendency to follow a strategy of focused differentiation, and lower tendency to compete on price.

The practices and management problems of small businesses are completely different to those of large businesses, thus, the managerial practices in larger businesses are normally inappropriate to be applied by small businesses, especially new start businesses (D. Carson & Cromie, 1990; Hogarth-Scott, et al., 1996). As mentioned earlier, limitations such as financial resources, time,

marketing knowledge, and expertise have an impact on SBEs in the marketplace (Gilmore, et al., 2001).

#### **4.4.1 Marketing opportunities for small businesses on the Internet**

The growth of ICT provides an opportunity for businesses to expand access and escalate the use of new technologies (Khalil & Kenny, 2008). The web page could be considered as an electronic billboard, electronic advertisement or electronic catalogue that provides information concerning the products and services to existing and potential customers (Kiani, 1998). Kiani (1998) indicated that the Internet provides opportunities and benefits to small businesses to expand their businesses globally with limited financial resources. Rayport & Sviokla (1995) believed that the virtual value chain<sup>5</sup> provides opportunities to small businesses to minimize the cost of products and services in the market, which has been dominated by large companies. Chaston (2004) discussed the benefits of using the Internet in business, particularly for small businesses. Among the benefits that can be gained by businesses are:

##### *Lower costs*

The use of the Internet in the business is able to replace a retail outlet with online shopping facilities and is able to minimize the printing cost by converting a paper

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<sup>5</sup>Virtual value chain is where businesses coordinate, manage, measure and control the business processes with the use of ICT as a tool.

catalogue to an electronic catalogue. Adopting the Internet for marketing helps in lower the operation and marketing costs (Gilmore et.al 2007).

#### *Improved distribution*

Placing the information of the products or services online, the business can achieve global distribution without having to invest in gaining placements in traditional outlets.

#### *Reduced personal selling cost*

An interactive website is able to replace the role of the sales person as a provider of information.

#### *Relationship building*

The business can obtain the record of customer's behaviour that can be used to improve the level of customer service.

#### *Customized promotion*

The business can customize their promotion and business communication on the website to cater to specific target markets.

#### *Rapid market response*

The changing market situation requires a quick response from the business. Through the Internet, the business can deliver the new information to customers.

### *New market opportunities*

The Internet creates opportunities for the business to offer their products and services to any market in the world.

Studies by Chan (2001) and Schneider (2002) indicated that use of the Internet is able to reduce the advertising and promotion cost; increase communication speed between the buyer and seller; shorten the traditional supply chain; minimize the transportation obstacles and reduce delivery cost; provide savings in transaction costs; and minimize the physical limitations of time and space. However, according to the study done by Gallagher & Gilmore (2004), SBEs were slow to respond to the changes brought by the Internet and they are not effective users of it even though it offers benefits and opportunities from employing Internet marketing in the business. SBEs often viewed the Internet as a distinct and separate entity and do not integrate it within the whole organization. SBEs also failed to use the Internet in creating real competitive advantage and simply make do with the direct operational benefits that it has to offer in terms of marketing communication (Gallagher & Gilmore, 2004).

According to Dandridge & Levenburg (2000), the Internet can be the platform for small businesses to accomplish a number of diverse activities, such as:

- to identify marketing opportunities in the industry, competitors and their strategies, and potential markets,

- to find information concerning the related products offered, new competitors, suppliers, financial resources, or general information that is related to the business,
- expand wider coverage market beyond their immediate geographic area,
- registering their products on the website with a search engine in order to create awareness among the public and participating in discussion groups, mailing lists and bulletin boards,
- they are able to position themselves together with larger businesses,
- bypassing the gatekeepers<sup>6</sup> to get through to key decision makers,
- gain opportunities to serve the market that have often been ignored by larger businesses,
- apply well-conceived Internet marketing strategies.

## 4.5 Summary

This chapter discussed marketing, particularly as related to small business enterprises. Selecting the appropriate marketing strategy is essential for small business enterprises to market their products and/or services successfully. This chapter focuses on the use of the Internet for marketing purposes, and its applicability to SBEs.

The use of the Internet for marketing creates an opportunity for small businesses to improve their marketing approaches particularly SBEs in developing countries.

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<sup>6</sup>Gatekeeper is a person who controls the access of the information and communications.

Internet marketing is related to the basic principle of marketing: The four Ps (product, promotion, place, and price) and the extension of the four Ps to the four Cs (customer, communication, convenience, and cost) help to define the purpose of Internet marketing. Through Internet marketing, small businesses are able to improve their *customer* service through quick response to customers' feedback and comments via email. The Internet acts as a *communication* channel for small businesses to communicate and exchange the latest information of products and services with customers. Internet marketing also provides *convenience* to their customers as they are able to offer the services around the clock and around the world. It is also able to reduce the marketing *cost* as the advertisements and promotions are advertised in business websites.

Among the benefits of Internet marketing establish by research are:

- reduced marketing costs,
- enhanced market distribution,
- improved customer relationships,
- customized promotion activities,
- improved market response.

The next chapter will discuss the theoretical issues related to the development of the framework of this study. The discussion includes the previous studies

undertaken by other scholars in the related areas, and the research models that support the development of the framework.

# 5

## **AN INTERNET ADOPTION FRAMEWORK FOR MARKETING BY SMALL BUSINESS ENTERPRISES IN DEVELOPING COUNTRIES**

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### **5.0 Literature review: Theoretical background**

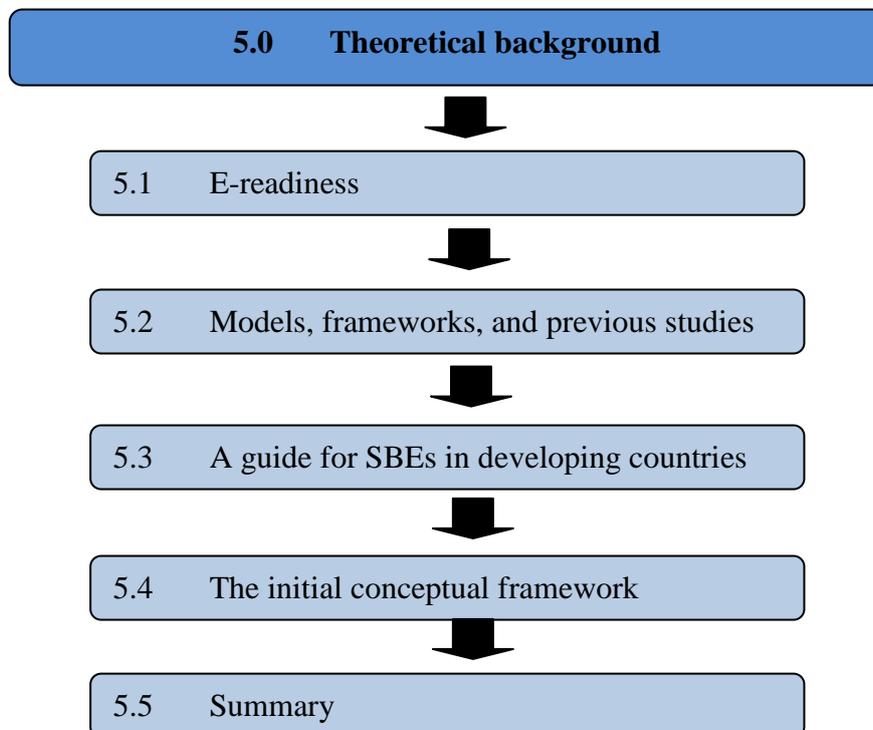
This chapter will discuss the theoretical background that supports the development of the research framework. The purpose is to develop an Internet-marketing adoption framework for small business enterprises.

More specifically, the objectives of this study are as follows:

- to identify the relevant e-readiness attributes,
- to identify the business aims and strategies applied by small businesses,

- to identify the marketing strategies applied by small businesses to cater to their customers,
- to identify the new approaches to internet marketing.
- to identify a process for Internet marketing performance evaluation, whether Internet marketing contributes to the success of small businesses in advertising, promoting and selling their products and services to customers online.

This chapter explores the issues of e-readiness of Internet adoption, and the related research models and frameworks that have contributed to the development of the research framework. The structure of discussions in this chapter is as follows:



## **5.1 E-readiness**

### **5.1.1 What is e-readiness?**

E-readiness can have different meanings to different people with different perspectives (Peters, 2001).

*E-readiness (electronic readiness) is a measure of the degree to which a country, nation or economy may be ready, willing or prepared to obtain benefits which arise from information and communication technologies (ICT)*

(Dada, 2006, p. 1)

*E-readiness is a measure of the quality of a country's ICT infrastructure and the ability of its consumers, businesses and governments to use ICT to their benefit -*

*The Economist Intelligence Unit (2009, p. 1)*

Most studies on e-readiness have examined it from the perspective of a countries' preparedness for the digital world. The assessment of e-readiness has been based on attributes, such as Internet connectivity, the availability of human resources, business climate, leadership and others (Rizk, 2004). The Centre for International Development at Harvard University through its macro Readiness for the Networked World tool defines e-readiness in relation to a society that has: the necessary physical infrastructure (high bandwidth, reliability, and affordable prices); integrated ICT throughout business, communities, and government and universal access (Bridges.org, 2001).

Only a few studies have concentrated on the e-readiness of businesses. However, some studies focused on the micro perspective of e-readiness (at the business level). These examined the adoption of the Internet among small businesses in the United States, Australia, and European and Asian countries (Maksoud, Samer, & Youssef, 2003; Rizk, 2004). For example, Jennex, Amoroso, & Adalakun (2004) have determined the key infrastructure factors that affected the success of small enterprises in developing countries. Parker (2000) defined e-readiness as the preparedness of a business to operate in an e-business and e-commerce marketplace.

The term e-readiness in this study takes a micro perspective and can be described as:

*Evaluation of the suitability of the business environment to determine if small business enterprises (SBEs) are ready to adopt the Internet.*

The next section discusses the importance of e-readiness assessment. The discussion will examine the current macro level e-readiness assessment tools (country's tool) and micro level e-readiness assessment tools (business tools).

### **5.1.2 Importance of e-readiness assessment**

It is useful to discuss the importance of conducting e-readiness assessment before discussing both macro and micro e-readiness tools. The term 'e-readiness' has

received much attention in the current ICT environment and is often related to the development of economic growth. Choucri et al. (2003), in their report to MIT, pose the question ‘*Global E-readiness –For What?*’ This question focuses on a country’s e-readiness (macro level). However, this study focuses on the micro level – particularly the e-readiness of SBEs. As mentioned in the previous chapter (refer sub-section 4.4.2) the Internet is an important medium to market products and/services to customers. The use of the Internet for businesses offers significant benefits for SBEs. Non-adopters, especially SBEs, may be uncompetitive in the market if they only retain their traditional approaches to conducting business.

Nevertheless, SBEs in developing countries are typically left behind in respect of technology advancement compared to SBEs in developed countries. An e-readiness assessment could assist businesses to identify the weaknesses and develop the strategies to counter these challenges.

### **5.1.3 Macro level of e-readiness assessment tools**

There are a number of tools that can be used to measure the level of e-readiness. Qualitative and quantitative indices have been applied to assess the e-readiness level of countries (Rizk, 2004). The parameters used to measure the level of e-readiness can be classified into different categories, such as infrastructure, access, applications and services, economy, promotion and facilitation (industry-led standards), skills and human resources (ICT education, workforce), e-business climate (competition, political and financial stability, foreign investment, financial

infrastructure, pervasiveness per capita usage) and others (Ifinedo & Davidrajuh, 2005). There are a number of e-readiness assessment models of countries developed by different organizations, particularly viewed from a macro perspective (Fathian, Akhavan, & Hoorali, 2008). The macro perspective e-readiness assessment models measure how ready the society or economy is to gain benefit from Internet adoption (Fathian, et al., 2008).

E-readiness tools (at the macro level) have been classified into two categories: ‘e-economy’ or ‘e-society’ (Bridges.org, 2005). Under e-economy, the e-readiness tool is based on the basic infrastructure or the readiness of the country for economic or business growth, as discussed. In contrast, e-society tools focus on the benefits gained by societies from the use of ICT. Table 2 provides a summary of e-readiness assessment tools at the macro level and their corresponding focus areas. Some common characteristics are shared by the tools, such as access to infrastructure, human capital and policy issues.

**Table 2 Summary of Macro Level E-readiness Tools**

Tools	Type	Methods	Summary	Authors	Source
Readiness for the Networked World	E-economy	Using statistical or questionnaire based ready-to-use tools	Network access, networking learning, networked society, networked economy, network policy	Centre for International Development, Harvard University	(Kirkman, Cornelius, Sachs, & Schwab, 2002)
E-readiness Rankings	E-economy	Using statistical or questionnaire based ready-to-use tools	Connectivity and technology, business environment, consumer and business adoption, legal and policy environment, social and cultural infrastructure, supporting e-services	Economist Intelligence Unit	(The Economist Intelligence Unit, 2005)
ASEAN Readiness Assessment	E-society	Using statistical data	Readiness for the digital economy and the development of the ASEAN information infrastructure. Measure e-society, e-commerce, e-government, liberalizing trade in ICT goods and services and infrastructure	IBM, E-ASEAN	(Bhatia & Singapore, 2001)
Asian Pacific Economic Cooperation's (APEC)'s E-commerce Readiness Assessment	E-economy	Using statistical or questionnaire based ready-to-use tools	Basic infrastructure and technology, access to necessary services, level/type of the use of Internet, promotion and facilitation activities, skills, and human resources, positioning for the digital economy	Asian Pacific Economic Cooperation	(APEC, 2000)
McConnell International's E-readiness Report	E-economy	Third party survey and reports	Connectivity, e-leadership, information security, human capital and e-business climate	McConnell International and WITSA	(McConnell & Docktor, 2000)
Mosaic's Global Diffusion of the Internet Project	E-society	Third party survey and reports	Pervasiveness (per capita usage, geographic dispersion, sectoral absorption, connectivity infrastructure, organizational infrastructure, and sophistication of use	The Mosaic Group	(The Mosaic Group, 1996)

Source: Adapted from Bridges.org (2005); Choucri, et al.(2003, p. 3); Fathian, et al.(2008, p. 508) and Karanasios (2008, p. 55)

Table 3 presents a networked readiness index for Asian countries. Malaysia and Brunei Darussalam (countries featured in this study) are included in this category. The table indicates the global rank of countries and their e-readiness index for 2010 and 2011. From the table it shows that Malaysia is ranked at 28 and Brunei Darussalam is ranked at 57 of the Global Rank 2011. It can be concluded that there is a wide gap in the networked readiness of both countries featured in this study.

**Table 3 Networked Readiness Index for Asian Countries (2010-2011)**

2010-2011 Networked Readiness Index for Asian Countries				
Rank in Asia	Country / Economy	Score 2011	Score 2010	Global Rank 2011
1	Singapore	5.59	5.64	2
	<i>United States</i>	<i>5.33</i>	<i>5.46</i>	<i>5</i>
2	Taiwan	5.30	5.20	6
3	South Korea	5.19	5.14	10
4	Hong Kong SAR	5.19	5.33	12
5	Japan	4.95	4.89	19
6	<b>Malaysia</b>	<b>4.74</b>	<b>4.65</b>	<b>28</b>
7	China	4.35	4.31	36
8	India	4.03	4.09	48
9	Indonesia	3.92	3.72	53
10	Vietnam	3.90	3.87	55
11	<b>Brunei Darussalam</b>	<b>3.89</b>	<b>3.77</b>	<b>57</b>
12	Thailand	3.89	3.97	59
13	Sri Lanka	3.81	3.65	66
14	Mongolia	3.57	3.36	83
15	Philippines	3.57	3.51	86
16	Pakistan	3.54	3.44	88
17	Cambodia	3.23	3.03	111
18	Bangladesh	3.19	3.01	115
19	Nepal	2.97	2.95	131

Source: World Economic Forum (2011)

#### **5.1.4 Micro level of e-readiness assessment tools**

A study by Rizk (2004) on e-readiness assessment tools concludes with two major findings. From the perspective of macro assessment, the common parameters used in the e-readiness assessment were physical infrastructure and education (knowledge of ICT). The second issue was where the e-readiness tools present general insights into the ICT environment for the countries that experienced major drawbacks; the choice of indicators and the relative weights which may be different from one country to another (Rizk, 2004). The limitation of these assessment tools is that the relative measurement on selected countries differs for each assessment. Micro level e-readiness assessment tools are appropriate to assess the e-readiness level in depth (either for individuals or businesses), and provide greater analysis (Dada 2006; Rizk 2006).

Rizk (2004) conducted a study of small business enterprises in the textile sector in Egypt and used the micro analysis approach to examine the level of business connectivity, awareness and usage of ICT in marketing, production and management. The findings indicated that based on connectivity, neither small nor medium enterprises were close to being e-ready, whilst large enterprises presented modest potential. Rizk (2004) highlighted that priority should be given to small business enterprises to increase their awareness of the role of ICT, and improve e-infrastructure and e-commerce. Rizk also pinpointed the low level of e-readiness of these businesses due to the barriers and challenges they faced, such as lack of

awareness, human capital, financing issues, legal infrastructure, policy setting and the business environment.

A recent study by Mutula (2009) examined the e-readiness status of small and medium enterprises in the ICT sector in Botswana. The findings revealed that most businesses were not ready to participate in an online environment due to several factors such as lack of awareness, inadequate policy and legislative framework, poor telecommunication infrastructure, and lack of ICT skills. The major outcome of the findings presented the e-readiness status of SMEs in the ICT sector in Botswana, which assisted the Government to improve the orientation of the ICT sector.

### **5.1.5 Summary of e-readiness**

This section discussed the issue of e-readiness in respect to the e-readiness assessment tools from the macro to the micro level. These assessment tools can assist policy makers to assess a country's e-readiness level and provide guidance to improve the growth of ICT in the country as well as small business enterprises.

## **5.2 Models, frameworks and previous studies**

This section discusses the models, frameworks, and previous studies that relate to the adoption of the Internet and e-commerce, and tools that can be applied by small businesses to assist them to make a decision to adopt the Internet. As it is difficult to find a specific model or framework for adopting the Internet for

marketing purposes by small business enterprises in developing countries, lessons can be learned from these more generic studies.

### **5.2.1 Adoption of technology**

A number of scholars have studied the adoption of technological innovation. For example, Tornatzky & Fleischer (1990), Iacovou, Benbasat, & Dexter (1995), Molla & Licker (2005a) and Karanasios (2008). For instance, Tornatzky & Fleischer (1990) discussed technological innovation by enterprises and Iacovou et al.(1995) discussed electronic data interchange (EDI) adoption by small business enterprises. Molla & Licker (2005a) explained the adoption of e-commerce amongst small business enterprises, particularly in developing countries. More recently, Karanasios (2008), in his study, examined e-commerce adoption amongst small tourism enterprises in developing countries. Each of the studies classified the drivers and factors related to technological adoption and consideration to make a decision to adopt new technology.

#### **Technology-organization-environment framework**

Tornatzky & Fleischer (1990) introduced the technology-organization-environment framework, which highlights the innovation of businesses –internally and externally. This framework addresses the context of innovation, the factors internal to the organization and to the external environment. Tornatzky & Fleischer’s (1990) framework outlines e-readiness in the context of small businesses. Researchers that adopted Tornatzky & Fleischer’s (1990) framework

in their studies include Rashid & Al-Qirim (2001); Scupola (2009); Weng & Lin (2011); Ghobakhloo, Arias-Aranda, & Benitez-Amado (2011). The framework will now be described.

There are three elements from the perspective of a business that influence the process of adopting technology innovations. These are the *organizational context*, *technological context*, and *environmental context*. The three contexts are briefly explained.

#### *Organizational context*

This describes several descriptive measures, such as size of the firm, the centralization, formalization, and complexity of the managerial structure, the quality of human resources, and the amount of slack resources<sup>7</sup> available internally.

Many elements contribute or relate to the implementation of technological innovation from a business perspective (Tornatzky & Fleischer, 1990). The internal characteristics of an organization are important indicators for the innovation of the organization (Pullen, De Weerd-Nederhof, Groen, Song, & Fisscher, 2009). Business scope,<sup>8</sup> business size, and business strategy are the components that may influence the adoption of the Internet in businesses (Del

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<sup>7</sup>Slack resources are referred to as excess resources to what is required to reward the dominant coalition that governs the organization (Cyert and March, 1963).

<sup>8</sup>Business scope refers to the range of products and/or services offered by businesses and their target markets.

Aguila-Obra & Padilla-Melendez, 2006; Ramdani, Kawalek, & Lorenzo, 2009; Scupola, 2009; Zhu, Kraemer, & Xu, 2002). Zhu et al. (2002) posited that businesses with greater scope are more motivated to adopt the Internet. Businesses with greater scope may have more potential benefits through synergies between Internet adoption and traditional business processes, such as high internal coordination costs, search costs, and inventory holding costs.

Business size can also influence Internet adoption by businesses (Al-Qirim, 2008; Brown & Kaewkitipong, 2009; Ghobakhloo, et al., 2011; Niehm, Tyner, Shelley, & Fitzgerald, 2010; Ramdani, et al., 2009). Business size is significant as it relates to the capabilities of businesses, including their resources, such as financial and human resources (Mole, Ghobadian, O'Regan, & Liu, 2004). A study by Premkumar (2003) found that larger businesses are more likely to adopt the Internet than smaller businesses. Size impacts the capabilities and willingness of small businesses to invest in Internet adoption (Brown & Kaewkitipong, 2009).

Pullen et al.(2009) highlighted business strategy as one of the indicator that contributes to technology performance. Teo & Pian (2003) agreed that there were positive relationships between business strategy and Internet adoption. In addition to the business strategy, the owner's attitude also influences Internet adoption (Levy & Powell, 2003). Spencer, Buhalis, & Moital (2011) argued that ownership and leadership influences business strategy and the use of resources in making decisions to adopt the Internet. Beckinsale, Levy, & Powell (2006) posited that

the owners-managers of small businesses act as a key for planning business strategy and making decisions for business purposes.

Organizational readiness is also necessary to assess the capacity of businesses to adopt new technologies (Grandon & Pearson, 2003; Iacovou, et al., 1995). In the context of small businesses, one of the major challenges faced by these businesses is limited internal resources, which reduces their capabilities to meet market demands (De Toni & Nassimbeni, 2003; Madrid-Guijarro, Garcia, & Van Auken, 2009). Several limitations for small businesses to adopt the Internet include limited financial resources, lack of knowledge and ICT skilled employees (MacGregor & Vrazalic, 2005).

#### *Technological context*

This explains both the internal and external technologies that are relevant to the organization. It focuses on how technology features can influence the adoption process and implementation.

The technology context highlights a number of technologies available for businesses to adopt (Scupola, 2009; Tornatzky & Fleischer, 1990) and how they fit to the current technology that a business possesses (Chau & Tam, 1997; Jeyaraj, Rottman, & Lacity, 2006; Tornatzky & Fleischer, 1990). A number of factors related to this context include *telecommunication infrastructure*, *ICT knowledge and skills*, and *Internet adoption know-how* (Jutla, Bodorik, &

Dhaliwal, 2002; Kuan & Chau, 2001;Zhu, et al., 2002). This context refers to how technology can be accessed and the skills required to support the technology.

### *Environmental context*

This is the area in which an organization conducts its business –its industry, competitors, access to resources supplied by others, and dealings with governments. These areas can influence the level to which the organization sees the need for, seeks out, and brings in new technology. The environmental context presents both challenges and opportunities for technological innovation. Industry members, knowledge producers, regulatory agencies, customers, and suppliers can provide innovation-related information and financial and human resources.

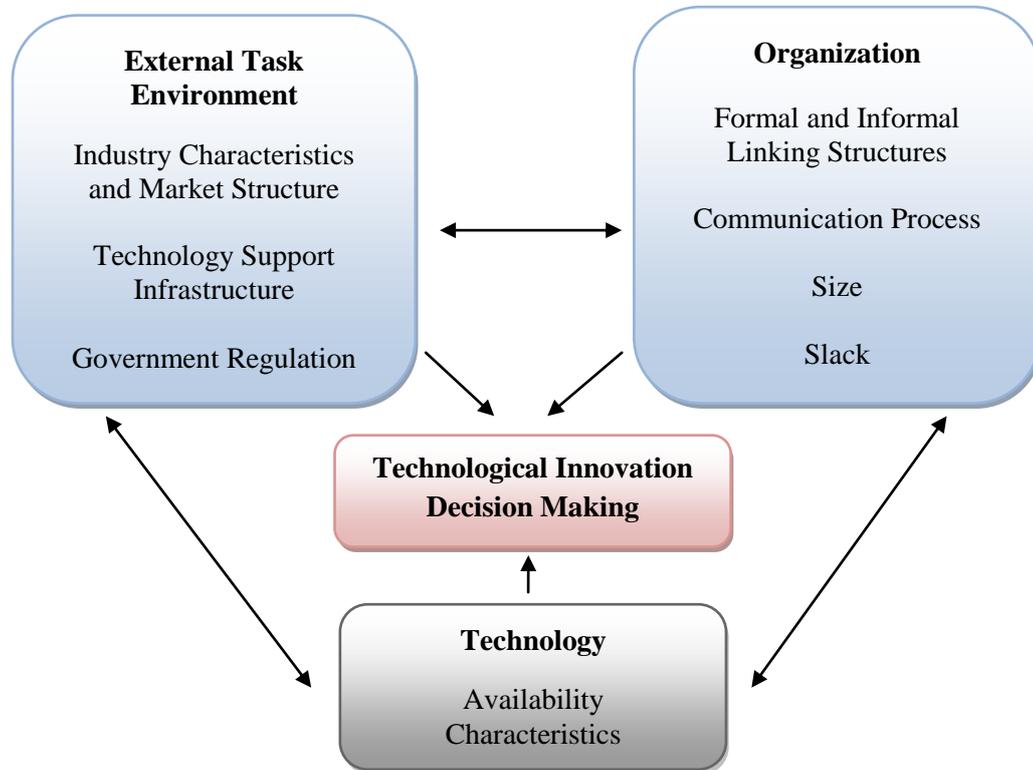
The environmental context refers to the environment of the industry in which the business operates. Industry, market scope, and competitive pressure are included as factors that can influence Internet adoption (Ramdani, et al., 2009). Levenburg et al. (2006) argued that the type of industry influences the adoption of the Internet by small businesses. Market scope is defined as “the horizontal extent of a firm’s operations” (Zhu, Kraemer, & Xu, 2003, p. 254). Zhu et al. (2003) added that firms should consider consumer readiness before adopting the Internet. Competitive pressure and trading partner pressure (customers and suppliers) have been identified as factors that influence Internet adoption (Grandon & Pearson, 2004; Iacovou, et al., 1995; Jeyaraj, et al., 2006; Lertwongsatien & Wongpinunwatana, 2003; H. Wang & Hou, 2012; Zhu, et al., 2003). Businesses

can gain competitive advantage with the use of the Internet by altering the competitive pressure that collectively determines industry profitability (Porter, 2001). The Internet can reduce the traditional challenges faced by small businesses in conducting overseas business transactions, such as communication costs, and market entry (Chrysostome & Rosson, 2009). For small businesses, expanding overseas would be costly due to their limited resources, as they cannot afford to pay the higher costs for searching for foreign partners. Small businesses are able to reduce their costs and can search for information on inter-firm networks and potential partners quickly through the Internet. They can also establish contacts and assess the previous experience or performance of their potential partners cheaply. Thus, the Internet also provides an opportunity for small businesses to establish strategic alliances (Soliman & Janz, 2003).

Another identified factor that can influence Internet adoption is government readiness (Molla & Licker, 2005a). Government readiness includes the policies, support programmes, and initiatives to assist businesses with Internet adoption (Vatanasakdakul, Tibben, & Cooper, 2004). Nevertheless, many small businesses in developing countries are still left behind and lack the resources to engage in ICT development (Karanasios, 2008).

Figure 6 illustrates the links between the three context areas.

**Figure 6 The Context of Technological Innovation**



Source: Adapted from Tornatzky & Fleischer (1990, Figure 7-1, p. 153)

### **Resource-based Theory (RBT)**

The resource-based theory (RBT) describes how businesses can gain a sustainable competitive advantage by exploring and developing their resources (such as competencies, business assets, knowledge, and capabilities), which vary from competitors, and can be used by businesses to formulate and implement competitive business strategies (Caldeira & Ward, 2003; Rivard, Raymond, & Verreault, 2006). Ray & Ray (2006) contended that resources can be internal or external to business environments (such as trading partners or customers).

Caldeira & Ward (2003), and Rivard et al. (2006) viewed Internet technologies as business resources and Internet adoption as a result when businesses apply and use the Internet technologies effectively.

Several scholars have adopted RBT, particularly to address the issue of Internet contribution to business value (Melville, Kraemer, & Gurbaxani, 2004; Wade & Hulland, 2004). Wade & Hulland (2004) identified three categories of resources. The first category is outside-in resources, which involve the external relationship management and market responsiveness that relates to the establishment of external relationships with trading partners and competitors. The second category is inside-out resources, such as ICT infrastructure, skilled workers, development of ICT, and cost effective ICT adoption that form internal resources (business resources) to respond to the market requirements. The third category is spanning resources, which relate to business partnerships, ICT planning and change management where both internal and external analysis capabilities are involved.

The strength of RBT is that it focuses on the resource capabilities of businesses, including whether small businesses have or need to adopt the Internet, and recognize their tangible and intangible resources (C. M. Parker & Castleman, 2009). However, Rivard et al.(2006) and Melville et al. (2004) argued that most small businesses do not use their resources to their fullest potential as assumed by RBT. Studies found that businesses that applied RBT were proactive businesses that performed better in Internet adoption as they were able to use their internal

capabilities to support their business strategies and leverage competencies (Melville, et al., 2004; Rivard, et al., 2006).

### **5.2.2 Models for Internet Adoption and E-commerce**

A number of studies emphasized the factors that influenced owners or managers in making decisions to adopt the Internet. Some of them will now be introduced.

#### **Enterprise and E-commerce**

Zhu et al. (2002) proposed a conceptual model for e-commerce adoption. The proposed model extended Tornatzky & Fleischer's (1990) framework. The aims were to develop a model that can be used as a theoretical basis for e-commerce adoption, to identify the facilitators and inhibitors, and to identify different adoption behaviour across different e-commerce environments. A survey was conducted of 3,100 businesses and 7,500 consumers in eight European countries to test this model. The model considered six e-commerce adoption predictors within the three contexts framework –organisational context, technological context, and environmental context. The research findings revealed that technology competence, business scope and size, consumer readiness, and competitive pressure were significant adoption facilitators, while lack of trading partner readiness was a significant adoption inhibitor. The three contexts are discussed below.

### *Organisational context*

The two e-commerce adoption variables categorised in the organizational context are the business scope and size. Zhu et al. (2002) posited that the role of scope, as an adoption predictor, can be described from two perspectives. The first perspective is that greater scope contributes to higher internal coordination costs, search costs and inventory holding costs. Since e-commerce is able to minimize internal coordination costs, reduce search costs for both sellers and buyers, and improve inventory management, businesses with greater scope are more motivated to adopt e-commerce. The second perspective is that businesses with greater scope benefit more from the processes of traditional businesses and e-commerce.

### *Technological context*

Zhu et al. (2002) highlighted three variables that are associated with technology competence. These are ICT infrastructure,<sup>9</sup> ICT expertise,<sup>10</sup> and e-business know-how.<sup>11</sup> In this context, the technology competence not only incorporates ICT infrastructure but also ICT expertise and know-how as a complement to physical assets.

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<sup>9</sup> ICT infrastructure refers to technology that enables Internet-related businesses.

<sup>10</sup> ICT expertise refers to employees' knowledge of using the technologies.

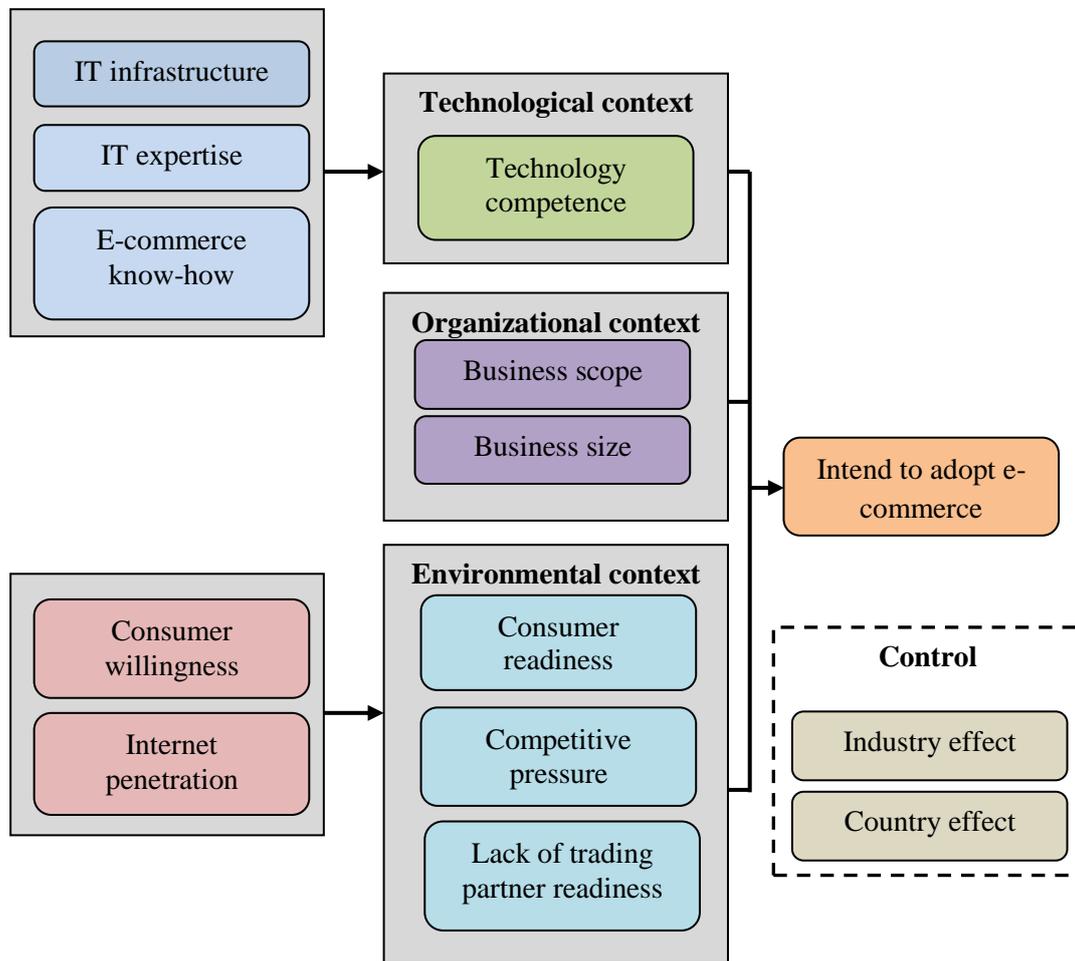
<sup>11</sup> E-business know-how refers to executives' knowledge of managing online selling and procurement.

### *Environmental context*

In this context, three variables have been listed: consumer readiness, competitive pressure, and lack of trading partner readiness. Zhu et al. (2002) posited that consumer readiness is an important factor for decision makers because it reflects the potential market volume, and thereby identifies the extent to which innovations can be translated into profitability. Customer readiness acts as a combination of customer willingness to accept online shopping and Internet penetration where the diffusion of PCs and the Internet in the population is measured. Customer readiness is not a focus of this thesis. Competitive pressure is defined as the level of pressure from competitors. The external pressure influences a business to adopt new technology in order to stay competitive in its business environment. The status of adoption by trading partners also influences businesses to make decisions to adopt new technologies. It is often necessary for all trading partners to adopt compatible electronic trading systems and provide Internet-enabled services for each other.

Figure 7 presents a conceptual model by Zhu et al. (2002) of the factors within the contextual areas. The contextual areas can be used to evaluate the need for a business to adopt the Internet.

**Figure 7** E-commerce, technology-organisation-environment framework



Source: Adapted from Zhu et al. (2002, Figure 1, p.339)

### **5.2.3 Models in the context of developing countries**

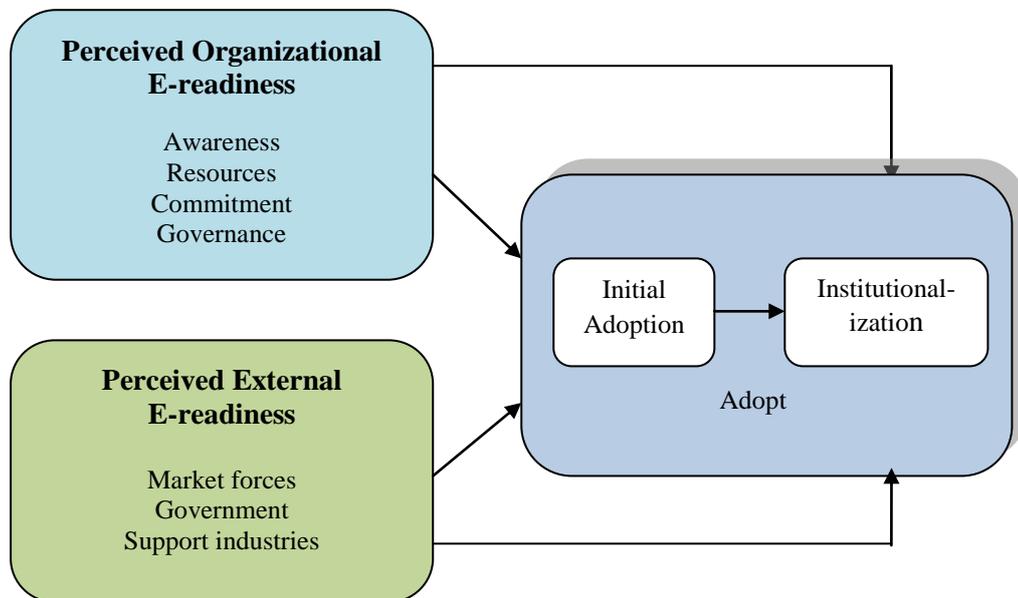
A number of studies have emphasized the factors that have influenced the adoption of the Internet or e-commerce in developing countries. Molla & Licker (2005a) proposed an e-commerce adoption model for businesses in developing countries. The objectives of the model were to understand how businesses in developing countries could overcome environmental and organizational e-readiness barriers and gain the benefits of e-commerce. The authors developed an e-readiness model, the Perceived E-commerce Readiness Model (PERM), and empirically tested this model. The findings revealed that managerial, organisational, and contextual factors influenced e-commerce adoption amongst South African businesses. This model focused on internal and external factors as forces of adoption. Molla & Licker (2005a) contended that some of the existing models of adoption emphasize the relevance of technological, financial, and legal infrastructure constraints. In contrast, most countries still need to address such problems, and improvements (such as telecommunication infrastructure) over previous years make the consideration of technological constraints no longer the sole determinant of e-commerce adoption.

Figure 8 presents the PERM model by Molla & Licker (2005a) for assessing e-commerce adoption in developing countries. The model highlights two contextual areas—Perceived Organizational e-Readiness (POER), and Perceived External e-Readiness (PEER). Both contextual areas consist of a number of related factors. The POER and PEER indicate an assessment of:

- the organization’s perception, comprehension, and projection of e-commerce and the potential benefit and risks (innovation imperative attributes)
- the manager’s commitment (managerial imperative attributes)
- key organizational attributes, for example, business resources, processes, and business infrastructure (organizational imperative attributes)

An assessment of POER and PEER assists businesses to decide whether to adopt or not to adopt e-commerce (refer to Figure 8). After the initial adoption leads to success, more use of e-commerce is applied (refer to term of ‘institutionalization’ in the Figure 8).

**Figure 8 Perceived e-commerce readiness model (PERM)**

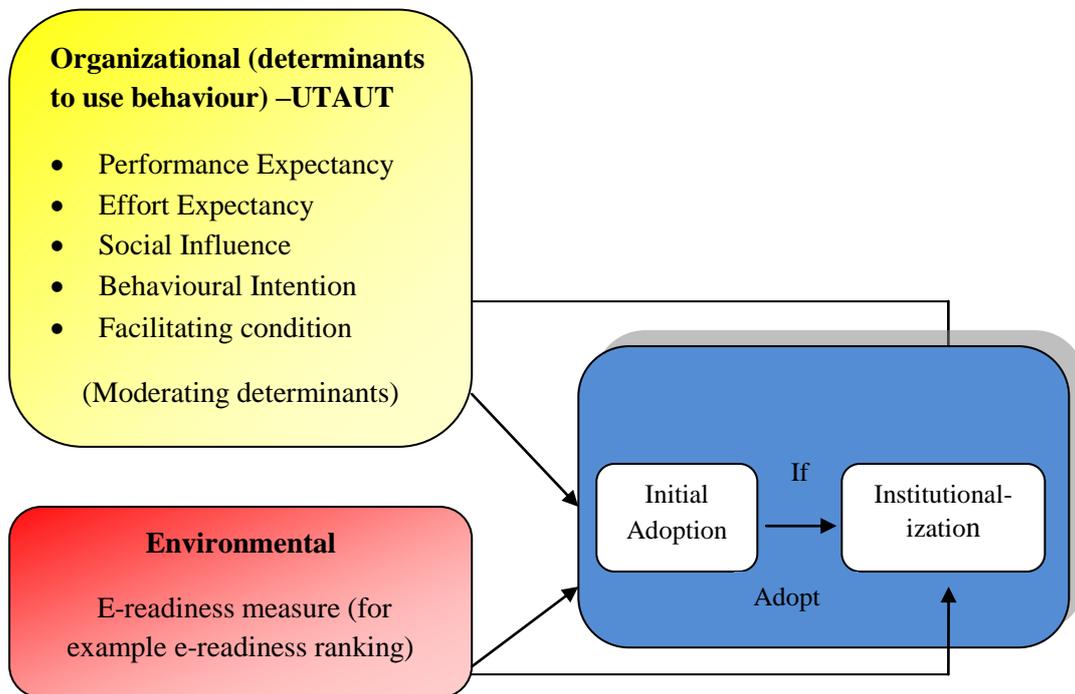


Source: Adapted from Molla and Licker 2005a, Figure 2, p. 881

Molla & Licker (2005a) concluded that organizational factors, (especially the human, business and technological resources) and awareness are the most influential environmental factors in adopting e-commerce. Dada (2006) proposed a framework that highlighted the importance of e-readiness (the environment) and technology acceptance (the organization). Dada's study combined the existing theory of adoption and e-readiness and developed a conceptual e-readiness model for user use. PERM by Molla & Licker (2005a) is used as a framework and merged with the Unified Theory of Acceptance and Use of Technology (UTAUT) by Venkatesh, Morris, Davis, & Davis (2003), as a focus for users (refer to Figure 9).

The UTAUT model was formulated with four key determinants (performance expectancy, effort expectancy, social influence, and facilitating conditions). These four key determinants note the influence of usage intention and behaviour: age, experience, and voluntariness of use. This model is appropriate to be applied in micro environments, such as for the manager to assess the e-readiness of their employees. The UTAUT model is similar to the PERM model by Molla & Licker (2005a), as initial adoption is associated with organizational factors (internal) and environmental factors (external). Dada (2006) posited that the internal and external factors are the factors that influence adoption.

**Figure 9** User focused e-readiness framework



Source: Dada 2006, Figure 3, p. 9

A handbook by Duncombe et al. (2005) on *‘eCommerce for Small Enterprise Development: A handbook for entrepreneurs in developing countries’* was designed to assist small business enterprises in developing countries who are new to Internet adoption and have little knowledge concerning Internet adoption and enterprises that are already adopting ICT in their businesses – including computers, email and mobile phones. Duncombe et al.(2005) suggested that small business enterprises should know what type of Internet adoption to adopt and how ready they are for applying web-based business transactions. Duncombe et al.

(2005) advised that small business enterprises should consider a number of matters before making a decision to adopt the Internet for the businesses, such as:

- clearly define the business goals and strategies,
- intention to use internet adoption in creative ways to improve existing tools and capabilities,
- the enterprise should balance their business activities: online and offline,
- the enterprise also needs to have a realistic and achievable plan for gaining the benefits of internet adoption.

As the planning to adopt the Internet involves setting realistic and achievable business aims, developing business strategies to achieve business aims, and making use of practical business tools, Duncombe, et al. (2005) provided the guidelines to small business enterprises in developing countries to identify the business aims and assist them to consider appropriate business strategies and practical business tools to achieve those aims (refer Table 4).

**Table 4 Business goals and strategies**

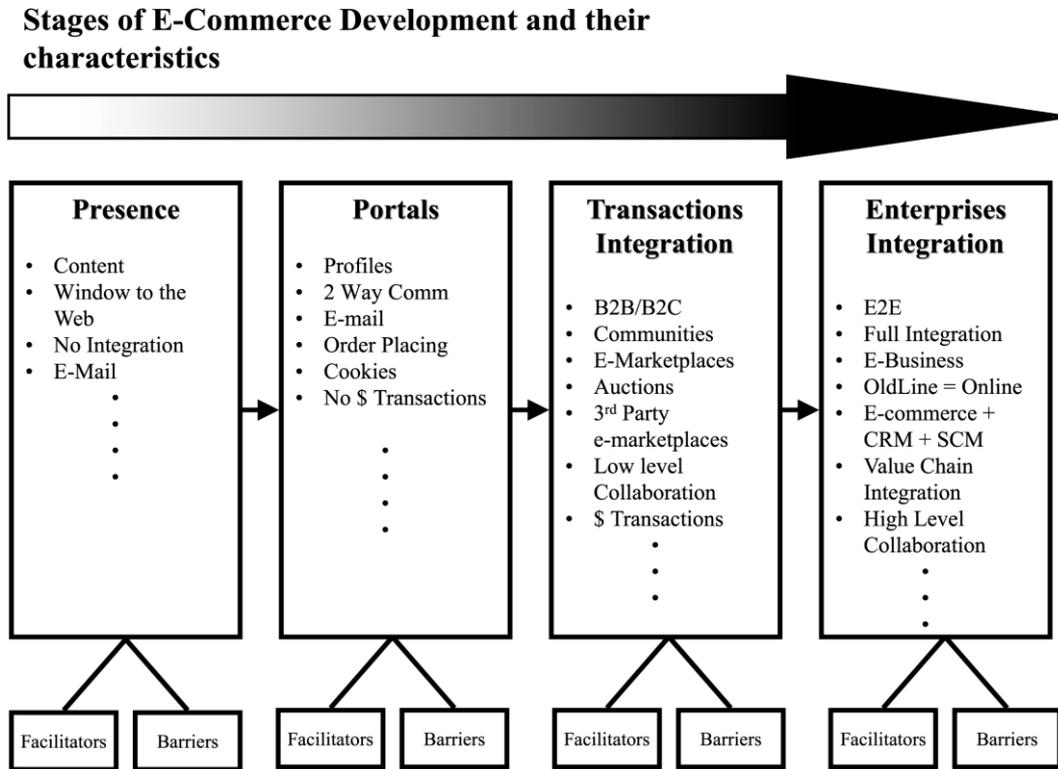
<b>Possible Business Goals</b>	<b>Business Strategies Enterprises Could Adopt</b>	<b>Business Tools Enterprises Could Use</b>
<b>Increase revenue from existing customers</b>	<ul style="list-style-type: none"> <li>• Build repeat orders</li> <li>• Develop customer loyalty</li> </ul>	<ul style="list-style-type: none"> <li>• Increased advertising and promotion</li> <li>• Better communication</li> <li>• Better customer service</li> </ul>
<b>Locate new customers in existing or new markets</b>	<ul style="list-style-type: none"> <li>• Expand domestic markets</li> <li>• Explore export markets</li> </ul>	<ul style="list-style-type: none"> <li>• Better market information</li> <li>• Attendance at trade shows</li> <li>• Better cross-border business networking</li> </ul>
<b>Diversify products and services</b>	<ul style="list-style-type: none"> <li>• Development of new products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Market research</li> <li>• Use of consultants and/or technical assistance</li> </ul>
<b>Increase competitiveness through product/service innovation</b>	<ul style="list-style-type: none"> <li>• Undertake product or process improvements</li> <li>• Technology upgrading</li> <li>• New production or service technology</li> </ul>	<ul style="list-style-type: none"> <li>• Branding</li> <li>• Improved design and packaging</li> <li>• Standards compliance</li> <li>• Employee involvement</li> </ul>
<b>Increase competitiveness through cost reduction</b>	<ul style="list-style-type: none"> <li>• Internal/external business efficiency improvements</li> </ul>	<ul style="list-style-type: none"> <li>• Better purchasing</li> <li>• Workforce/resource planning</li> <li>• Training and skills development</li> </ul>

Source: Adopted from Duncombe, et al. (2005, p. 15)

#### **5.2.4 Model for Internet Adoption and Small Business Enterprise**

Rao, Metts, & Monge (2003) proposed a stages model for e-commerce development and highlight the indicators and challenges faced by small and medium enterprises during different stages of development. In this model, four stages of e-commerce development were proposed (refer Figure 10).

**Figure 10 Stages of e-commerce development and their characteristics**



Source: Adapted from Rao et al. (2003, p. 15)

Rao et al. (2003) explained that it was not necessary for businesses to start e-commerce at the presence stage. This model allows businesses to start e-commerce at any stage. The rapid development of the Internet and awareness of the businesses provide an opportunity for these businesses to leapfrog earlier stages and accelerate the development process. Each of the stages carries their own characteristics, indicators, and challenges.

### *Presence*

This is the first step in e-commerce by displaying the company's brochure and product offers on the website (Timmers, 2000). At this stage, the website only provides one-way communication to any potential user. The website displays the information of the products and/or services offered by the company, contact information and any other related information. At this level of development, it not only involves physical development of the website but the number of activities and commitment of the business, to improve the use of the Internet in order to boost business growth.

### *Portals*

Two-way communication is introduced in this stage. It offers customers and suppliers the opportunity to place orders. This stage places the capability of two-way communication with business-to-business (B2B) and/or business-to-customer (B2C). The presence stage facilitates orders, feedback of the product, and product quality survey. It is not only able to attract new customers, but also able to retain the customers.

### *Transaction integrations*

The third stage of e-commerce development is transaction integration. This stage of development requires higher technical capabilities and ICT infrastructure. As the business keeps continuing to adopt the latest e-commerce system, ICT skilled employees are needed to support the system. The organization can also develop a

relationship with other businesses/customers and groups that help to support the development of e-commerce communities, which creates opportunities for the organization to increase sales growth and profitability.

### *Enterprises integration*

This is complete integration of the business processes. At this level there is high integration between suppliers and customers, and full integration of B2B and B2C activities.

Duncombe, Heeks, Kintu, Nakangu & Abraham (2005) developed a model of steps to e-commerce for small businesses. This model discussed the different stages of e-commerce development of small businesses. Each stage explains the type of business application that the enterprise may encounter. The steps to e-commerce are presented in Figure 11.

### *Step 1: Starting Out*

This involves wireless communications, such as short messaging message (SMS), which is cheap and available amongst most enterprises. The use of mobile phones provides an advantage to small enterprises to communicate with suppliers and customers, even on the move.

### *Step 2: Getting Online*

Users can send and receive emails either from the business premises or at an Internet café or tele-centre. Email is an alternative way for enterprises to communicate with suppliers and customers, which is more cost effective and reliable.

### *Step 3: Web Publishing*

Web publishing is about using the Internet to provide the business profile, information of products and services offered, and contact information. By promoting the business on a website, the information of the business and products can be accessed globally ‘around the clock’.

### *Step 4: Web Interacting*

Web interacting provides opportunities for customers to browse the products in terms of the images, descriptions and specifications. In web interacting, customers can submit an order form, purchase online through shopping cart facilities and confirm orders. The enterprise is able to improve customer service and respond to customer enquiries through web interacting.

### *Step 5: Web Transacting*

This step covers the whole transaction process from placing orders to online payment for products and services via secure networks. This involves secure credit card payment systems and payment via secure banking systems.

### Step 6: Web Integration Business

Web integration business acts as a platform that links ‘customer-facing’ processes, such as sales and marketing with internal processes, such as inventory control, account and purchasing. The stage links the internal systems with external networks, such as suppliers, customers, and collaborators. The web integration business is able to encourage repeat business and increase customer loyalty.

Figure 11 Steps to e-commerce



Source: Adapted from Duncombe et al.(2005, p. 7).

### 5.2.5 Marketing and small business enterprises

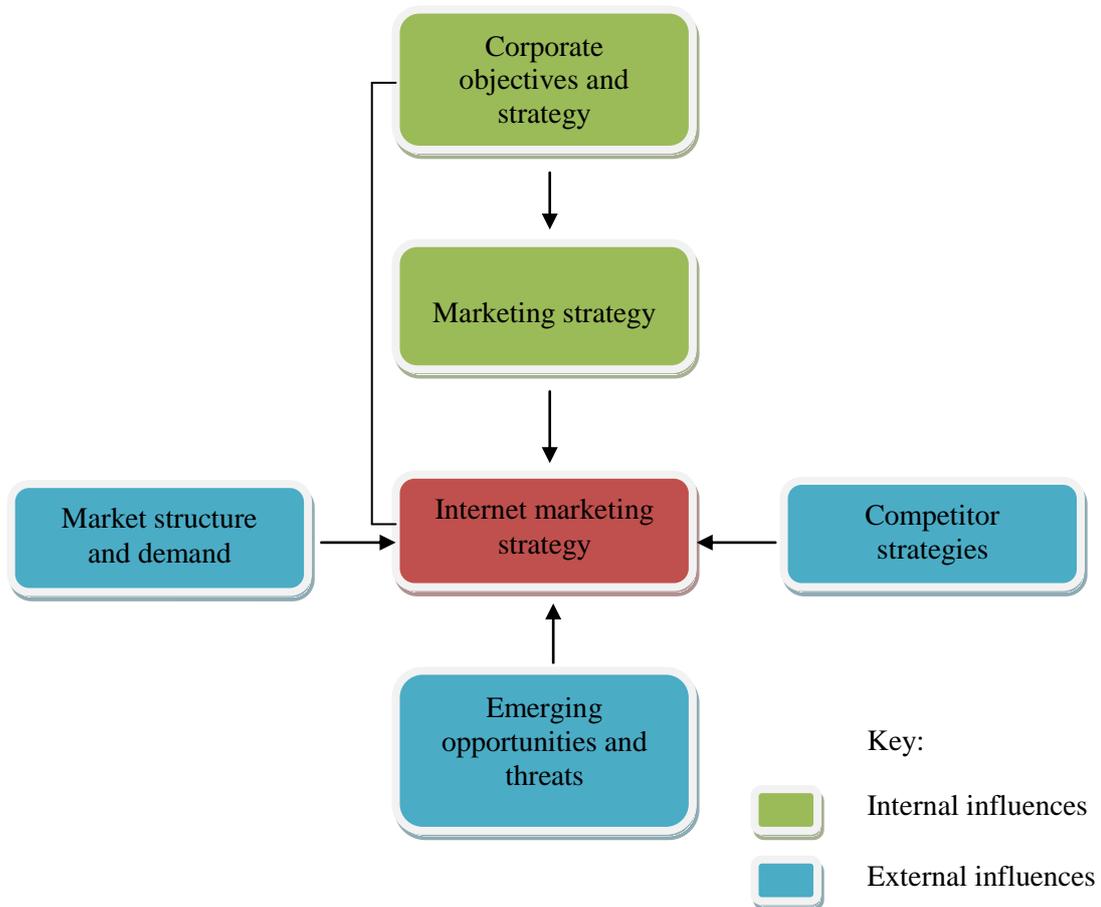
Marketing is about understanding and satisfying customer needs. Chaffey, Ellis-Chadwick, Johnston, & Mayer (2006) in their book “*Internet Marketing; Strategy, Implementation and Practice*” discussed the differences of these marketing approaches. Before considering use of the Internet as a marketing strategy,

Chaffey, Ellis-Chadwick, Johnston, & Mayer (2006) advised enterprises to review the following aspects of strategy:

- situation review (micro and macro environments),
- goal setting,
- strategy formulation.

Chaffey et al. (2006) indicated that the Internet marketing strategy is a decision on how to use the Internet as the channel to support existing marketing strategies (refer Figure 12). Chaffey et al. (2006) also posited that the Internet marketing strategy involves more of a narrow focus of a strategy to develop website services.

**Figure 12 Internal and external influences on Internet marketing strategy**



Source: Adapted from Chaffey et al. (2006, Figure 4.1, p.153)

### **5.2.6 How to measure the success of Internet adoption**

The evaluation of Internet adoption assists small businesses to assess their business performance. Payne (2002) suggested that the Internet performance should be assessed regularly and should be as simple as possible. If the enterprise still cannot determine the benefits of the adoption, the enterprise needs to consider revising its business strategies and taking recovery action to overcome the

situation. Payne (2002) identified several measurements that can be used to measure Internet adoption performance of small business enterprises in developing countries:

- increased revenue per employee,
- increased customer satisfaction,
- reduced inventory,
- increased sales per salesperson,
- increased market share,
- increased profitability.

Larsen & Bloniarz (2000) developed a model for businesses that have not yet adopted the Internet. The model is also appropriate for businesses that are considering expansion of their business websites with additional services. Three tools were designed in the model that can assist businesses to narrow their business focus when developing business websites. The first tool is associated with system features and functionality. This tool assists businesses to identify the business goals that a business website needs to support. The second tool is called the 'performance worksheet'. This tool identifies the important benefits and factors that relate to the performance of the business website (defined through the first tool). The performance factors (i.e., performance variables, measures, and targets) provide methods for businesses to define their goals of adopting business websites. This is also to evaluate whether the adoption of business websites meets

their business goals after its implementation. The third tool is the ‘cost worksheet’, which helps to estimate the system’s costs. The costs are categorized into five categories: organizational readiness, access for employees and other users, end-user support, content development and maintenance, and hosting site infrastructure. Table 5 illustrates the worksheet for system features and functionality that are used to identify the business goals that business websites employ.

**Table 5      Worksheet for system features and functionality**

	<b>Modest</b>	<b>Moderate</b>	<b>Elaborate</b>
Who are your customers?			
What information-based services will you provide?			
How will customers get access to these services?			
What will customers be able to do?			
What system features will be included?			
What information sources (internal and external) must be coordinated?			
What security and confidentially measures must be implemented?			
What activities will be outsourced?			

Source: Adapted from Larsen & Bloniarz, 2000, Table 1, p. 112

Comparing both forms of evaluation of Internet performance, the measures suggested by Payne (2002) are presented in a simple way and are appropriate for small business enterprises in developing countries to measure the success and effectiveness of Internet adoption. The measures by Payne (2002) will be considered as part of the framework for this study.

### **5.2.7 Summary of models, frameworks, and previous studies**

This section discussed models, frameworks and previous studies from various ranges of areas that relate to this study. The models and frameworks covered macro to micro perspectives, especially for small business enterprises. There are a number of different factors (internal and external) that are associated with the e-readiness of businesses. Some of the factors overlap within the internal and external environment, which suggests that e-readiness and Internet adoption are complex issues that need to be explored. This discussion provides better insights of related models or frameworks in respect of the issues presented in this study.

## **5.3 The Initial Conceptual Framework**

One of the primary reasons for conducting this study was to link together the key factors that influence the adoption of Internet marketing by small businesses in developing countries in a manner. An effective way of doing this is to develop a conceptual framework that can demonstrate these links.

Jabareen (2009) proposed a new qualitative method particularly for developing conceptual frameworks for studies that are linked to multidisciplinary body of knowledge - such as occurs with this study. Jabareen (2009) defined the key terms of *concept*, *conceptual framework*, and *conceptual framework analysis* accordingly. *Concept* holds the definition of “components, or what defines the consistency of the concept; its endo-consistency; are distinct, heterogeneous and yet, not separable” (Deleuze & Guatarri, 1991, p.19). *Conceptual framework* is defined as a network or a plane of linked concepts (Jabareen, 2009, p. 49). Whilst, *conceptual framework analysis* presents a procedure of theorization for building conceptual frameworks based on grounded theory method (Jabareen, 2009, p. 49). In this case, whilst the individual components of the framework are initially based on the literature, but the grouping/ linking of these components could be regarded as emerging from the study and is thus suited to grounded theory. Jabareen (2009) highlighted the advantages of conceptual framework analysis are flexible, capacity for modification, and emphasis on understanding instead of prediction. The process of testing and refining the framework is described in the next chapter.

This study has developed an initial conceptual framework in regards to Internet adoption for marketing and SBEs in developing countries. This chapter has discussed the various issues related to Internet adoption for marketing by SBEs in developing countries. The discussion began by defining the term ‘e-readiness’ and the level of e-readiness of the countries, particularly for developing countries. The discussion also covered the factors that influenced e-readiness. E-readiness

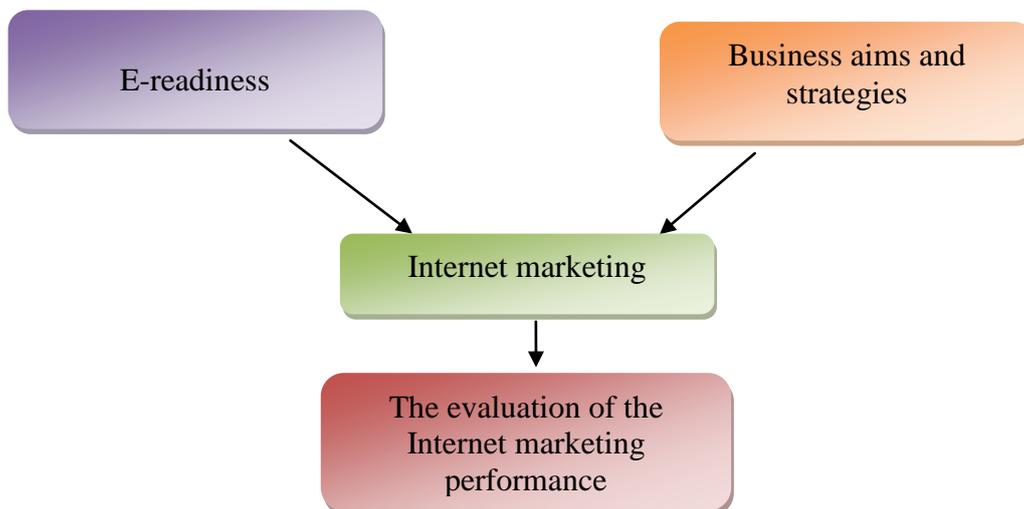
assessment tools are used to analyse the readiness of businesses to adopt the Internet. The second section of this chapter discussed technology adoption studies by various scholars and was followed by a discussion of the models, frameworks and previous studies of how the Internet can be exploited in businesses. The models, frameworks, and previous studies were discussed in four key areas: Internet adoption/e-commerce, small business, marketing, and developing countries. These key areas form the basis for the initial conceptual framework. Guidelines for small business enterprises are also discussed in Appendix 3.

The reader is reminded that the objective of this study was to develop an Internet adoption framework for marketing by small business enterprises in developing countries. The study carries two other objectives. The first objective was to identify the attributes that have an impact on e-readiness. The results from this objective can be used by SBEs to evaluate their e-readiness level in adopting the Internet. The second objective was to provide suggestions and recommendations for SBEs and non-adopter SBEs to use Internet marketing for their business abilities.

The initial conceptual framework is presented in Figure 13. This framework provides an overview of the initial conceptual framework. The first indicator of the framework is 'e-readiness' where small business owners/managers can identify their level of readiness before adopting the Internet. The second indicator is business aims and strategies, which examines the internal focus of the

enterprise. The business aims and strategies of the enterprise are highly dependent on the small business owner/ manager. The third indicator is Internet marketing, which is an alternative approach for small business enterprises to market their products or services via the Internet. The last indicator is Internet marketing evaluation, where the performance of Internet marketing is evaluated.

**Figure 13 Initial Conceptual Framework**



This initial conceptual framework is developed based on the literature and the related models or frameworks. It highlights four main indicators which are e-readiness, business aims and strategies, Internet marketing, and the evaluation of Internet marketing performance.

The e-readiness indicator is often related to readiness of businesses to use ICT in their business operation. The level of readiness of businesses to adopt the Internet is related to several factors (discussed in Section 5.4.1). The second indicator, business aims and strategies also influence small businesses to adopt the Internet. The implementation of business aims and goals are important for these businesses as they influence adoption of Internet marketing. The third indicator, Internet marketing acts as a new channel for small businesses to market their products and/or services online. The introduction of Internet marketing as a new marketing approach provides more opportunities and benefits to small businesses. Finally, the fourth indicator, evaluation of Internet marketing performance is applied to measure the success of the Internet marketing.

Most research models, frameworks or previous studies focus on a macro perspective towards the use of Internet by businesses. However, the proposed conceptual research framework takes a micro perspective specifically focuses on the use of the Internet by small businesses for marketing purposes. Thus this study is able to fill the gap in the research areas and contributes to a new body of knowledge.

### **5.3.1 E-readiness**

The first indicator in the initial conceptual framework is e-readiness. There are six attributes listed under e-readiness. Table 6 presents the attributes of e-readiness applied in this study.

**Table 6 Attributes of e-readiness**

<b>E-readiness attributes</b>	<b>Definition</b>	<b>Literature</b>
<b>Infrastructure</b>	The infrastructure refers to the ICT infrastructure, such as computers, networks, hardware, software, and any devices involved in communication.	(Al-mutawkkil, et al., 2009; Burgess, 2002; Chacko & Harris, 2006; Hanafizadeh, et al., 2009; Hawk, 2004; Murelli & Okot-Uma, 2002)
<b>Availability of skilled workers</b>	Skilled workers refers to employees that have knowledge and background of ICT	(Al-Gharbi & Ashrafi, 2010; Alam, et al., 2009; Apulu, et al., 2011; Arendt, 2008; Lawson, et al., 2003; Ramayah, et al., 2005; Shih, et al., 2008)
<b>Financial resources</b>	Financial refers to financial condition of the enterprise.	(Alam, 2009; Apulu, et al., 2011; Eyiah & Cook, 2003; Humphrey, et al., 2003; Karanasios & Burgess, 2008; Kurnia & Peng, 2010; Meas, 2006; Stephenson & Arinaitwe, 2006)
<b>Culture</b>	Culture refers to the acceptance of the enterprise (including employees) to adapt new technology in the business operations.	(Erumban & Jong, 2006; Gibbs, et al., 2003; Graham & Nafukho, 2006; Hempel&Kwong, 2001; Kurnia & Peng, 2010; Tarafdar & Vaidya, 2007; Teo, et al., 1998; Molla & Licker, 2005b)
<b>Government policies</b>	Government policies refer to the regulations and initiatives provided by the government to assist small business enterprises in business growth.	(Chong & Ooi, 2008; Harvie& Lee, 2002; Hashim, 2011; Kapurubandara & Lawson, 2006; Montealegre, 1998; Mujahid, 2002; Pradhan, 2002; Rizk, 2006; Sadowsky, 1993; Ssewanyana & Busler, 2007;. Wang & Lin, 2008; Wymer & Regan, 2005; Al-Qirim, 2007)
<b>Owner's attitude</b>	Attitude refers to the acceptance and enthusiasm of small business enterprise owners or managers in shifting their traditional marketing approach to the use of the Internet as a new dimension of marketing activities.	(Alam, 2009; Cohen, 2001; Fillis, et al., 2004; Grandon & Pearson, 2004; Levy & Powell, 2003; Levy, et al., 2001; Mpofu & Watkins-Mathys, 2011)

These attributes were discussed in Chapter 2.

### **5.3.2 Business aims and strategies**

The second indicator in the initial conceptual framework is business aims and strategies. This indicator reflects the business aims and strategies of the enterprise to guide the business direction. Four strategies are listed under this indicator, which are:

*Growth strategy:* (Burke & Jarrat, 2004; Hashi & Krasniqi, 2011; Irvin, et al., 2003; O'Gorman, 2001; Storey, 2006; Zou, et al., 2010; Hillbrand, 2006)

*Strategic alliance:* (Elmuti & Kathawala, 2001; Jaouen & Gundolf, 2009; Kauser & Shaw, 2004; O'Dwyer, et al., 2011; Pansiri, 2005; Todeva & Knoke, 2005).

*Cooperation strategy:* (Child, et al., 2005; Felzensztein & Gimmon, 2007; Haahti, et al., 2005; Pesamaa & Hair, 2007; Ussman & Franco, 2000).

*Lifestyle strategy:* (Bridge, et al., 2003; Levy & Powell, 2003; Kate Lewis, 2004; McMahon, 2001).

These strategies are the business strategies that are commonly applied by small business enterprises. All strategies were discussed in Chapter 3.

### **5.3.3 Internet marketing**

The third indicator in the initial conceptual framework is Internet marketing. Internet marketing is a new dimension of marketing, which allows promotion and selling of products or services via the Internet. Four attributes are listed under Internet marketing:

*Customer, Cost, Convenience, and Communication* (Smith, 2003).

These attributes are a part of the extension of the marketing mix (known as 4 Ps – product, price, place, and promotion). These are known as the 4 Cs, which particularly relate to Internet marketing. These attributes were discussed in Chapter 4.

### **5.3.4 The evaluation of Internet marketing performance**

The fourth indicator in the initial conceptual framework is the evaluation of Internet marketing performance. The evaluation is important to assess the performance of the business through the adoption of Internet marketing. The attributes for the evaluation of performance are:

*Revenue per employee; Customer satisfaction; Inventory; Sales per salesperson; Market share; Profitability* (Payne, 2002).

These attributes were discussed in Chapter 5. The details of the framework are presented.

## **5.4 Summary of the theoretical background**

This chapter discussed Internet adoption by SBEs in developing countries for marketing purposes. The discussion started with an overview and definitions of e-readiness. This was followed by the discussion of e-readiness assessment tools. A number of models, frameworks and previous studies were also discussed. The areas of discussion covered all aspects of this study; Internet adoption/e-commerce, small businesses, marketing, and developing countries. The initial conceptual framework was presented in the last section of this chapter.

**Figure 14 Initial conceptual research framework**

**E-readiness**

Attributes	Developing countries		Developed countries	
	Urban	Rural	Urban	Rural
Inadequate of infrastructure	XXX	XXX	X	XX
Availability of skilled workers	XX	XXX	X	XX
Limited financial resources	XXX	XXX	XX	XX
Culture	XX	XXX	X	XX
Government policies	XX	XX	XX	XX
Owner's attitude	XXX	XXX	XX	XX

The symbol:  
 X :Minimal impact    XX: some impact    XXX: major impact

---

Not ready    →    Partly ready    →    Mostly ready    →    Very ready

**Business aims and strategies**

Growth strategy
Strategic alliance
Cooperation strategy
Lifestyle strategy

**Internet marketing**

Customer
Cost
Convenience
Communication

**Internet marketing performance evaluation**

Revenue per employee
Customer satisfaction
Inventory
Sales per salesperson
Market share

# 6

## RESEARCH DESIGN & METHODOLOGY

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### **6.0 Research Design and Methodology**

This chapter outlines the research design and methodology of the study. The chapter commences with a discussion of the research philosophy, research methods applied in this study and the techniques used to gather the research data. It also discusses the research methods and techniques that were considered but not used in this study.

### **6.1 Overview of research context**

This study aims to develop an Internet marketing adoption framework for small business enterprises in assisting them with appropriate strategic planning. This study attempts to develop a generalized framework, which is developed from the literature and refined with the data collection. In the context of developing countries, the usage of the Internet typically provides benefits to large businesses

to boost their business performance. It is proposed that small business enterprises take these opportunities in adopting the Internet in their business strategies to keep them competitive in the global marketplace. However, small business enterprises, particularly in developing countries are hindered by limitations, such as inadequate infrastructure, limited financial resources and/or shortage of skilled workers that can limit their ability to adopt the Internet in their business practices.

## **6.2 Overview of research approach and perspective**

This study attempts to develop a general framework of Internet marketing for small business enterprises, particularly those in developing countries. The input for the framework development is generated specifically from the literature and tested, and refined using primary data from an expert panel and interviews.

### **6.2.1 Interpretivism**

The term of ‘interpretivism’ is mainly associated with qualitative research, however, it can also be used in quantitative methods of research (Williamson, Burstein, & McKemmish, 2002). The term of ‘interpretative’ is quite broad, however, the perspective can be summarized based on how the social world is experienced and understood (King & Horrocks, 2010). King & Horrocks added that interpretative research is commonly *idiographic*, which discusses aspects of the social world by presenting a detailed description of specific social settings, processes or relationships. According to Williamson et al. (2002) researchers who

are interpretivist are concerned more with the natural setting of the fieldwork. They also believe there are differences between the social world and the world of nature, as the social world is interpreted or constructed by people. People develop their own perspectives and interpret them constantly with an ever-changing world (Williamson, et al., 2002). Interpretivist researchers search for literature to gain better insights and an understanding of the topic, develop the theory and research questions, and plan for methods of data collection. The researcher might amend the research questions or data collection if the initial stage of data collection reveals unexpected views of the research questions. Interpretivist researchers do not necessarily test hypotheses although they might develop working propositions that are grounded in the perspectives of the participants (Williamson, et al., 2002)

## **6.2.2 Positivism and post positivism**

The positivist approach is defined as “a set of interrelated assumptions about the social world which provides a philosophical and conceptual framework for the systematic study of that world” (Kuhn, 1970, p. 10). The positivist paradigm is mainly associated with *quantitative* methods of research, but it has also been used in *qualitative* research, particularly in post positivist (Denzin & Lincoln, 1994; Myers, 1997). Williamson et al. (2002) noted that positivist researchers view the world as a ‘collection of observable events and facts’ (p. 27) that can be measured. Experimental design and survey are commonly linked to the positivist paradigm, provided the latter is carried out with rigour (Williamson, et al., 2002).

The principles of *reliability*<sup>12</sup> and *validity*<sup>13</sup> must be considered while selecting the research sample. Post-positivism is similar to positivism, which assumes that the reality exists but it is hard to discover, as it is affected by “human intellectual mechanisms and the fundamentally intractable nature of phenomena” (Denzin & Lincoln, 1994, p. 110). In post-positivism research, the reality should be subjected to the broadest views, which are related to more natural settings and imploring of *emic* views, as against a dependence on *etic views* (outsider views) (Williamson, et al., 2002).

The interpretive approach is considered as a guideline in this study. The researcher does not declare absolute assurance of the results. The researcher is prepared and open to the readers in making judgments as to the applicability of the results, as based on the research methods that are used in this study. However, the researcher believes that the results and conclusions of this study are relevant to many small business enterprises.

### **6.3 Research Methods**

There are a number of methods that can be used to enlighten research. Among the research methods that are commonly used in business research are grounded theory, action research, life history, ethnography, conversational analysis, and case study research (Myers & Avison, 2002; Neuman, 2006). The research

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<sup>12</sup>Reliability refers to the degree to which the findings are independent of the accidental circumstances of the research.

<sup>13</sup>Validity refers to evidence that the instrument, technique, or process used to measure a concept does indeed measure the intended concept.

methods for this study are the Delphi method for Phase One and multiple case study method for Phase Two of the research data collection. Section 6.3.2 will discuss these methods. It will also discuss the other research methods that were considered for the research.

### **6.3.1 What is qualitative research?**

Qualitative research is a research approach that seeks for better insights and a clearer understanding of certain problems (Malhotra, 1999). Liamputtong (2000) defined qualitative research as research that focuses more on the social world instead of the world of nature. The social world is related to human beings who rely on subjectivity of certain experiences. The “understanding of reality can change over time and in different social context” (Dew, 2007). Qualitative research is also about the study of social and cultural phenomena based on understanding people and their social contexts, as well as the culture perspectives within which they live (Myers & Avison, 2002). Myers & Avison(2002) explained that typical examples of qualitative research methods are action research, case study research, and ethnography. The qualitative data sources consist of observation and participant observation (fieldwork), interviews and questionnaires, documents and texts, and reactions and impressions from the researcher. This type of research is aiming to “capture lived experiences of the social world and the meanings people give these experiences from their own perspective” (Corti & Thompson, 2004, p. 326).

In a broad perspective, qualitative research is best defined as:

*“ An approach that allows the researcher to examine people’s experiences in detail, by using a specific set of research methods such as in-depth interviews, focus group discussion, observation, content analysis, visual methods, and life histories or biographies ”*

*(Hennink, Hutter, & Bailey, 2011, pp. 8-9)*

### **6.3.2 Phase One: Modified Delphi method**

The Delphi method is sometimes considered to be more of an “art rather than a science” (Linstone & Turoff, 1975, p. 3). Linstone & Turoff (1975) defined the Delphi method as a composition of a group communication process that allows the group of individuals to deliver their effective thoughts and views in dealing with a complex problem. The Delphi approach is the platform to seek for comparability and also to receive views and consensus concerning certain issues (Baretta, 1996; Green, Jones, Hughes, & Williams, 1999). The Delphi approach provides the opportunity for a group of experts to gain a better understanding of the issues discussed (Watson, 2008).

There are two common processes of the Delphi method: *conventional* and *real-time* (Linstone & Turoff, 1975). The *Conventional* Delphi method is where the moderator designs a questionnaire to send to a larger group of participants. The returned questionnaire will be analysed and a new questionnaire is developed

based on the previous results. The participants were given at least one opportunity to re-evaluate their original answers based on results of the previous round.

A *real-time* Delphi method is also known as a ‘Delphi conference’, where it replaces the moderator with a computerized program. Participants communicate through the Internet to respond to questionnaires via the website. The responses are saved in the database on the server. A Delphi conference uses a real-time communication system and is able to eliminate any delay caused in summarizing the result. The selection and approach of the expert panel is also important to maintain the level of participation of continuing participation (Watson, 2008).

Loo (2002) listed five major characteristics of Delphi methods:

- The sample of participants consists of ‘experts’ that are carefully selected to represent a broad spectrum of opinion and views based on the discussion topic.
- The identity of the participants is usually kept anonymous.
- The moderator of the discussion develops a series of structured discussion questions and feedback reports for the expert panel in ongoing discussion.
- It often involves three or four modifications or ‘rounds’ of discussion questions and feedback reports.

- The output from the discussion will be in the form of Delphi's research report, the forecast, policy and the options of the discussion topic that include the strengths, weaknesses, recommendations and action plans.

There are several advantages of implementing the Delphi method in the research, such as:

- the views and thoughts are based on the individual's perspective,
- the identity of participants are anonymous and independent,
- participants are not influenced by group pressure,
- interpersonal conflict and communication problems are minimized,
- no central location is required, thus minimizing the travelling cost and coordination problems to get everyone in the same place at the same time,
- allowing the moderator to generate earlier results through the use of successive rounds in a Delphi (Loo, 2002).

Apart from the Delphi method, expert judgment could also be considered as one of the research methods for qualitative studies. Expert judgment is an informed assessment based on the expert's experience and knowledge concerning the certain quantity or quality of interest (Daneshkhah, 2004). The author referred to the term of 'judgment' as the process in gathering and forming opinions. Several criteria are used for selecting expert(s), such as experience, research and

publications, position and awards. Expert judgment is applicable and appropriate to be applied when (Daneshkhah, 2004):

- the data are limited and difficult to obtain, and higher costs will be involved,
- unknown data models and data are open for different interpretation and feedback,
- data problems are screened and the researcher should bring to the attention of the experts which problems or issues to look at for further discussion with different points of view.

Considering the above characteristics, a modified Delphi approach with expert judgment is applied in Phase One, as it involved a group discussion with experts, who provided their knowledge on the particular topic. In this study, the researcher assumed the role of moderator, assisted by an online discussion forum where participants (an expert panel) were asked to respond to the discussion topics as posted on the online discussion page. The responses and feedback from participants were saved in the database on the server. The differences within a typical 'real time' Delphi approach used in face-to-face sessions and the 'modified' approach was that traditional Delphi studies often involve multiple iterations of ongoing discussion and feedback until consensus is achieved. The modified Delphi approach employed in this study applied a separate iteration for each aspect of the framework. Each iteration lasted for a week, allowing

participants to respond more than once and to consider the inputs of other participants. This approach allowed participants to develop consensus during the iteration, as well as to refer back to earlier iterations in subsequent weeks.

For this study, nine experts from different areas of expertise were involved in the online discussion. The online forum was conducted over five weeks. Each of the discussion topics that related to the initial conceptual framework were posted in a particular week. Experts were invited to provide their feedback and comments towards the discussion topics. In the final week of discussion, the researcher had gathered all the feedback received from experts and refined the initial conceptual framework. The final result (a revised conceptual framework) was sent to experts for review. Any additional feedback or comments from experts towards a revised version of the initial conceptual framework were welcomed.

The difference between the typical Delphi approach and the modified Delphi approach in this Phase One is that the latter does not necessarily attempt to conduct multiple rounds of data collection.

### **6.3.3 Phase Two: Multiple Case Studies**

Phase Two of this study employed multiple case studies research for data collection. Multiple case studies provide a richer set of data for a better understanding of poorly understood phenomena that support the transferability of the research's findings (Yin, 2003). Miles & Huberman (1994, p. 29) indicated

that multiple case-studies provide “confidence to findings”, particularly in case study research. “The boundaries of the phenomenon are not clearly evident at the outset of the research and no experimental control or manipulation is used” (p. 81). Myers & Avison (2002, p. 82) listed eleven (11) key characteristics of case studies, which are:

- event is explored in a normal setting,
- data are gathered by multiple means,
- one or a few entities (person, group, or organization) are examined,
- the complexity of the case is studied intensively,
- case studies are more appropriate for exploration, classification and hypothesis development stages of the knowledge building process, the investigator should have a receptive attitude towards exploration,
- no experimental controls or manipulation are involved,
- the investigator cannot specify the set of independent and dependent variables in advance,
- the results derived depend heavily on the integrative powers of the investigator,
- changes in case research selection and data collection methods could take place as the investigator develops new hypotheses,
- case study research is useful in the study of ‘why’ and ‘how’ questions because these deal with operational links to be traced over time rather than with frequency or incidence, and

- the focus is on contemporary events.

Several data collection methods can be used in case studies research. Yin (1984, p. 781) classified a few sources that are appropriate for case studies research.

- Documentation – written material ranging from memoranda to newspaper clippings to formal reports
- Archival records – organizational charts; service, personnel or financial records
- Interviews – these may be open ended or focused
- Direct observation – absorbing and noting details, actions, or subtleties of the field environment
- Physical artefacts – devices, outputs, tools

#### **6.3.4 Summary of the research approach**

This study applies the interpretive approach for research guidance. It adopts the Delphi Method in Phase One of data collection with an online expert panel. The purpose of the expert panel involved in Phase One of data collection is to discuss and gain feedback concerning the initial version of the framework. In Phase Two of data collection, a multiple case studies approach was applied via interviews with small business enterprises owners or managers in rural and urban areas of Malaysia and Brunei.

## **6.4 Data Collection Techniques**

There are many data collection techniques for qualitative research. In this study, the two data collection techniques involved are online expert panel and interviews. The reasons for these two types of data collection techniques being employed in this study is to gain feedback from the expert panels regarding the proposed framework and refine it further based on the final analysis results from interview sessions with SBE owners or managers.

These two approaches are selected instead of other data collection techniques, such as questionnaires, which are not appropriate for this study, even though the questionnaires allow a wider geographical coverage (Cooper & Schindler, 2001). Although, principally, questionnaires are related to quantitative data, open-ended questionnaires could also be used to collect qualitative data (Williamson, 2002c). However, they would not allow the researcher to explore questions in depth. One advantage of interviews is that the researcher can control the direction of the interviews to some extent and ensure that the participants focus on the discussion issues at hand (Williamson, 2002c). Also, the researcher is given an opportunity to quote the actual words by the participants concerning a specific situation.

This study also employed secondary data to support the research findings. The secondary data is important to provide a better understanding of the current environment of the studies (particularly related to Malaysia and Brunei) in Phase Two of the data collection. The secondary data included census data, government

statistics, and other related information, which are essential to support the primary data collection.

The two primary data collection techniques employed in this study will be discussed in the next section.

### **6.4.1 Phase One: The Expert Panels**

In Phase One, an online discussion took place as part of the modified Delphi method introduced in Section 6.3.2. The data collection technique adopted for this phase was an expert panel, which operated by employing an online focus group. This technique is described in this section.

Experts for the expert panel were selected from academics with multiple backgrounds of expertise that were related to the area of study. The discussion was similar to a focus group but instead was conducted online. This online discussion provided more flexibility to the experts as they were located in several geographical locations, which would have made it impossible to conduct a face-to-face focus group.

The online bulletin was developed and participants were invited to provide their comments and feedback on the related issues pertinent to the initial conceptual research framework. The discussion consisted of five rounds (approximately five weeks; each week one different issue was discussed). The comments and feedback

from participants were analyzed and the initial conceptual research framework was revised. Summaries of the revised framework were sent to all participants for their comments, at the conclusion of all discussion.

### **Focus group**

*“ Focus groups provide a special type of information.....They tap into the real-life interactions of people and allow the researcher to get in touch with participants’ perceptions, attitudes, and opinions in a way that other procedures do not allow”*

Krueger (1988, p. 177) cited in Mann & Stewart (2000)

Recently, focus groups have been widely used in qualitative studies (Mann & Stewart, 2000). According to Mann & Stewart (2000), focus groups are a specific group discussion that usually involves between five and ten participants. A focus group is a planned discussion with the purpose of obtaining perceptions and views of defined areas from the selected group in a relaxed environment. A focus group is about interviewing a group of selected participants at the same time and highlights the responses by participants in answering the questions as well as the interaction between participants and the researcher. Nevertheless, a focus group is not a group interview. It is about a group of people gathered together to discuss the issues being discussed (Liamputtong, 2009a).

Liamputtong (2009a) and Williamson (2002b) discussed the advantages and disadvantages of focus groups. It is claimed that conducting a focus group is a quick, low cost and efficient approach for gathering in-depth information from participants. However, focus groups may only represent the perspectives of participants and do not indicate the range of views of a large population or community.

Focus groups provide the opportunity to obtain knowledge on sensitive subjects that may be hidden from verbal responses. However, the discussion may be dominated by some participants and other participants may not feel comfortable or easily able to express their views (Liamputtong, 2009a; Williamson, 2002b). Liamputtong (2009a) and Williamson (2002b) also indicated that there is an opportunity to clarify certain responses and follow up questions. The researcher can observe the body language of participants, which may be useful to help interpret as a verbal response. Nevertheless, there is the possibility of bias as participants are driven by the researcher's interest, which might not be the same as the participants' interests.

The open responses of a focus group contribute a large amount of data in the participants' own words. Listening about other's experiences can help stimulate to their own ideas, and, thus, help to 'break the ice' for shy participants. Liamputtong (2009a) and Williamson (2002b) added that focus groups are generally controlled by a moderator. Thus, the focus group should generally be

led by a trained moderator. An inexperienced moderator may prevent participants from expressing their views about the issues concerned.

### **Online Focus Group**

The Internet offers a new dimension and domain to which focus groups can be adapted and transformed (Mann & Stewart, 2000). There are two types of online focus group, *the real-time focus group (synchronous)* and *the non-real-time focus group (asynchronous)* (Mann & Stewart, 2000).

### **The real-time Focus Group**

A real-time focus group is conducted synchronously in which all participants will be online for discussion at the same time. This type of discussion can be fast and interactive (Mann & Stewart, 2000).

### **The non-real-time Focus Group**

For this study, the online focus group was conducted asynchronously, where it is not necessary for participants to be online at the same time. This type of discussion provides benefits as it can overcome differences in the time zone of participants (Mann & Stewart, 2000). For this study, the researcher applied non-real-time focus group as the study involves a group of experts from different countries and time zones.

With the growth of the Internet, the use of qualitative data collection via the Internet is also expanding (Mann & Stewart, 2000). Several qualitative studies have been used for the Internet in collecting research data. For instance, Molla & Licker (2005a) in their pilot study used expert panels to judge the degree of relevance of the instrument items on e-commerce adoption factors. The degree of relevance of variables was measured on a five-point Likert-type scale. Karanasios (2008) used an online focus group with a group of expert panels in a phase of data collection. The expert panel was used to provide feedback on the initial framework that had been developed through a literature review. The feedback received from the expert panel is used to further refine the framework in this study.

#### **6.4.2 Phase Two: In-depth interviews**

Phase Two of this study involves in-depth interviews for data collection. In depth interviews are commonly and widely employed in qualitative research (Barbour, 2008; Bryman, 2008; Holstein & Gubrium, 2003). Holstein & Gubrium (2003) viewed an interview as empirical data of an individual's world by encouraging them to deliver their views and thoughts in great depth. An in-depth interview is also often referred to as 'face-to-face' or 'one-to-one' interaction between a researcher and participant (Liamputtong, 2009b).

Malhotra (1999) and Williamson (2002c) discussed the advantages of conducting in-depth interviews. In-depth interviews can provide greater depth of insight

towards the issues being discussed and responses can be attributed directly which can result in the free exchange of information. It is also claimed that interviewers often receive a better response rate compared to mailed questionnaires as they require personal contact for setting up the interviews. This provides an opportunity for the interviewer to control the context of the interviews and to ensure that participants concentrate on the relevant issues. Unstructured interviews provide flexibility in questioning and the follow up of interesting leads.

Malhotra (1999) also discussed the disadvantages of conducting in-depth interviews. In-depth interviews required skilled and capable interviewers - the lack of structure could cause the results to be susceptible to the interviewer's influence, and the quality and completeness of the results can depend on the interviewer's skill. The data obtained from in-depth interviews can be difficult to analyse and interpret.

### **Types of interview**

There are several types of interview that could be considered. Williamson (2002c) lists three types of interview:

The first type of interview is *structured interview* which also known as *standardized* or *scheduled interview*. For this kind of interview, the same interview questions are asked exactly and follow a fixed sequence for each participant. A structured interview is effectively a survey questionnaire

administered by interview, unless there is some freedom given for participants to express their own thoughts and views (unconstrained by researcher's agenda). It is noted that a structured interview should be tested in the same way as a self-administered questionnaire if this type of interview is used (Williamson, 2002c).

The second type of interview is *unstructured* interview or known as *non-standardized, non-scheduled, or in-depth* interview. Unstructured interviews generally refer to situations in which each of the interview answers generates the next question. This interview is practical for exploring and gaining insights from participants. This type of interview is often appropriate to be used in case studies to collect extensive data from key people. This kind of interview is generally accepted for use in interpretivist research.

The third type of interview is *semi-structured* interview. This type of interview has a standard list of questions but it allows interviewers to follow-up on leads provided by participants. The semi-structured interview is closer to the unstructured, in-depth interview than to the structured and standardized interview.

For this study, semi-structured interviews were applied. The lists of questions of discussion issues were prepared and provided the opportunity for the interviewer to ask for clarification and additional information if needed.

### **Conducting an interview**

It is argued that social interaction in an interview may be influenced by where it is conducted or the context of the interview itself (Neuman, 2005). The interview locations, such as the office, home or café, can have an impact on the interview. According to Neuman (2005), this could be overcome by conducting the interview in a private location (such as their home). In this study, participants have an opportunity to choose the location for the interview that they prefer. The interviews are commonly conducted at their business premises, café or home. The selected locations, such as business premises, cafe or home provide an advantage to the researcher to ask more in-depth questions as these locations are private and silent. In locations such as cafés, quiet spots are chosen to minimize distractions.

Two types of non-verbal behaviour can occur when conducting interviews (Cavana, Delahaye, & Sekaran, 2001). These two non-verbal behaviours involve the interviewer and interviewees. For the interviewer, it will impact upon the interview. Cavana et al.(2001) presented some guidelines to perform interviews.

This study followed the listed guidelines below:

- Pattern of interview – This study involved semi-structured interviews. It involved building a good communication with interviewees, managing language barriers and encouraging the interviewees to provide in-depth information.

- Listening – It involved listening to interview responses and feedback concerning the interview questions and discussion context. The listening process required the researcher to listen carefully and understand what had been said by the interviewee.
- Paraphrasing – The researcher needed to paraphrase concisely what was said by the interviewees.
- Probing – It involved follow-up questions in order to obtain more specific or in-depth information.

Two issues concerning the researcher before conducting the interviews were cost and geographical limitations. These were overcome through good planning (interviews carefully arranged and scheduled in sequence, thus it became more cost-effective and travel time could be reduced). For this study, the travelling costs were reduced as the researcher used budget airlines to travel to Malaysia and Brunei Darussalam. The travelling schedule was planned in advance in order to get the best deals for flight tickets. The appointments with participants were confirmed before the researcher travelled to those countries. Half of the travelling costs (flight tickets, accommodations, and taxis) in this phase of data collection were reimbursed under university research funds.

The consent form and information to participant letter – which outlined the objectives of the study and indicated that their participation in this study would remain anonymous at all times – were provided to participants. The interviews

only commenced once approval to participate was granted by the participants. In addition, the researcher was also aware of any deficiencies from the interviews, such as interview bias, potential impact of interviewer characteristics and interviewer effects.

### **Conducting an interview via the telephone**

Interviews over the telephone were conducted when face-to-face interviews were not possible. For this study, two interviews were conducted via the telephone upon the request from participants.

Conducting the interviews over the telephone offers advantages and disadvantages. According to Sekaran & Bougie (2010), the main advantage of conducting telephone interviews is that it can reach a number of people (across country and international) in a short period of time. In addition, telephone interviews are able to minimize the discomfort of disclosing the personal information of participants (Sekaran & Bougie, 2010). However, there are also disadvantages of telephone interviews.

Besides the advantages, there are also some disadvantages of conducting an interview via the telephone. According to Sekaran & Bougie (2010), participants can terminate the interview without warning or explanation by hanging up the phone. Through an interview via the telephone, the researcher is unable to read non-verbal signs from the participants and the interview needs to be kept short

(Sekaran & Bougie, 2010). There is a possibility that the telephone numbers might be obsolete and potential interviewees cannot be contacted (Cavana, et al., 2011).

### **Interview questions**

When conducting a study in more than one country, the major concern in gathering information from participants is language. Each country might have a different language with different meanings to different people (Bulmer & Warwick, 1983b). The interview questions were designed precisely to produce appropriate outcomes from the field research. Some of the interview questions were required to be phrased differently to cope with the different characteristics of the participants (Manaster & Havighurst, 1972).

For this study, the researcher did not have a problem with misunderstanding words or phrases, as the researcher is a native speaker of the Malay Language. Mostly, the words used in Malaysia are similar to those in Brunei except for some accents, however, this could still be understood by the researcher.

### **Recording interviews**

Recording the interview can be an advantage to the researcher. However, the interviews can only be recorded if the interviewee has no objection. The use of a tape recorder or other audio-visual device might influence the interviewee in the interview. Flick (2009) anticipated that the interviewee would simply forget the tape recorder and the conversation would take place naturally. In this study, the

interview was recorded if the interviewee gave permission. However, out of the ten interviews conducted in Malaysia, only one interviewee permitted the interview to be recorded. The interviewees felt uncomfortable about the conversations being recorded. This is supported by Karanasios (2008), who also conducted interviews in Malaysia, and stated that recording interviews might lead to fewer interviews being conducted and also contribute to several forms of courtesy bias.

Note taking becomes essential where participants refuse permission for the interview to be audio-recorded (King & Horrocks, 2010). King and Horrocks (2010) added that there will be a challenge to the researcher to balance the need to attend to what is being said, to framing the questions in response, and the need to keep the interviews flowing smoothly. In this study, note taking was used as the method of recording interviews. The interview questions were printed in booklets, which made it easier for the researcher to write the notes from the participants. Participants also provided full cooperation to the researcher during the note taking.

## **6.5 Analysing the data**

Qualitative data analysis refers to *the interpretive nature of analysis, whereby researchers need to understand, explain and interpret human experience, which requires uncovering personal, social and cultural meanings that underlie people's behaviour* (Hennink, et al., 2011, p. 205). Qualitative data analysis requires

different strategies to effectively interpret data as it comprises the ‘art’ of qualitative analysis (Hennink, et al., 2011).

### **6.5.1 Content analysis**

Content analysis is the most useful method of data analysis to confirm or test pre-existing theory (Ezzy, 2002), such as the development of the framework for this study.

Content analysis is mainly concerned with the meaning of symbols and signs in language as a form of semiotics. The symbols and signs can be comprised to primary conceptual categories, and these categories demonstrated essential aspects of the theory to be tested (Dawson, 2009; Ezzy, 2002). In this study, the researcher systematically worked through the transcripts and codes and transferred them into words, numbers and texts. The initial categories were defined in the framework and the researcher let the categories emerge based on gathered data as the list of categories and transcripts that had been gone through previously (Dawson, 2009). The data analysis from the fieldworks then occurred (Ezzy, 2002). The importance of the concept was to ‘discover’ by identifying any repetitiveness in the data (Myers, 1997). This type of analysis provided the opportunity for data to emerge based on the common theme for further analysis.

The content analysis involved (in Phase One of this study) coding of post comments by the experts. The data were categorized based on common themes

according to the major indicators of the framework. In Phase Two, content analysis was used for the data gathered from the field interviews. It was performed after each of the interviews had been carried out and the data was then allocated in the electronic spreadsheet for analysis. Then all the interview data was analysed to identify themes emerging across all of the interviews.

One of the drawbacks of content analysis is assuming that the researcher knows the important categories for the analysis (Ezzy, 2002, p. 85). Thus, it is limited to the interpretation of the researcher. Qualitative researchers are likely to use other forms of analysis that are more inductive and sensitive to emergent categories and interpretation (Ezzy, 2002). Consequently, the researcher decided to use thematic analysis as a part of the data analysis. Thematic analysis aims to identify the themes within the data (Ezzy, 2002, p. 88). Thematic analysis is more conducive than content analysis as the categories into which themes are categorized are induced prior to coding the data (Ezzy, 2002). Boyatzis (1998) refers to thematic analysis as a process of encoding qualitative information. Thematic analysis is used as an umbrella term to refer to any analysis of word, concepts, and non-verbal clues, and used to describe content, discourse, narrative, and conventional analysis (O'Leary, 2004). Thematic analysis is able to offer the systematic characteristics of content analysis and it also allows the researcher to combine analysis of the frequency of codes with analysis of their meaning in context (Joffe & Yardley, 2003). Joffe & Yardley (2003) also indicated that thematic analysis shares many principles and procedures of content analysis; with the

conceptualisation of thematic analysis the term ‘code’ and ‘theme’ are used interchangeably. Thus, this study used emerging themes to match the content analysis.

Below is an example of coding themes that been used in the thematic analysis of this study:

Section: B

Subject: E-readiness

Question No: 6 (Owner’s attitude)

Research Question:

- a) What is your perception towards the use of the Internet in your business? Please explain.
- b) Do you think the use of computers/ the Internet have an impact to your business?

Theme: Owner’s attitude

Respondent	6B (a)	6B (b)
MY- R01	I am very optimistic and confident with the use of the Internet in the business operations. Perhaps the Internet makes my business transaction easier.	Absolutely. It helps me to improve my business sales.
MY-R02	I feel that the Internet gives the excellent and positive impact to my business. Almost 70 % of my new customers are from the Internet and 90% from overseas.	Yes.
MY-U01	I am very positive with the Internet and I enjoy myself exploring new things. I consider the Internet as a new thing and a new approach of marketing my products. It is also cheaper.	Yes. The Internet helps me a lot in promoting my business.
MY-U02	Positive. The Internet helps me a lot in marketing my products.	Yes. The Internet helps me to widen my market, it is fast in terms of information (to update new products), provides exposure to a new world and a good approach for marketing products.

MY-R03	The Internet provides better opportunity in marketing my products. Instead of that, it is easier for me to manage all the transaction (emails).	Yes.
MY-R04	I feel that the Internet helps my business to be known in wider markets.	Yes. I received many telephone calls and emails, asking for more details on catering packages after they were referred from my business website.
MY- R05	I am very positive. The Internet makes my life easier as most of the transactions in my premise use the Internet. I even use the Internet to monitor CCTV at the premises while I'm at home.	I think that the Internet makes my business transactions easy.
MY- U03	Internet is a new alternative to market products. It also has a wider market in order for me to promote my products.	Yes. My business becomes better known by the public. I received many emails asking about my business packages.
MY-U04	Previously, not many people started their business online. I started the online business just for a trial as I do not have a basic knowledge about Internet. After I went to training and a seminar, I saw the potential of online business and started to focus seriously in this area.	Of course, the use of the Internet has a big impact on my business. I started my online business at home and now I am proud that I managed to open a business online.
MY-U05	It is one of the fast and easy ways to market products.	Yes. It helps me a lot.
COMMON THEMES	<b>Optimism; positive attitude; potential; expanded market</b>	<b>Definite impact; promotion; wider market; efficient</b>

### 6.5.2 Interpreting data

There are a few steps in interpreting the data, as suggested by Williamson & Bow (2002). Below were the steps taken in both phases of this study:

#### **Transcribe the data**

This process was done in both Phase One and Phase Two of data collection. It involved entering the notes and audio recording into an electronic spreadsheet, so

that the information was more accessible allowing data management and ease in analysis.

### **Read through each transcript in order to familiarize yourself**

This is an important step in interpreting the data and cannot be left out. The researcher read through each transcript and took notes on the important points. Through this process, the researcher had a better understanding concerning the gathered data and was more familiar with all aspects of data before further analysis could occur.

### **Categorize the data**

The researcher applied the 'code and retrieve' process. This process assisted the researcher to think and manage about the data at a more in-depth level and to know the importance of particular issues by looking the amount of data in particular categories and able to anticipate the relationships between categories.

### **Playing with ideas**

Playing with ideas can be done in any stage of analysis. It provides opportunities for thinking and considering the data in different ways and promotes deeper understanding. The common words, phrases or sentences by participants generated ideas to the researcher for data analysis.

### **Writing memos**

A memo is a document that the researcher commonly uses to write ideas and information while conducting the interviews and throughout the research process. This study involved note taking by the researcher as a method of recording interviews.

### **Conceptually organizing the categories**

The researcher needs to categorise the data before starting to organize them conceptually. Nevertheless, the analysis does not require advanced analysis at this stage. It was recommended that the organizing of categories could be done continually along the research processes. Generally, the categorization of data in this study was defined in the initial conceptual framework based on the literature review.

### **Undertake word searches**

Searching for common words or phrases is important to find the words or phrases that were used frequently. However, word searches are useful but not necessary for analysis. Word searches were not applied in this study.

### **Form tentative theories**

Once the previous steps were completed, the researcher attempted to write the statements and theories based on the data. The initial conceptual research framework of this study was revised based on the data gathered.

### **Ask questions and check hunches**

Lastly, the final step is to check whether the statements and theories are feasible to the study before completing the final report. The researcher also needs to check the supporting evidence for the statements and theories as well as evidence to the contrary. The changes made in the research framework of this study were supported by the data gathered from the data collection and literature review.

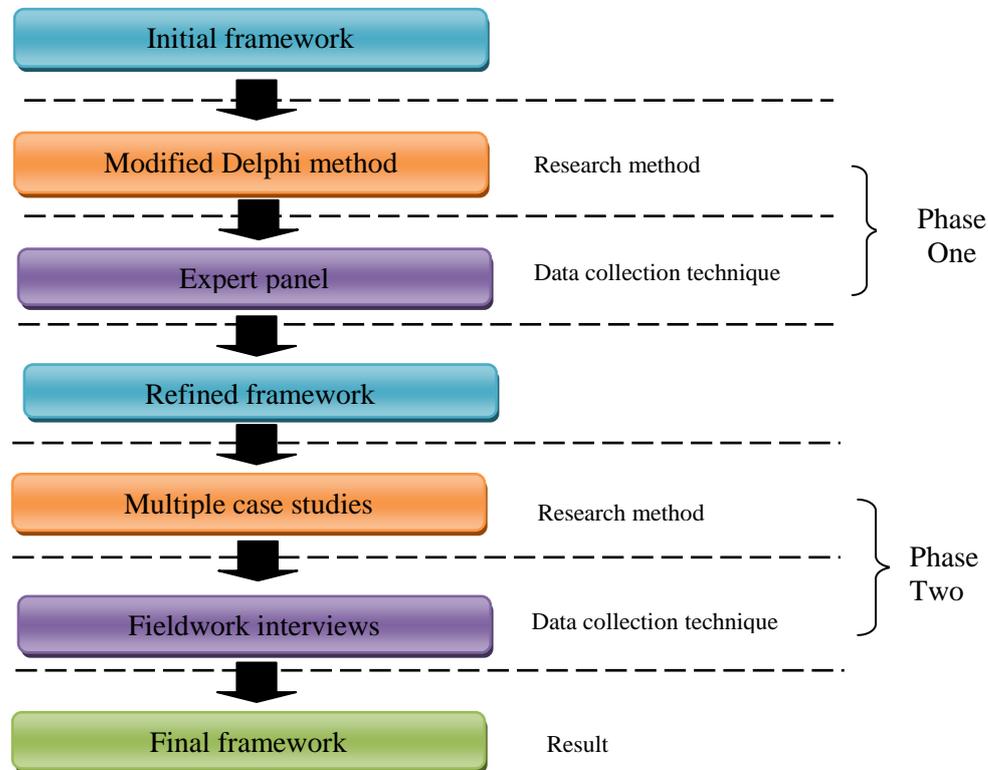
### **6.5.3 Applying the content analysis**

The researcher applied the content analysis approach in this study. It involved coding the post comments by an expert panel (in Phase One) and interview transcripts (in Phase Two) based on the major indicators of the framework (such as e-readiness, business aims and strategies and others). The description of each item coded were included in the spreadsheet for further analysis.

## **6.6 The summary of the research methodology**

This section discussed the research methodology used in this study. Based on the discussion above, this study is considered as an interpretive study with a pure qualitative approach to data collection. This study's research method has several similarities to the Delphi method (Phase One) and multiple-case studies (Phase Two). In Phase One of data collection, an expert panel was selected and field interviews were used for Phase Two of the data collection. Figure 15 outlines the research methodology process of this study.

**Figure 15** Diagram of research methodology



## 6.7 Validity and generalizability

There have been many ideas developed by qualitative research concerning research qualities (Gibbs, 2007). Two approaches have been used to ensure the appropriateness of this study – validity and generalizability.

### 6.7.1 Validity

Validity refers to the accuracy of research findings. The validity issue over the legitimacy of qualitative studies has been debated among scholars as it relates to

the consistency of results, policies, programmes, or predictions; if the qualitative studies do not comply to such consistency, the studies cannot be relied on (Maxwell, 2002). Maxwell added that *'validity is not an inherent property of a particular method, but pertains to the data, accounts, or conclusions, reached by that method in a particular context for a particular purpose'* (2002, p. 42). There are typically different ways in dealing with the validity of qualitative and quantitative research. Quantitative researchers generally deal with both anticipated and unanticipated threats to validity, which contrast with qualitative researchers.

*"Qualitative researchers, on the other hand, rarely have the benefit of previously planned comparisons, sampling strategies, or statistical manipulations that control for plausible threats, and must try to rule out most validity threats after the research has begun, using evidence collected during the research itself to make these 'alternative hypotheses' implausible"* (Maxwell, 2005, p. 107)

Maxwell (2005) raised two threats to validity –researcher bias and reactivity. Researcher bias occurs when selecting the data that fit the researcher's existing theory. Meanwhile, reactivity involves the influence of the researcher concerning the setting or an individual studied, and is a problem that often occurs with qualitative studies. Although methods and procedures do not guarantee validity, Maxwell (2005) advised that these steps are nonetheless important to the process of ruling out the threats to validity and increasing the credibility of the conclusion. This study applied a combination of secondary data, an online discussion and

fieldwork interviews to support the validity of the results. The summary of the findings in Phase Two that was pertinent to their interpretation was shown to participants to increase the validity.

### **6.7.2 Generalizability**

Generalizability is defined as ‘the extent to which one can extend the account of a particular situation or population to other persons, times, or settings than those directly studied’ (Maxwell, 2002, p. 52). Maxwell added that qualitative studies are generally not designed to allow systematic generalization to a wider population, which is in contrast with quantitative and experimental studies. Yin (1994) stressed that generalizability is often based on the assumption on the theory that leads to simplification on similar persons or situations, rather than details of a sampling process that will draw the conclusions of a specific population based on statistical inferences. The sampling is crucial whenever the researcher is to draw inferences from the actual persons, events or activities observed to other persons, events, or situations, or to these at other times than when the observation was made (Maxwell, 2002, p. 53). It was impossible for the researcher to observe all these issues even in a small setting as inferences are involved in the study.

Maxwell (2002) categorized two aspects of generalizability, which are generalizing within the community, group or institution studied to persons, events and settings that were not directly involved (internal generalizability) and

generalizing to other groups, communities or organizations (external generalizability). This study applied both aspects of generalizability. This study is not claiming that the results are absolutely certain to apply in all cases (as is the case or positivist or quantitative studies). This study provides the opportunities to the readers to make the judgments of the applicability of the results based on the methods used in this study. The researcher does stress the 'general benefits' of the framework for SBEs in developing countries, but suggests that the elements of the framework need be useful to small business enterprises in those countries that are considering adopting the Internet for marketing purposes.

Schofield (2002) suggested multiple site studies as an approach to increase the generalizability of qualitative study. The approach is applied in Phase Two of this study. In this phase of data collection, two countries (heterogeneous) are selected and data are collected from several sites. It is suggested that the researcher makes a decision whether multiple sites should be heterogeneous or homogenous (Blaike, 2000). Schofield (2002) added that there is a possibility of studying a number of heterogeneous sites that makes these multiple studies a potentially useful approach to increase the generalizability of qualitative studies. Nevertheless, the shortcoming of this approach is that it can be quite expensive (Schofield, 2002). Schofield also advised that the researcher should not make a trade-off in multiple-site studies to increase the potential for generalizability flowing from studying a large number of sites and the increased depth and breadth of description and understanding made possible by a focus on a few sites. In this

study, the researcher considered a few related factors while selecting the countries for the research sample. Among the factors that were considered were the level of ICT development of the country, ICT rankings, and economic and political background. Details of these factors will be discussed in the next chapter in relation to the selection of both countries.

## **6.8 Cross-national research**

Cross-national or comparative research is defined as *if one or more units in two or more societies, cultures or countries are compared in respect of the same concepts concerning systematic analysis or phenomena, with the intention of explaining them and generalizing them. The expectation is that the researchers gather data about the object study within different contexts and, by making comparisons, gain a greater awareness and a deeper understanding of social reality* (Hantrais & Mangan, 1996, pp. 1-2)

*“Rather than each researcher or group of researchers investigating their own national context and then pulling information, a single researcher or team of researchers may formulate the problem and research hypotheses can carry out studies in more than one country: using replication of the experimental design, generally to collect and analyse new data. The method is often adopted when a smaller number of countries is involved and where researchers are required to have intimate knowledge of all the countries under study. Where a single researcher or team from one country is carrying out research in two or more*

*countries, it is generally described as the 'safari' approach...this approach usually combines surveys, secondary analysis of national data, and also personal observation and an interpretation of the findings in relation to their wider social context" (Hantrais & Mangen, 1996, p. 4)*

The researcher experienced a number of cross-national cultures while conducting this study. As both phases of data collection in this study involved participants from different countries, the researcher was aware of these issues. In Phase One (online discussion with a group of experts), participants consisted of academics from different countries (Malaysia, Australia, and the UK) which involved different time zones and areas of expertise. For this phase of data collection, the researcher was required to send gentle reminders to experts in order to encourage them to provide full support in the online discussion.

In Phase Two (interviews with owners or managers of SBEs) the interviews were conducted in Malaysia and Brunei Darussalam. As the researcher is a Malaysian (the researcher was aware of Malaysian culture), the interviews in Malaysia were run as expected by the researcher. Travelling to Brunei Darussalam was a new experience to the researcher. Bruneian participants were very welcoming of the researcher's visit and gave full cooperation throughout the interviews. Even after the interview session, the researcher was invited to have a cup of tea and cakes at the participant's house. One of the participants, who also run a bakery shop, was kind enough to give the researcher a bag of cookies and cakes from his bakery to

bring home. Brunei is a wealthy country, and most Bruneians own their own transport. Thus, to use the public transport was generally not the first option for them. The researcher had to make advance bookings with the hotel taxis for the services. Based on the researcher's observation, there were both similarities and dissimilarities within Malaysia and Brunei's culture. The similarity was that most Malaysians and Bruneians are friendly and welcoming of their guests. The accents used by Malaysians were different as compared to Bruneians even though both countries use the Malay language as the main language. The researcher is a native speaker of the Malay language, and, thus, it was not a problem for the researcher to understand the accents used by both Malaysians and Bruneians.

The next sub-section will discuss the issues of cross-national research in the context of developing countries.

### **6.8.1 Issues in cross-national research**

Conducting cross-national research required the researcher to pay attention to cultural differences, such as the use of terms and type of instrument that need to be tailored to particular cultures (Cavana, et al., 2001). In this study, the researcher (researcher is a Malaysian) was aware of the cultural differences that covered the locations of the study (urban and rural areas), ethnicity and other particular issues in Malaysia and Brunei Darussalam. Some generalizability might be applied in the study, thus it is important to consider other factors, such as size, centrality, history, economic base and other related factors that were exceptional

to each place (Peil, 1983). Peil added that it is justifiable if at least two or three places are selected for generalization. A mixture of locations were selected as recommended by Peil (1983). For this study, two countries were selected as the sample –Malaysia and Brunei Darussalam. In Malaysia, the areas were divided into two categories –urban and rural –with five participants for each. Whilst, for Brunei four participants were selected for urban enterprises and only one participant was a rural enterprise. The researcher decided to select two countries in this study in respect of the financial limitations (such as limited research funds available due to a large amount of travelling costs incurred) and time constraints (the researcher was required to complete the study within the period given as the researcher was a scholarship student). The selections of these two countries (Malaysia and Brunei) were based on certain criteria, such as the different level of ICT and e-readiness, development of the country, government type and others.

### **The sampling**

The most important issue in conducting a study is the selection of individuals who are to be studied in a particular research (Bulmer, 1983). In many developing countries, using a sampling method based on standard principles causes formidable problems as usually there are no sampling frames, no central registry of all citizens, no census tracts with home addresses, and no comprehensive directories of who is where (Bulmer, 1983). Peil (1983) added that in many countries, small businesses tend to be unknown or visible to local authorities, as they are difficult to find even though listed. It is possible to represent an actual

representative sample if the population of the sample is really homogeneous and some form of accurate existing list is suitable for a sampling framework (Looner & Berry, 1986).

The researcher decided to use a combination of online and offline techniques to gather the list of SBEs, as it was found that there was no database that truly identified SBEs or statistics on Internet adoption. For the sample in Malaysia, there was an abundance of literature on SBEs in relation to ICT adoption, which is in contrast with Brunei, for which there was little information or related literature. Due to this constraint, the researcher needed to use multiple sources, such as guidebooks, online articles or commercial and government websites to support the initial selection of the sample. It was not an easy task to search for information concerning Brunei due to the limited sources. Nevertheless, this research was necessary as so little knowledge was available, which hindered the conduct of the study (Peil, 1983).

### **Conducting cross-national research**

It is important for the researcher when conducting cross-national research to have adequate knowledge concerning the local situation before entering the fieldwork (Peil, 1983). This is essential as problems may arise in countries where there is inadequate or non-existent information. Peil (1983) suggested that it is necessary for the researcher to have knowledge of the geography, history, politics and

culture of the people to be studied and/or the historical development of the organizations on which the study will focus.

Bulmer & Warwick (1983a) highlighted that the main consideration for conducting research in developing countries is the type of participants involved in the fieldwork. For example, participants in rural areas might misunderstand the purpose of the research or be reluctant to cooperate (Bulmer & Warwick, 1983a). A detailed selection of research methods is required to counter the possible problems. Telephone interviews are one of the possible methods to obtain the research information. However, telephone interviews are an option in a country that enjoys high telephone penetration and a postal survey is only practical if the recognized address is accessible, which is not the case in many developing countries (Bulmer & Warwick, 1983a). The main approach to contact the participants in this study was via email. This approach was appropriate as the study sought SBEs that market their businesses online. Among the challenges faced by the researcher were invalid email addresses and late responses.

### **Language and translation**

One of the issues that need to be addressed in conducting a study in more than one country is the language difference (Cavana, et al., 2001). Cavana et al. added that it is important to ensure that the translation of the local language is comparable to the original language. In this study, the researcher did not have a major language problem as the fieldwork was conducted in the Malay language or English (the

researcher is a native speaker of the Malay language and also a fluent English speaker). The Malay language is the official language for Malaysia and Brunei, and although the accent used in both countries is slightly different, it could still be understood by the researcher.

## **6.9 Ethics considerations**

This study was governed by the Australian university requirements that require any study involving human participation needs to apply for human research ethics committee approval. This study involved with two phases of data collections which required the researcher to apply for ethical approval by the relevant committee. The ethical approval for the first phase of data collection involving an online focus group was granted from 11 December 2009 to 30 November 2010. The second approval (Phase two; interviews with SBE owners or managers) was granted by the university research ethic committee from 2 June 2010 to 30 June 2011.

Conducting an online focus group and interviews with SBE owners or managers in developing countries provided wonderful experiences to the researcher, but also a series of challenges. Among the difficulties were:

- Maintaining the consistency of experts' responses in an online focus group as the discussion were conducted for five weeks, and
- The need to travel around Malaysia and Brunei Darussalam to conduct interviews with SBE owner/ managers.

## **6.10 The summary**

The first part of this chapter presented several of the methodological approaches applied in this study. This study adapted many characteristics of the Delphi and multi-case study approach. An online focus group (conducted in Phase One of data collection) consisted of experts from different areas of expertise; e-commerce and small businesses, marketing, ICT, and small businesses in developing countries (or a cross-section of these areas). Nine experts were involved in this phase (refer to Table 7, p. 176). Whilst for Phase Two, fieldwork interviews with small business owners or managers were applied. In all, 15 participants participated in the interview sessions, which were conducted in Malaysia and Brunei Darussalam (refer to Table 8, p. 177).

Further explanations were provided on the expert panel and fieldwork interviews, including the advantages and disadvantages of the selected approaches. In this study, content analysis and thematic analysis were applied as the main data analysis.

This chapter also discussed the issues behind conducting a cross-national study as well as a study conducted in developing countries. Conducting a study in more than one country required the researcher to be concerned with a few particular matters, such as language, interviewee and interviewer bias and other related issues. The next chapter will discuss the details of Phase One of the data collection, which involved the expert panel of academics.

**Table 7 Summary of areas of expertise (Phase One)**

<b>Expert Code</b>	<b>University/Position</b>	<b>SMEs</b>	<b>ICT/E-commerce</b>	<b>Marketing</b>	<b>Developing country</b>
A	Australian University, Dr	X	X		
B	Malaysian University, Associate Professor			X	X
C	Australian University, Dr	X	X		
D	United Kingdom University, Dr	X	X		X
E	Malaysian University, Professor	X		X	
F	Australian University, Lecturer	X	X		
G	Malaysian University, Professor	X		X	X
H	Malaysian University, Professor			X	X
I	Malaysian University, Associate Professor	X			X
J	Malaysian University, Dr			X	X

**Table 8 Profile of Malaysian and Bruneian small businesses (Phase Two)**

Location	Services	Category
Malaysia -Terengganu	Inbound Travel Agent	Rural
Malaysia - Terengganu	Resort	Rural
Malaysia - Kuala Terengganu	Bakery	Urban
Malaysia - Kuala Lumpur	Photography Studio	Urban
Malaysia - Johor	Snack retailer	Rural
Malaysia - Johor	Caterer	Rural
Malaysia - Terengganu	Photo shop	Rural
Malaysia - Selangor	Wedding Boutique	Urban
Malaysia- Selangor	Mother and baby products	Urban
Malaysia - Kuala Lumpur	Apparel	Urban
Brunei-Muara	Bakery	Urban
Brunei-Muara	Inbound travel agent	Urban
Brunei-Muara	Bakery	Urban
Brunei-Muara	Baby gift shop	Urban
Brunei - Temburong	Apparel	Rural

# 7

## **PHASE ONE/EXPERT PANEL**

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### **7.0 Phase One: Expert Panel**

This chapter discusses the first phase of the data collection for this study. In this phase, a group of experts was gathered to discuss and provide feedback on the initial conceptual framework. The first section of this chapter describes the process of gathering a group of experts and how the discussion was conducted in this phase. The second section of this chapter describes the feedback received from experts that was considered in refining the initial conceptual framework. Finally, the revised framework is presented.

### **7.1 Section One: The process of gathering experts**

#### **7.1.1 Selection of experts**

In this first phase, the selection of the expert panel was sought from different disciplines of academic expertise. The main areas of expertise chosen for this data collection were: e-commerce and small businesses, marketing, ICT, and small businesses in developing countries (or a cross-section of these areas). In the first

phase, experts only consisted of academics, as small business owners or managers participated in the second phase of the study.

Experts were chosen based on:

- Publication records; journal articles, conference papers, book chapters, and other relevant literature
- Recommendation by peers

The numbers of experts targeted for this phase were six to eight people. The reason for the small number of experts selected to participate in the discussion was because it was more manageable for the researcher, as managing a large number of experts might cause difficulties due to excessive comments in the online bulletin post comments section. The participants were invited via e-mail to join the discussion between 17 December 2009 and 7 January 2010. Introductory e-mails were sent to participants, which described the aims of this study. Participants were requested to respond to the e-mail if they were interested to participate in the discussion. It was an appropriate approach to use e-mail as the medium since the study involved experts from many countries. An online discussion provided convenience to participants to join the discussion at their convenience with due consideration of the different time zones.

A total of thirty-seven invitation emails were sent to potential participants. Out of thirty-seven, ten invitees responded positively to participate in the discussion, nine invitees replied that they could not participate, one did not reply due to e-mail address failure, and seventeen did not respond. Two of the invitees replied they could not participate, but did recommend the name of a colleague. One of the recommended experts agreed to participate and another one was 'out of the office' (automated reply).

The ten confirmed participants were from different areas of expertise, which provided a good cross-section in terms of views and perspectives. A number of experts were from a developing country (Malaysia), which generated broader ideas and deeper thought on the discussion issues as well as experts from developed countries (Australia, and the United Kingdom). Thus, it created an excellent combination for an expert panel in the discussion. Table 9 indicates the summary of areas of expertise of the participants.

**Table 9 Summary of areas of expertise**

No.	Expert Code	University/Position	SMEs	ICT/E-commerce	Marketing	Developing country
1.	A	Australian University, Dr	X	X		
2.	B	Malaysian University, Associate Professor			X	X
3.	C	Australian University, Dr	X	X		
4.	D	United Kingdom University, Dr	X	X		X
5.	E	Malaysian University, Professor	X		X	
6.	F	Australian University, Lecturer	X	X		
7.	G	Malaysian University, Professor	X		X	X
8.	H	Malaysian University, Professor			X	X
9.	I	Malaysian University, Associate Professor	X			X
10.	J	Malaysian University, Dr			X	X

Two days before the commencement date of discussion, the emails were distributed to confirmed participants as a reminder, which included the hyperlink address of the website, user ID and guidelines to post the comments. The user ID was used in the discussion to avoid any bias or personal interest in the discussion. The discussions were based on weekly rounds. Each week new topics were posted on the bulletin board. The topics for discussion were presented in the initial conceptual framework of the study, followed by the indicators of the framework for further discussion. The commencement date of discussion was 12 January 2010 and ended on 15 February 2010 (approximately five weeks). Participants

posted their comments between Tuesday and Sunday, as Monday was the day for the researcher to update and administer the bulletin. Those participants who missed the previous week's discussion were allowed to post their comments on the previous week's discussion in addition to the current week's discussion. 'Friendly' reminders were sent to experts every Thursday to remind them of the ongoing discussion. However, Expert E withdrew without giving any notice after a few reminders had been sent from Week 1 until Week 3. Thus, nine participants participated in the discussion.

### **7.1.2 The Online Bulletin**

The online bulletin was created by using WordPress blog, which is an open source<sup>14</sup> of publishing, powered by PHP, and MySQL and can be used for basic content management. The online bulletin was hosted at URL:

<http://internetmarketingframework.wordpress.com>.

The reason for selecting WordPress blog as the channel of discussion is that it offered an interactive theme, support for tagging and posting comments, and free hosting services. The online bulletin for discussion consisted of six web pages. The first page of the online bulletin described the overview of the study, followed by Week 1 until Week 5 discussion's topics. The online bulletin was designed to be simple with little graphical design. This was to avoid any overload of information after participants posted their feedback on the post-comment section.

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<sup>14</sup> Open source refers to free access to an end product's design and implementation details.

Figure 16 displays the front page of the online bulletin as first viewed by participants.

**Figure 16 Welcoming screen for expert panel discussion**



### **7.1.3 Ethical issues (anonymity)**

The identity of the participants remained anonymous at all stages of the discussion and report presentation. Participants were reminded to use the provided user ID as there was still a possibility that the participants might mistakenly disclose their real identity. The purpose of keeping the participants' identities anonymous was

to protect the real identity in order to avoid any bias or personal interest and conflict among the participants.

## **7.2 Section Two: Expert Panel**

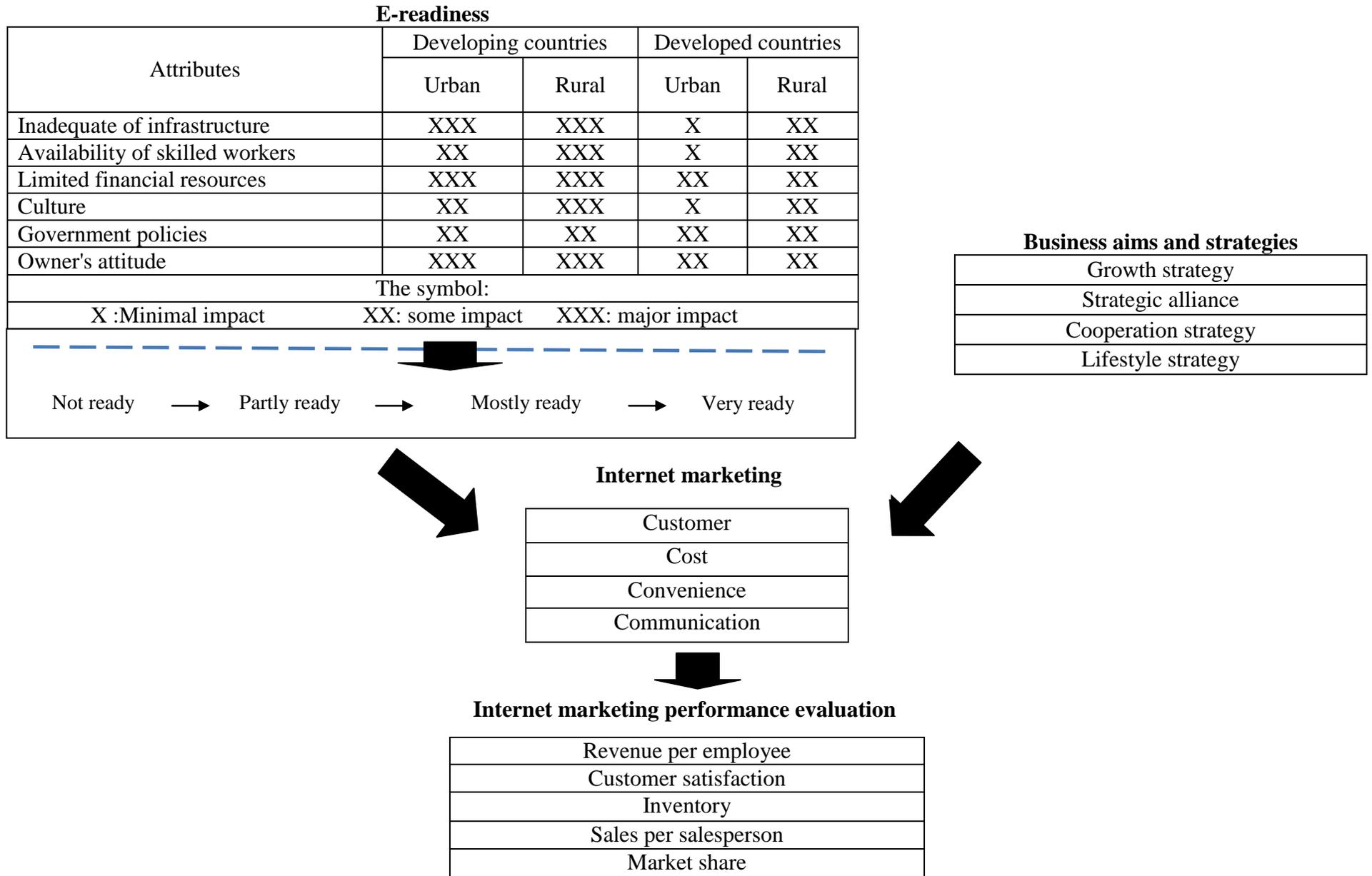
The previous section discussed the process to gather experts for data collection. This section will discuss the data collected and the responses gathered in this phase of the study.

### **7.2.1 The initial conceptual framework**

The initial conceptual framework (refer Figure 17) was uploaded to the online bulletin board for discussion. The framework was developed based on the literature discussed in Chapters Two to Five of this study.

The initial framework is again presented in Figure 17.

**Figure 17 The Initial Conceptual Framework**



### **7.2.2 Formation of discussion**

The discussion was conducted in five rounds. Each of the rounds was divided on a weekly basis –one round per week. Each round discussed a different topic based on the structure of the initial framework. The structure of discussion topics were as follows:

Week 1: Welcome note and Overview of the framework

Week 2: E-readiness

Week 3: E-readiness implications

Week 4: Business aims and strategies

Week 5: Internet marketing and evaluation

The topic of discussion was designed according to the structure of the initial conceptual framework. However, a participant could post the comment on any aspect of the framework on the previous topic of discussion and/or the current week's discussion. Table 10 presents the structure of the comments posted by participants.

**Table 10 Structure of comments**

1.	<b>Week 1</b>	A				
2.		H				
3.		A**				
4.		G				
5.		D				
6.		J				
7.		I				
8.		F				
9.		C				
10.		B				
11.		<b>Week 2</b>	A			
12.			D			
13.			J			
14.			I			
15.			F			
16.			C			
17.			<b>Week 3</b>	H		
18.				C		
19.				D		
20.				A		
21.				B		
22.				G		
23.				I		
24.				<b>Week 4</b>	H	
25.					D	
26.					A	
27.					J	
28.					I	
29.					<b>Week 5</b>	A
30.						A**
31.						H
32.						D
33.						I

- Alphabet (A, B, C, D, F, G, H, I, and J) indicates expert panel code.
- \*\* refers to a particular panel expert who posted two comments in the current week discussion.

For example, *Expert A* provided two comments for Week 1 and Week 5. The Week 1 comment was mostly related to the overall framework and the second comment was a

friendly reminder to all participants to use the given user ID in order to protect their real identity. In Week 5, *Expert A* added his points based on his previous comment.

Comment from *Expert A*:

*“I think Noor Fadhiha is trying to keep the “experts” anonymous by getting us to use our user ID (e.g., Expert X) rather than our real names. I am happy to be identified, but we probably should follow the protocol so there are no issues”.*

Out of five week’s discussion, a total of 33 comments were posted. Most of the comments received from experts were detailed and rich in content, which assisted the study to gather much useful information for refining the framework. The positive support from experts in Week One until Week Five generated a large number of perspectives towards the framework. Table 11 presents the number of comments posted by experts.

**Table 11**      **Number of expert comments**

Week	A	B	C	D	F	G	H	I	J	Total
1	X	X	X	X	X	X	X	X	X	9
2	x		X	X	X			X	X	6
3	X	X	X	X		X	X	X		7
4	X			X			X	X	X	5
5	X			X			X	X		4
Total	5	2	3	5	2	2	4	5	3	33**

\*\* Two comments were posted twice by experts

## 7.3 Expert discussion

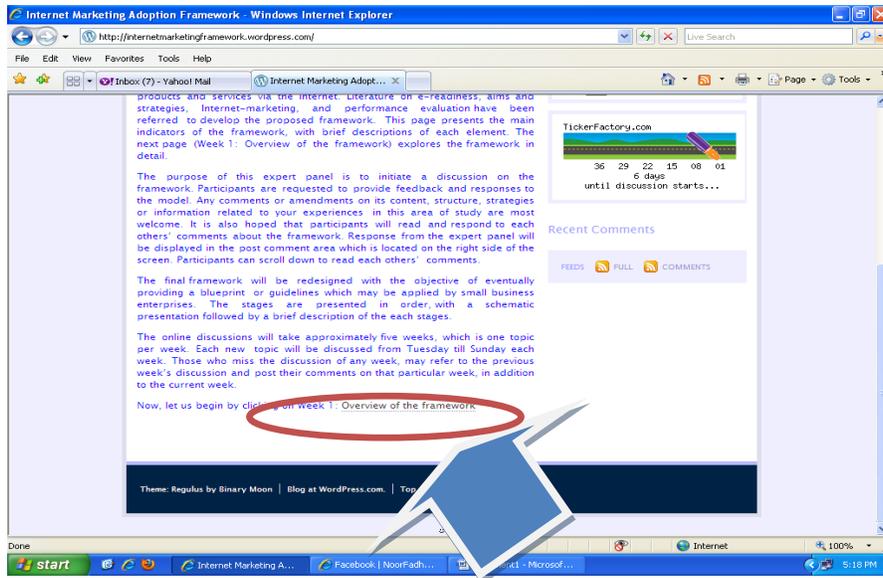
This section discusses the comments posted by experts. The comments are discussed accordingly from Week One to Week Five of the discussions. Each of the comments was individually discussed. Note that some of the comments from experts may refer to a different week than the week the comment was posted.

Below is an overview of the guidelines given to the experts. The guidelines booklet was sent together with a reminder e-mail notifying the experts of the commencement date and their user ID.



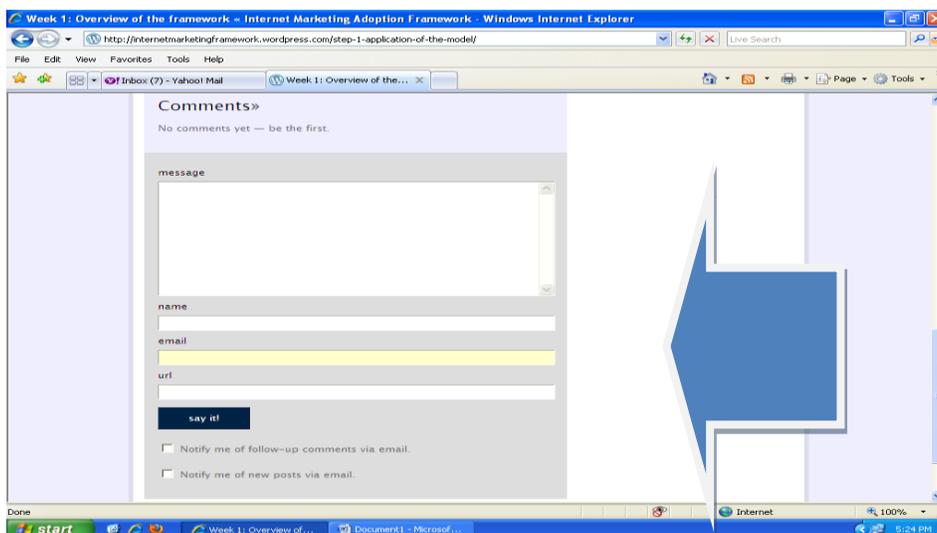
This is the opening screen of the website. You may read the information given to get ideas about the discussion and proceed to **Step 2**.

## **Step 2**



Click 'Overview of the framework' to begin the discussion.

## **Step 3**



This screen appears below each discussion page.

These are the steps that you should follow to add a comment:

1. The “message” box can be used to enter any comments/feedback for the week’s discussion.
2. For the “name” box, please insert your user ID (that has been provided to you by the researcher);
3. Enter your email address (note: your email address will not appear in this page, it can only be viewed by the researcher);
4. You *do not need* to enter anything into the “url” box;
5. Finally, just click “say it” and your comments/feedback will appear in the post comment column.

\*\* Please read the comments from other experts and provide your feedback based on those as well.

### **7.3.1 Week One: Overview of the framework**

Week 1 started with a welcome note to all experts, followed by a discussion of the overview of the framework. The welcome note particularly introduced the purpose of the online discussion created and the explanation of how the online discussion will be conducted. Below are the extracts of the welcome note and overview of the framework page that appeared in the online discussion board for Week 1.

## **Introduction**

Welcome to my website created for my PhD study. The main aim of the study is to develop an Internet marketing adoption framework for small business enterprises in order to assist those who are interested in marketing their products and services via the Internet. Literature on e-readiness, aims and strategies, Internet marketing, and performance evaluation have been referred to develop the proposed framework. The next page (Week1: Overview of the framework) explores the framework in detail.

The purpose of this expert panel is to initiate a discussion on the framework. Participants are requested to provide feedback and responses to questions posed by the researcher about the framework. Any comments or suggested amendments on its content, structure, strategies or information related to your experiences in this area of study are most welcome. It is also hoped that participants will read and respond to each other's comments about the framework. Responses from the expert panel will be displayed in the post comment area, which is located on the right side of the screen. Participants can scroll down to read each other's comments.

The final framework will be redesigned with the objective of eventually providing a blue print or guideline, which may be applied by small business enterprises. The stages are presented in order, with a schematic presentation followed by a brief description of each stage.

The online discussions will take approximately five weeks, which is one topic per week. Each new topic will be discussed from Tuesday until Sunday each week. Those who miss the discussion of any week might refer to the previous week's discussion and post their comments on that particular week, in addition to the current week.

Now, let us begin by clicking on Week 1:[Overview of the framework](#).

### **Week 1: Overview of the framework**

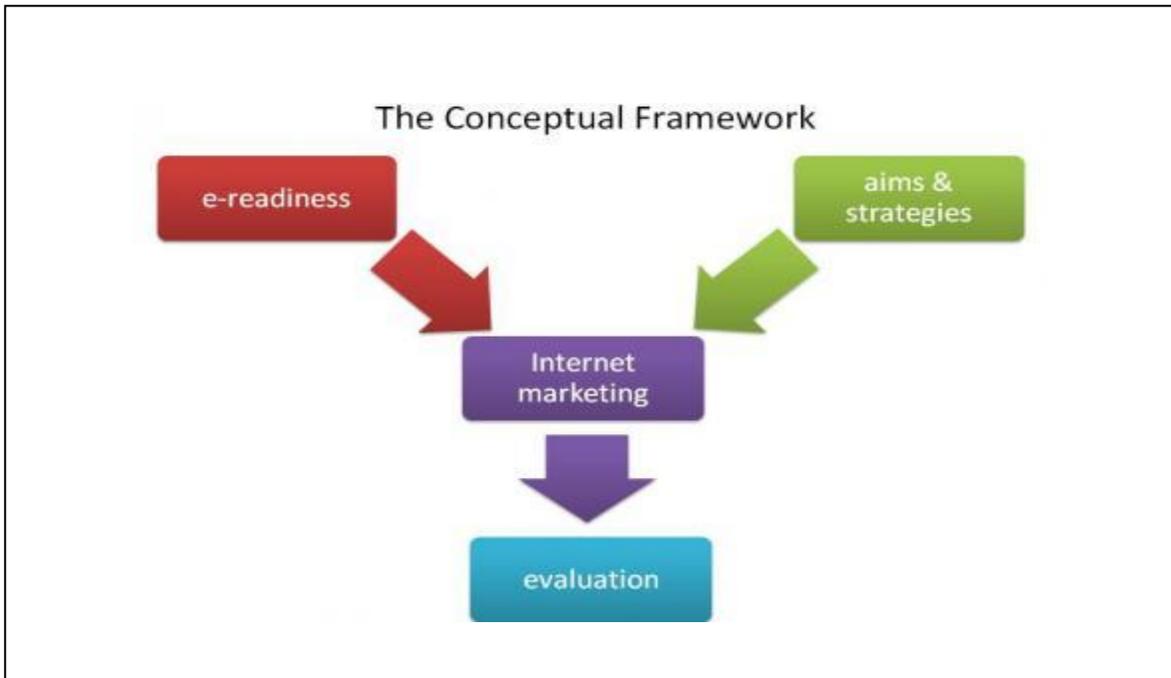
This section provides an overview of the framework. This framework consists of four major stages: *e-readiness, aims and strategies, Internet marketing, and evaluation*.

The framework is developed through a literature review analysis from a variety of fields including small business, Internet marketing, and developing and developed countries and their use of ICT.

*E-readiness* refers to the ability of the business to access and effectively apply the Internet for the purposes of marketing. The readiness of small business enterprises to adopt the Internet in their business is much more related to external than internal factors. *Aims and strategies* are related to long-term business goals to lead to better business performance. These two main attributes influence the implementation of an *Internet marketing* strategy, where the process involved in building and maintaining customer relationships through online activities aims to facilitate the exchange of ideas, products, and services by satisfying the goals of the buyers and sellers in the business operations. Finally, there is an *evaluation* of the Internet marketing strategy. Small business enterprises will then make decisions whether to continue or discontinue using Internet marketing in their business. Each of these stages will be discussed in detail in the upcoming weeks.

### **Discussion question**

In your opinion, what do you think about this proposed framework? Are there any other additional elements that are also important at this (overview) level of the framework? Do you have any comment on the order of the steps of the framework? Do they make sense? Please discuss by clicking on the message box below and leaving your comments there.



### **7.3.2 Discussion of Week 1**

Comments on the overall structure of the framework were generally accepted at this stage of the study. However, the framework seemed too simplistic from some experts' points of view (*Experts D, H, G, and I*). The comments suggested a need to consider other variables or context factors of the framework.

“In my opinion, the framework is too simplistic, although I do understand the concerns that a more detailed version may be confusing”. (*Expert D*)

“I do agree that the overview of the framework tends to be too simplistic”. (*Expert I*)

“I find the conceptual framework too simplistic. Perhaps at this early stage of your study it is quite acceptable”. (*Expert H*)

The experts suggested that there should be an iterative loop or feedback loop added after the evaluation phase of Internet marketing implementation (*Expert A, D, and G*). *Expert A* also suggested there should be an arrow between e-readiness and aims and strategies as they seem interrelated.

“First, I suspect that after evaluation there is likely to be some kind of feedback loop. The reflection of the operator might change their Internet marketing approach, or might influence (negatively or positively) their aims and strategies or encourage them to improve their e-readiness”. (*Expert A*)

“Furthermore, by looking at the model it seems that evaluation is the final phase, however, this is more likely to lead to some kind of refinement in most cases. Therefore, consider some kind of iterative loop”. (*Expert D*)

“Evaluation. What’s next after evaluation?” (*Expert G*)

*Experts F and I* commented on further and clearer explanation on the ‘e-readiness’ and ‘aims and strategies’. *Expert F* added for his/her knowledge that many SMEs just adopted the Internet in their business operations whether it was a business goal or not.

Often those SMEs developed their business website due to the pressure from competitors and customers.

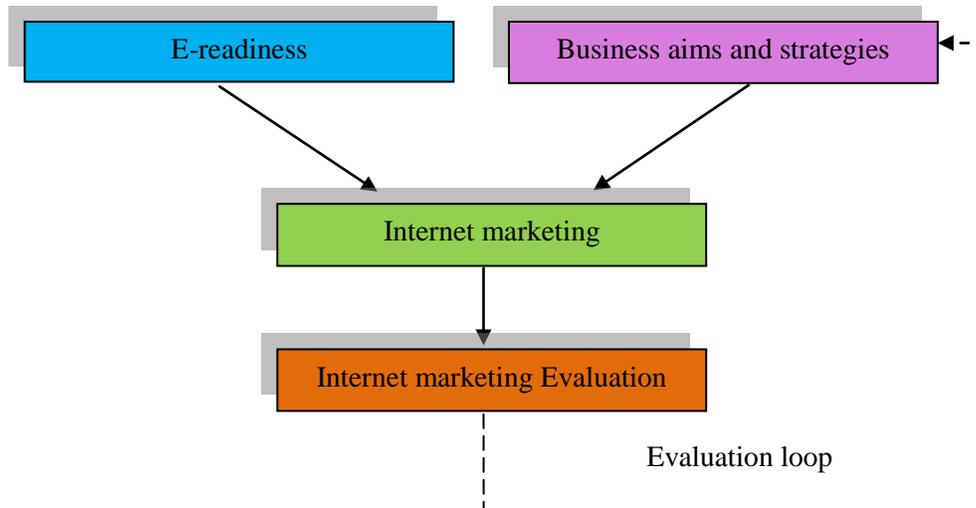
*Expert H* commented that Internet marketing might differ in different environmental situations. This was based on his/her previous studies on technology readiness among SMEs, which indicated that both internal and external factors influenced their efforts in adopting technology (including Internet marketing) in the execution of their business strategy. *Expert C* had a similar view concerning the factors affecting e-readiness by giving an example, such as resourcing, the history of the industry in which the business operates and the level of ICT use within the company. The level of the operator's ICT experience also impacted the level of readiness, as they were generally micro businesses. *Expert A* was not convinced that external factors influenced more than internal factors due to the existence of some operators who are highly ICT literate who will engage in Internet marketing even if there are no external factors or pressure. They will be more proactive in this regard. The converse is also fairly common where, in spite of external pressure, an operator might not engage in Internet marketing. Given the heterogeneity of small businesses, the balance of the e-readiness factors (internal and external) will vary considerably from one business to another, one industry to another, and so forth. Nonetheless, e-readiness (whether relating to industry, operator, employees, etc.) was a good term to describe this interplay of internal and external factors.

### **7.3.3 Reflections on Week 1**

A number of comments were made concerning the overall structure of the framework, which was viewed by the experts as being too simplistic. The comments suggested adding more complexity and detail.

The inclusion of an ‘iterative loop’ was suggested after the evaluation phase in the framework. The ‘iterative loop’ was added after the evaluation phase and interconnected with the aims and strategies phase. The interconnection was appropriate for considering either the implementation of Internet marketing positively or negatively impacting business operations. Consequently, SBE owners and/or managers may revise their business aims and strategies. E-readiness and business aims and strategies were two different environments, as e-readiness focused on macro issues and business aims and strategies on micro perspectives. Business aims and strategies looked at the issues inside the organization itself. Therefore, there was no added arrow that interlinked e-readiness and business aims and strategies. According to *Expert A*, for those businesses that are being pressured by the customers to have a website, they are more reactive than proactive and might represent a case of survival rather than long-term aims or strategies. Thus, these types of business might be quite different to those who are proactive. The feedback from *Expert A* was taken into consideration for further refinement of the framework. Figure 18 presents the overview of the refined framework after the ‘iterative loop’ was added.

**Figure 18** Overview of refined framework based on Week 1 discussion



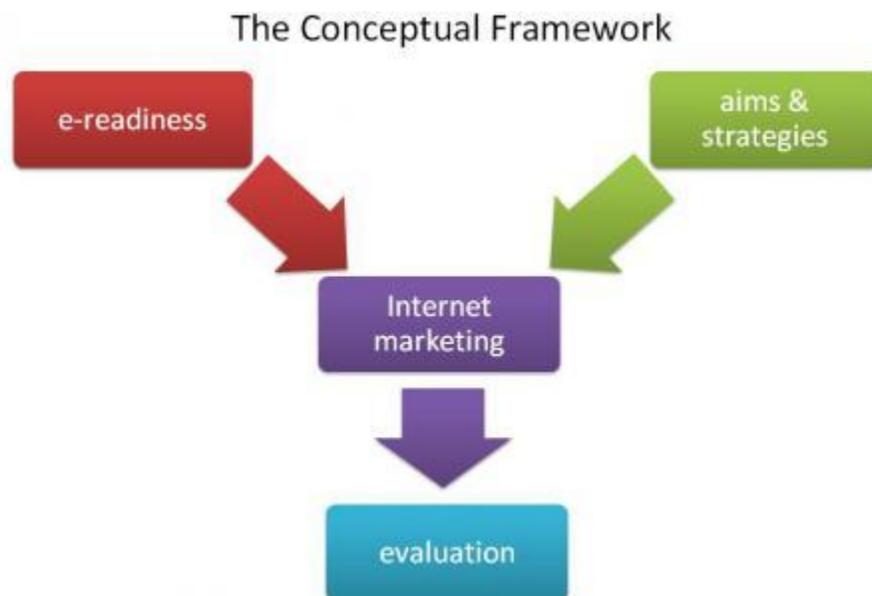
### 7.3.4 Week 2: E-readiness

The Week 2 discussion particularly focused on the factors that affected the level of e-readiness of SBEs to adopt the Internet in their business operations. In Week 2 discussion, six factors were listed –infrastructure, skilled workers, financial resources, culture, government policies, and owner’s attitude.

Below is the extract of Week 2, which appeared in the online discussion.

## Week 2: E-readiness

In this section, we will discuss the e-readiness issues facing small business enterprises in relation to adopting the Internet in their business operations.



In the previous step, I stated that *e-readiness* refers to the ability of the business to access and effectively apply the Internet for the purpose of marketing. This section examines the factors that may affect the level of *e-readiness* of a business.



Based on the literature review, the above listed factors contribute to the e-readiness capability of small business enterprises:

- **Infrastructure**

According to scholars, *inadequate infrastructure*, such as Internet communication services and electricity supply, can restrict the access to ICT, particularly in remote areas.

- **Availability of skilled workers**

Small business enterprises are often hindered in adopting new technologies due to the lack of *skilled and qualified workers* to support and develop ICT and e-commerce related activities. Additionally, a lack of technical expertise to monitor and control any circumstances (such as hackers or viruses) can create an uncomfortable environment for small business enterprises to adopt ICT in their businesses.

- **Financial resources**

A lack of financial resources can be critical to small business enterprises. Typically, these businesses experience financial difficulties in the start-up stage of the business as they soak up all the available capital to generate the business. Small business enterprises are often highly concerned with the cost of adopting new technology in the business operations (such as connection cost to the Internet, the cost of adequate hardware or software, set-up and maintenance cost) with the limitations of financial resources. In addition, they also often have less access to bank loans, as the bank perceives that these businesses are too risky and involve high transaction costs.

- **Culture**

*Culture* refers to the organization's values, beliefs, practices, rituals, and customs. Owners and managers of small business enterprises need to know their own business culture and level of organizational learning before promoting new technologies to their employees. The effort should be made to understand the background of the employees who are involved in the learning process involved in adopting new technologies in the business operations. Instead of that, the cultural differences in cross-countries can also present an obstacle to ICT adoption.

- **Government policies**

Some small business enterprises are reluctant to invest in ICT, probably due to a fear of political barriers affected by changing *government policies*. However, with the rapid growth of small business enterprises many government policies are now focussing on stimulating the growth of these businesses by providing support and incentives – sometimes through support programmes that encourage ICT use.

- **Owner's attitude**

The business owner's attitude, experience and knowledge are important in their understanding of the use of the Internet in the business. Previous studies claim that small business enterprises owners-managers prefer or tend to be followers rather than

leaders in adopting ICT in their business. However, owners-managers that have entrepreneurial attitude, tend to be more positive about adopting new technologies in the business.

#### Discussion questions

In your opinion, how do these factors affect small business enterprises in adopting the Internet in their business? Are there any other factors (positive or negative) contributing to e-readiness? You may suggest any.

### **7.3.5 Discussion of Week 2**

Most experts that participated in the Week 2 discussion agreed that the listed factors of e-readiness did affect SBEs when adopting the Internet into their business (*Experts A, D, J, I, F, and C*). Other comments suggested considering customers and competitors as driving forces that urge SBEs to adopt the Internet for business purposes (*Experts C and D*).

“Two key factors that I would urge to consider in e-readiness are customers and competitors”. (*Expert D*)

“I think the items you have pointed out are consistent with my research. I noted a comment about customers and competitors, which I think are also driving forces”.

*(Expert C)*

*Expert A* provided detailed comments on the listed factors for e-readiness. *Expert A* commented on the availability of e-business services; he/she found that most ISPs and web designers in Australia (who might service small businesses) can provide the technical infrastructure, such as a domain name<sup>15</sup> or web space, but are not skilled at providing the e-business services. However, many service providers of e-business services expected that owners-managers of small businesses already knew their e-business strategy, and the provider only needed to implement it or provide the tools for owners-managers to use. Nevertheless, it created misalignment between small business needs and what the e-business industry can provide unless small businesses were willing to pay for expensive consultancy services. *Expert J* added that the infrastructure, in terms of electricity supplies and ISPs, in most countries was provided by the government and that it duplicated the factor of government influence. The infrastructure came under the jurisdiction of the government, which was embedded in their policies.

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<sup>15</sup> Domain name refers to an identification identity that defines a realm of control or authority on the Internet.

*Expert A* also commented that the owner's attitude is a key driver in adopting the Internet for the businesses. *Expert A* indicated that if owners did not see the value of e-business, they could not be convinced by a trusted adviser to adopt it, and if they were not being forced to (e.g., by major customers) then it would just not happen. *Expert D* was in agreement with *Expert A's* inclusion of owner's attitude. *Expert J* viewed the owner's attitude as referring more to the characteristics of the owner themselves. For the culture factor, *Expert D* and *Expert A* indicated that it would be complex as it covered a broad and complex range of issues. *Expert D* suggested considering some identified factors related to cultural perspectives, such as language issues, owners being too old to learn to use the technology, catering to illegal sectors of the market, cultural issues relating to local workforce, and technology advancement, which might be too fast for owners-managers of small businesses.

Small businesses often cannot afford the type of expenditure of medium and large businesses, and tend not to have cash reserves or flexibility (*Expert A*). Small businesses only considered the decisions that were essential for their business survival. *Expert A* added his/her views that small business owners were always described as being time poor as they often have to consider in what they did and did not spend their time doing. For example, they were often doing accounts, marketing, or sales themselves, and, therefore, spread their time quite thinly. *Expert F* supported

*Expert A* and agreed that the awareness of time benefits or cost of e-business will play a big role in whether a small business considers e-business at all.

*Expert J* suggested that all the listed factors (infrastructure, skilled workers, financial resources, and culture) be grouped together as ‘resources’, as part of e-readiness and that government policies were an external factor and owner’s attitude was a characteristic of the owners. *Expert I* also forwarded his/her thoughts concerning the literature on the TAM (Technology Acceptance Model)<sup>16</sup>, especially those pertaining to empirical research on TAM amongst SMEs, since Internet marketing involves technology.

“Since Internet marketing involves technology, perhaps you should refer to literature on the TAM (Technology Acceptance Model), especially those pertaining to empirical research on TAM amongst SMEs. Studies on the TAM model have focused on such variables like Perceived Usefulness, Ease of Use, and Usage of Information Technology that affects readiness and acceptance of technology”. (*Expert I*)

### **7.3.6 Reflection on Week 2**

The Week 2 discussion received detailed feedback on e-readiness issues, and pertinent factors that affected the level of e-readiness by SBEs. The majority of

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<sup>16</sup>Technology Acceptance Model (TAM) attempt to explain and forecast the acceptance or rejection of the use of ICT by users.

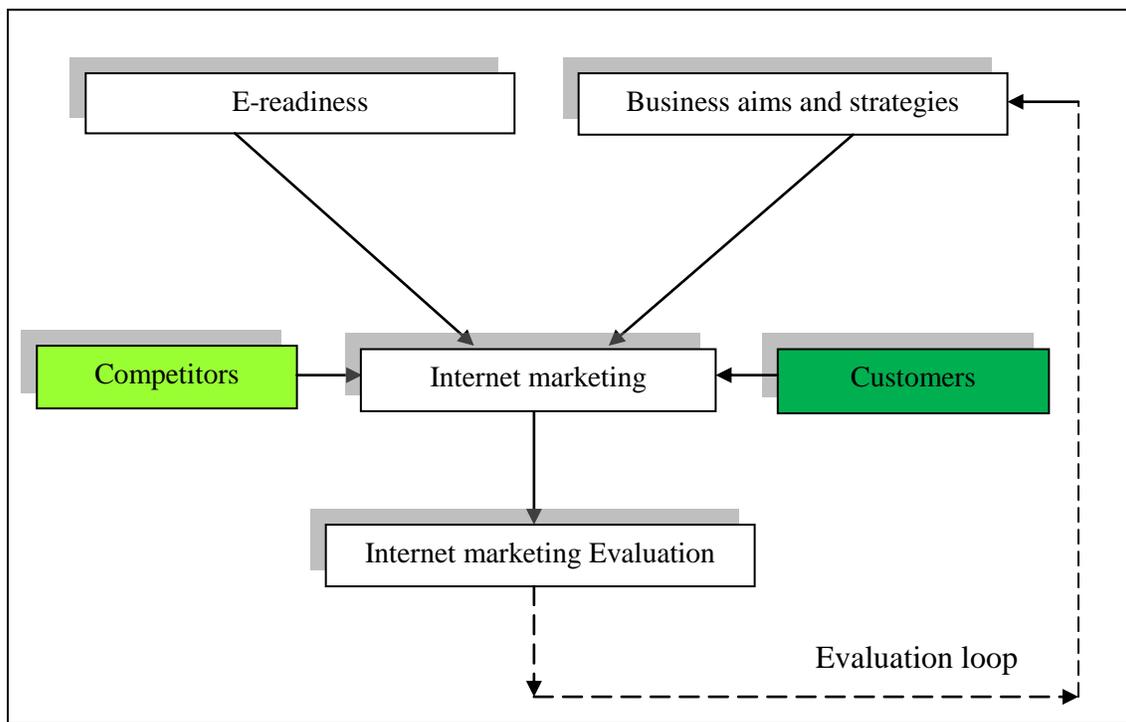
experts agreed that the listed factors (infrastructure, skilled workers, financial resources, government policies, culture, and owner's attitude) were the relevant factors that contribute to the level of e-readiness of SBEs in adopting the Internet in their business operations. The comments from *Expert C and D* (customers and competitors) were taken into consideration in refining the framework as the demand and pressure from customers and suppliers influenced SBEs to determine their marketing strategies in order to stay competitive in the market. Customers and competitors supported the decision in adopting Internet marketing in their operations as it gave a competitive advantage to their business.

*Experts D and I* commented that the initial conceptual framework had not been stated clearly from a marketing perspective. Changes were taken into consideration following further discussion (Week 4). Customers and competitors were added parallel to Internet marketing strategies as customers and competitors influence small businesses to adopt Internet marketing in their businesses. The pressure and demand from customers and competitors indicated that small businesses diversify their marketing activities via the Internet. This is consistent with Sadowski, Maitland, & van Dongen(2002), and Scupola(2009) in respect of the influence by the competitors causing small businesses to adopt the Internet. Also, studies from Kalakota& Robinson (2001), and Scupola(2009) indicated that the pressure and demand from

customers was also a reason for small businesses to equip their businesses with the Internet.

While it was suggested to group the listed factors (infrastructure, skilled workers, financial resources, and culture) as ‘resources’, government policies as an external factor and owner’s attitude as a characteristic of the owners, it was decided to maintain the current position of listed factors for further examination in the next phase of data collection. Figure 19 presents the refined framework after the attributes (customers and competitors) were added to the framework.

**Figure 19** Overview of refined framework based on Week 2 discussion



### 7.3.7 Week 3: Impact on e-readiness

Week 3 involved further discussion on e-readiness and examined the impact of e-readiness, particularly in developing and developed countries for urban and rural areas.

Below is the extract of Week 3, which appeared in the online discussion.

#### **Week 3: E-readiness Implications**

In previous sections we have discussed the factors contributing to e-readiness capability to small business enterprises. In this section, we will discuss the impact of e-readiness factors, particularly in relation to urban and rural areas in developed countries and developing countries as well.

The figure below represents some research findings comparing the impact of six major factors of e-readiness in developing and developed countries. The level of impact (little, some or major) for each factor is based on my understanding of the literature. These factors impact on the e-readiness stage of small business enterprises and their capability of adopting or not adopting the Internet in their businesses.

For instance, I have indicated that *inadequate infrastructure* in developing countries has a major impact on the ability to adopt the Internet, which is in contrast to

developed countries, especially in urban areas, as they mostly have an appropriate infrastructure available to them. Small business enterprises in developing countries often face difficulties when attempting to hire skilled workers to support new technologies as they also have a limitation in terms of financial resources. Additionally, the attitudes of owners-managers of small business enterprises in developing countries who often prefer to be followers rather than leaders inhibit the adoption of the Internet. These factors can have a major impact on small business enterprises, particularly in developing countries. Recently, the government has provided more incentives and support to help small business enterprises to grow in the market, however, some of these businesses are still reluctant to invest in ICT. The culture in organizations can have some impact, as the business needs to consider the acceptance level of employees in adopting new technologies. For developed countries, almost all of these factors may have less impact on their e-readiness for adopting the Internet.

The figure below indicates four stages of e-readiness level –not ready, partly ready, mostly ready, and very ready. The impacts of e-readiness factors will determine how ready small business enterprises are to adopt the Internet for marketing purposes.

### The impact of e-readiness

Factors	Developing country		Developed country	
	Urban	Rural	Urban	Rural
Inadequate infrastructure	xxx	xxx	x	xx
Availability of skilled workers	xx	xxx	x	xx
Limited financial resources	xxx	xxx	xx	xx
Culture	xx	xxx	x	xx
Government policies	xx	xx	xx	xx
Owner's attitude	xxx	xxx	xx	xx

The symbol:  
 x little impact    xx some impact    xxx major impact

#### Discussion questions

Based on your thoughts, please indicate your viewpoints regarding the impacts I have listed fore-readiness diffusion factors in urban and rural areas of developed countries and developing countries. Please discuss further.

### 7.3.8 Discussion on Week 3

*Expert B* agreed that the aforementioned factors affecting e-readiness were valid to a certain extent. Nevertheless, their level of significance may differ from one country to another. *Expert H* agreed that there is definitely a difference between developing and developed countries concerning the e-readiness implications. *Expert H* highlighted Malaysia as an example of a developing country where SBEs, to a large extent, were still inhibited by a number of infrastructural and attitudinal elements in executing technology in their operations. Many SBEs were family owned enterprises that may not see the need to grow ‘big’ through massive technological adoption. *Expert C*

suggested that the government can have a positive impact in terms of infrastructure provision. *Expert C* further commented by looking at the provision of electronic health services in the Western Desert of Australia, in that remoteness creates problems similar to those in developing countries. *Expert D* positively agreed with the points made by Experts C and H concerning the location of SBEs.

“*Expert C* raises an excellent and relevant point concerning the location of the SME. I imagine any small business in the western desert of Australia will encounter a range of infrastructure problems. Also *Expert H* raises some good points, the case of Malaysia is interesting because despite the aggressive ICT plan of the government there are a number of concerns for SMEs, and, furthermore, in my experience family plays a big role in SME operations”. (*Expert D*)

*Expert D* also queried the measurement of e-readiness using the scale if what the business was partly ready. *Expert A* was in agreement with *Expert D*'s comment on that matter. *Expert A* responded to *Expert H*'s comment on family owned business issues, as such businesses were prevalent in Australia. A growing body of research on small businesses indicated that a large percentage of Australian family-owned small businesses were not interested in growth. They were in the business for other reasons and their perception of 'success' was not measured in financial/growth or traditional entrepreneur definitions. *Expert I* was in agreement with *Expert A*'s comments and

suggestions. *Expert I* gave his/her points on Malaysian SMEs in which the owners simply hired others to manage the enterprise. Similarly, the availability of skilled workers may also not be of interest to SBEs if these SBEs were not into technology readiness in the first place. Finally, *Expert G* suggested that consideration be given to the listed factors of e-readiness to be compared against the changing age structure of the population (for example the readiness to change of the Baby Boomers, Generation X, and Generation Y).

### **7.3.9 Reflection on Week 3**

Week 3 discussion mostly reflected the discussion of the two previous weeks (Weeks 1 and 2). The listed factors remain unaltered. The government policies have a major impact on developing countries in urban and rural areas (reflected by *Experts C and D's* comments). The suggestion by *Expert G* was excellent, nevertheless this study only concentrated on the generic framework of Internet marketing adoption for SBEs. The idea will be taken into consideration for future studies.

### **7.3.10 Week 4: Business aims and strategies**

Week 4 discussion was about the second indicator of the framework –the business aims and strategies. There are four types of strategy that are appropriate for SBEs for future business direction. The four business strategies are growth strategy, strategic alliance strategy, cooperation strategy, and lifestyle strategy. The first three strategies (growth, strategic alliance and cooperation) typically occurs when the SBEs have the

aim to expand or at least maintain their position in the market. The last strategy (lifestyle) refers to how they want to live in a certain manner whilst operating the business.

Below is the extract of Week 4, which appeared in the online discussion.

#### **Week 4: Business aims and Strategies**

Now, we are approaching the second indicator of this discussion, which is '*aims and strategies*'.



In the previous section we discussed e-readiness, particularly e-readiness and its impact. In this section, we will discuss the types of business strategy used by small business enterprises in meeting their business aims. Business aims are important to

guide the business targets and goals in the future. With the business aims, the owner-managers will plan the appropriate strategies for the future business direction.

### Aims and Strategies



The first three strategies (growth, strategic alliance and cooperation) probably often occur when the small business enterprises have an aim to expand or at least maintain their position in the market. Whilst the last strategy (lifestyle) often refers to how they want to live in a certain manner while doing the business.

Based on previous research, there are four typical strategies adopted by small business enterprises in order to maintain their competitiveness in the marketplace.

- **Growth strategy**

For *growth strategy*, small business enterprises are often searching for new market opportunities to expand their share of a market or move into a new market. In this

strategy, entrepreneurs will find new products or services to be offered to existing customers as well as obtain new customers with existing products, or possibly diversification into other activities.

- **Strategic alliance strategy**

*Strategic alliance strategy* provides small business enterprises the opportunity to leverage their strengths with assistance from their business partners. The combination of complementary skills and knowledge of the business partners (such as cost saving in executing operations and cheapest production and labour cost) will lead to a competitive advantage.

- **Cooperation strategy**

A *cooperation strategy* is where businesses work together to achieve shared objectives. Cooperating with other businesses is able to create value for a customer, exceed the cost of constructing customer value in other ways, and establish a favourable position relative to competition. Cooperation could be one of the strategies for small business enterprises to overcome globalization pressure due to a variety of constraints.

- **Lifestyle strategy**

*Lifestyle strategy* is where the entrepreneurs seek for independence and control over their own schedule. The entrepreneur normally runs the business in a manner such that it also facilitates the lifestyle that the entrepreneur's want. In these instances, the level of income may not be a primary driver for the entrepreneur.

Note that the above strategies may not only operate individually but also operate with other strategies in combination, such as growth strategy and cooperation strategy or cooperation strategy and lifestyle strategy.

### **Discussion questions**

Based on your thoughts, are the above strategies appropriate to be implemented by small business enterprises? If not, please elaborate further and suggest any related strategies that are pertinent for small business enterprises business aims.

Currently there is no link in the framework between e-readiness and business aims and strategies. Should there be one? Please discuss.

### **7.3.11 Discussion on Week 4**

Week 4 discussion received a few comments and suggestions from experts regarding the business aims and strategies for SBEs. *Expert H* was not sure whether to agree or disagree with all the listed strategies, especially those related to strategic alliance and

cooperation. According to *Expert H*, commented on a study within the Malaysian scenario where small businesses have yet to reach a stage where a strategic alliance is seen as an option they seek aggressively in their business aims. Small businesses usually restrict their capabilities to attach themselves to strategic partners and most often their source of alliance is with the supporting agencies or government bodies. The cooperation among businesses at this level is also limited as they strive to survive and sustain their business. *Expert H* added that it was accepted as an ideal achievement when aiming towards globalization or linked to such strategic cooperation but in reality not many small businesses practice it. *Expert D* agreed with expert *H*'s comment, as according to his/her studies, there was a strong link with supporting agencies or government bodies (for example, the Malaysian government has strategies concerning ICT promotion to small businesses) (reflected in the Week 3 discussion).

*Expert J* commented that business aims and strategies were two different things altogether. *Expert I* was in agreement with *Expert J*'s comment concerning the different concepts of aims and strategies. *Expert I* disagreed with the categorization of the strategies, as the listed business aims and strategies might overlap and not be appropriate for the unique characteristics of SBEs. *Expert D* also agreed that there was considerable overlap between strategic alliance and cooperation strategy. *Expert D* suggested there should be a link between the e-readiness stage and aims and

strategies (discussed in Week 1). *Expert D* stressed that the initial conceptual framework was not particularly linked to a marketing framework. *Expert D* also commented on lifestyle strategy as it was not a strategy and it was a reason for getting into the business. *Experts A* and *H* agreed with *Expert D* (lifestyle is not a business strategy).

Most experts suggested focusing on a business aims and strategies indicator from a micro-strategies perspective (*Expert D, A, J, H and I*).

“Perhaps, strategies that are more micro in nature are more appropriate at this point, especially when it is linked to e-business. For example, business aims and strategies may be geared more towards entrepreneurial capabilities relating to e-business requirements such as level of IT knowledge and capabilities in executing such a task”. (*Expert H*)

“Maybe *Expert H* is right when she/he suggested more micro strategies, this would allow you to focus on broader aims and then more micro strategies. Importantly, we need to see some link with Internet marketing”. (*Expert D*)

“It is therefore more useful as part of “aims and strategies” to distinguish between aims and strategies (as suggested by *Expert D*) and to view “strategies” in the micro

sense by acknowledging that there are a range of quite specific strategies which could be used to achieve their business aims. The four categories you have come up with do not really achieve this”. (*Expert A*)

“I do believe that the strategies need to be more micro sense that relates to small businesses in nature like market penetration strategies with the help of ICT tools”. (*Expert J*)

“Redefine your categorization of strategies in a more meaningful way, especially those relating to the unique characteristics of Malaysian SMEs. Micro businesses would hardly have any strategies whatsoever”. (*Expert I*)

### **7.3.12 Reflection on Week 4**

Notwithstanding the comments regarding listed business aims and strategies, which were too broad for small business perspectives, this study has decided to maintain the listed business aims and strategies for this phase of data analysis. The main reason was these business aims and strategies act as a long term plan and core management functions for the businesses to achieve their particular goals or objectives. The business aims and strategies help small businesses in positioning their businesses, the competitiveness of the business, and a guide to improve the business. Considering comments were received from only a few experts, this study maintains the original

listed business aims and strategies for this phase and the next phase of data collection will test the appropriateness of the listed business aims and strategies either to maintain or remove it for the final framework.

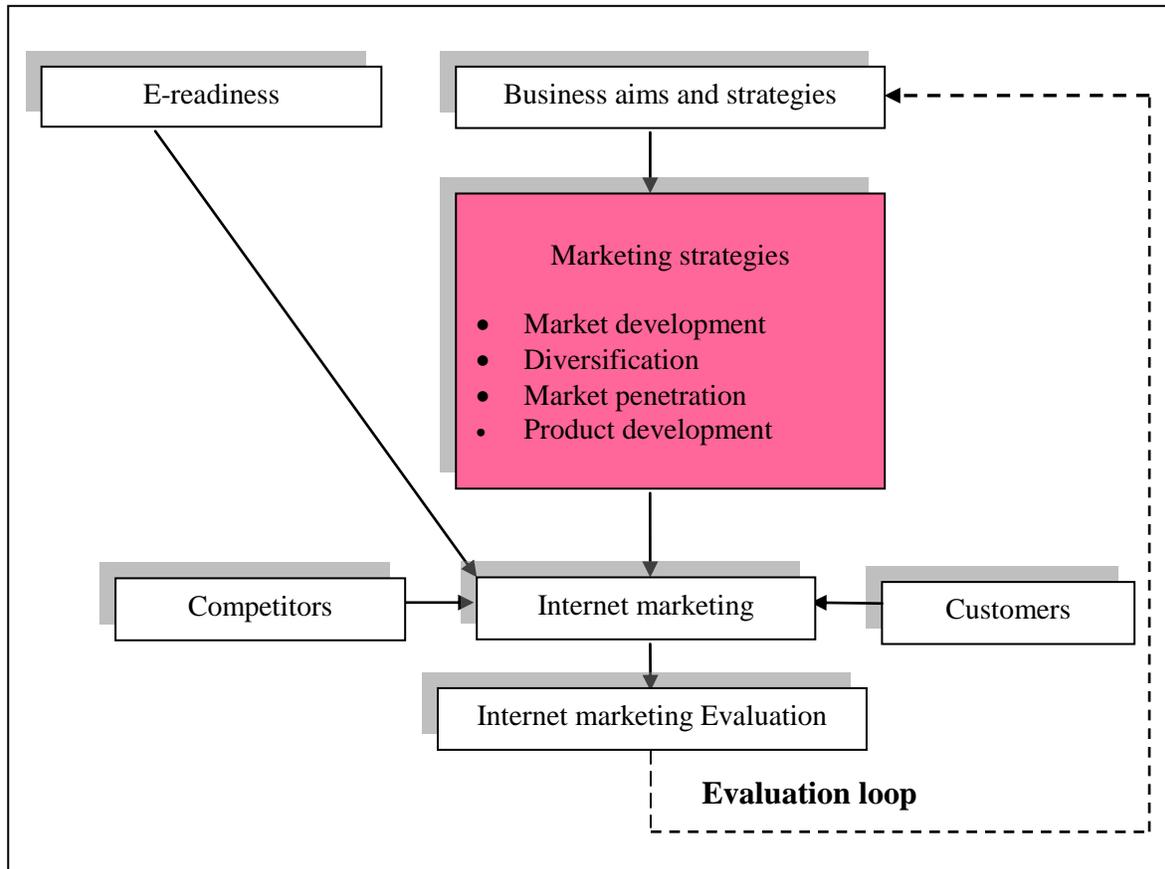
According to all the comments and suggestions in Week 2 and Week 4 concerning narrowing the focus from macro to micro perspectives in the framework, a new indicator was added (marketing strategies). The marketing strategies reflected micro strategies (as suggested by *Experts D, A, J, H and I*). This allows the framework to narrow the focus on Internet marketing itself. Thus, it was appropriate to comply with the uniqueness of the nature of small businesses.

Four new marketing strategies sourced from the literature were added in the framework at the suggestions of the expert. These strategies are market development, diversification, market penetration, and product development (Chaffey, et al., 2006). Market development is used to sell new and existing products to a new market segment. According to Smallbone, Leigh, & North (1995), a new market does not necessarily involve geographic market extension, it may also vary between location, industrial sector or local markets, whilst, diversification is where new products are developed and sold in a new market. Diversification can be diversified into related businesses, diversified into unrelated businesses, upstream integration (with suppliers –through data exchange), and downstream integration (with intermediaries –data

exchange with distributors). Market penetration involves selling existing products in existing markets, which can help them in terms of better market growth, improve customer loyalty, and improve customer values. Finally, product development is used to add value to or extend existing products, such as extend their product range.

Overall, these strategies are compatible to support the different growth strategies through the use of the Internet and can help small businesses to take advantage of the lower cost of the marketing approach. Figure 20 presents the overview of the refined framework until the Week 4 discussion.

**Figure 20** Overview of refined framework based on Week 4 discussion



### 7.3.13 Week 5: Internet marketing and evaluation

Week 5 was the final week of discussion and highlighted Internet marketing and evaluation of Internet marketing performance. In the discussion, the extension of the 4Ps (product, place, promotion, and price) was introduced, which was the 4Cs (customer, cost, convenience, and communication).

Below is the extract of Week 5, which appeared in the online discussion.

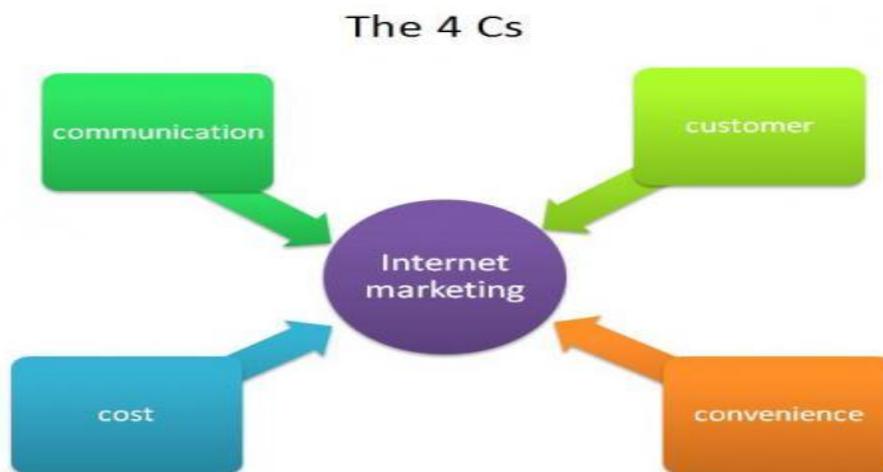
### **Week 5: Internet Marketing and Evaluation**

This is our final stage of discussion. In the previous stages, we have discussed two main indicators – *e-readiness* and *aims and strategies* – that contribute to the implementation of Internet marketing as a business strategy. In this section, we will identify the Internet marketing approach in expanding and maintaining market position as well as to evaluate the outcomes of Internet marketing implementation.



## Internet Marketing

Let us assume that the business is now 'e-ready' and the business aims and strategies have been determined. How can Internet marketing assist in their marketing operations? Below is the image of the extension of the basic 4 Ps marketing principles; the 4 Cs have been identified in the literature to support Internet marketing.



Internet marketing is about the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products, and services to satisfy the goals of both buyers and sellers. Internet marketing affects the four basic Ps (product, promotion, place, and price), which are extended

to four Cs –customer, cost, communication, and convenience(Smith, 2003). These are now described.

- **Customer**

A marketing approach via the Internet can offer improved *customer* service by customizing offers for the customer, personalized sites and providing added value, which leads to customer loyalty. For example the Internet offers customer service by customizing the order for customers, personalised sites and provides added value, which leads to customer loyalty.

- **Cost**

The use of the Internet can help to reduce the marketing and operation *costs* as well as the costs borne by customers. For example, through Internet marketing the customer could reduce the cost of travelling to purchase the products, as they can just place the order through the seller’s website.

- **Convenience**

Internet marketing can offer services 24 hours a day, 7 days a week and around the globe, which provides *convenience* to customers for purchasing the products or services wherever they are located. For instance, the customer can place an order for purchase after local business hours and at any place.

- Communication

Internet marketing can also provide opportunities as a *communication* channel to exchange and communicate information between businesses and customers. For example, the seller publishing the current promotional information regarding the new product through their website and the customers can browse to get the current information or might send an email to the seller if there is any question pertaining to the products.

### **The Evaluation**



The evaluation is a tool to determine the expected results from the Internet marketing approach. The Internet marketing performance can be measured through a combination of:

- increased revenue per employee
- the level of customer satisfaction
- reduced inventory costs
- sales per salesperson
- increased market share

### **Discussion questions**

The figure above representing the Internet marketing approach consists of four Cs – customer, cost, communication, and convenience. Are the elements of the four Cs appropriate to be considered in the Internet marketing approach? You may suggest any other additional elements that are pertinent to Internet marketing for small business enterprises. Please discuss.

Listed above are the measurement attributes to evaluate the Internet marketing performance. Please discuss and suggest any other measures that you think may be appropriate to evaluate the Internet marketing performance.

### **7.3.14 Discussion on Week 5**

*Expert A* agreed it was appropriate to not use the traditional 4Ps of marketing (place, promotion, price, and product). According to *Expert A*, the literature on small businesses and marketing suggests that the 4Ps are not appropriate for small businesses as the traditional 4Ps require human and financial resources to apply them successfully. *Expert A* was also concerned with the use of 4Cs, and suggested that if owners-managers do not support or see Internet marketing as feasible and valuable then they will not adopt the approaches.

“I realise that a small business owner-manager will be interested in serving their customers, and therefore the 4Cs offer categories of approaches they could pursue in achieving this”. (*Expert A*)

*Expert H* also agreed that the 4Cs have relevance. Against, *Expert H* highlighted that the focus is on small businesses where peculiarities of small business should be taken into account. The existing 4Cs must be matched with the requirements of small businesses.

For the evaluation indicator, *Expert A* commented that it was ‘large’ organization oriented. *Expert I* was in agreement with *Expert A*’s comment and suggested

considering the operationalization of research variables in determining the appropriateness of incorporating the variables in the framework and research focus.

“I don’t think many small business owners-managers will be interested in ‘market share’, with the exception perhaps of the entrepreneurial ones. Again, the ‘sales per salesperson’ –to what extent would this apply to a small business and, more importantly, a sole operator? Probably not at all.” (*Expert A*)

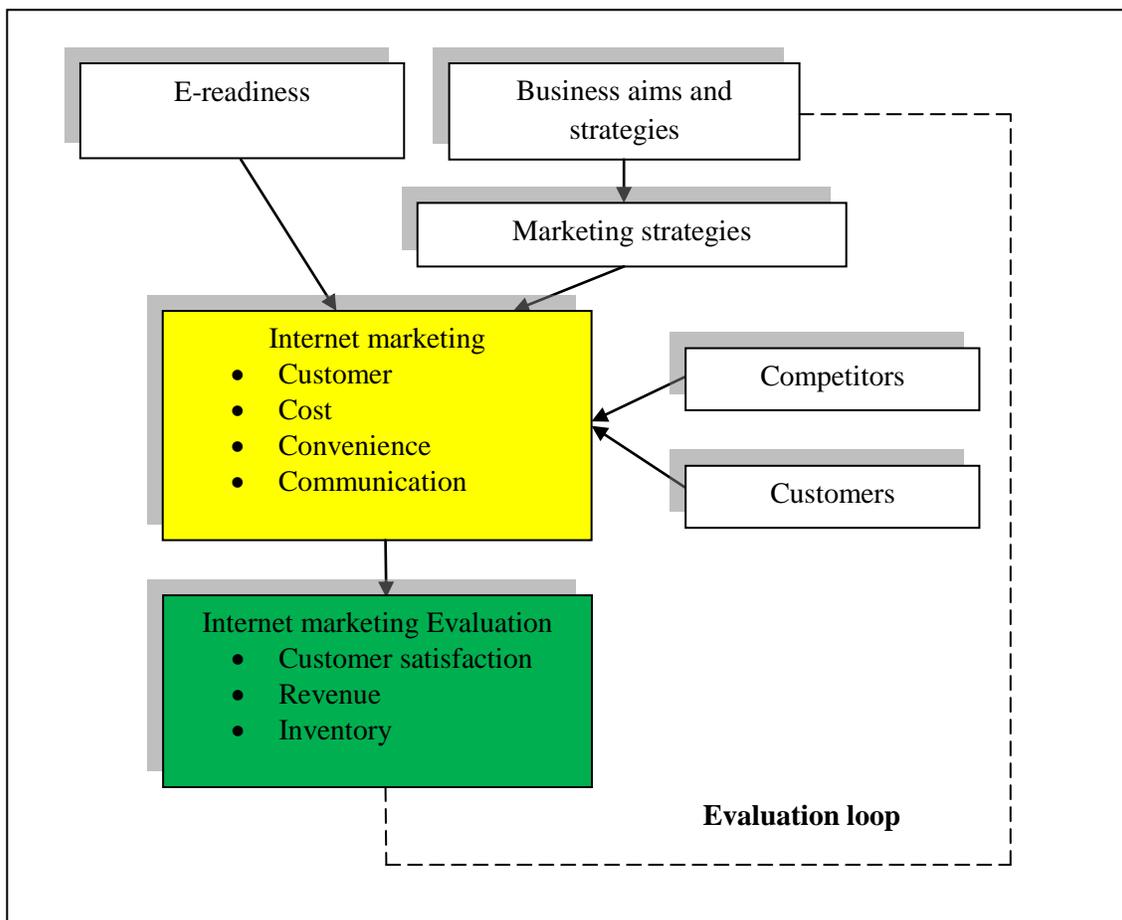
*Expert H* suggested it was ideal to look at the small business perspective, as the aspect of sales per salesperson or market share was not a relevant evaluation basis for small businesses. *Expert D* was in agreement with *Expert H* with the sales per salesperson, which was probably not relevant to small businesses.

### **7.3.15 Reflection on Week 5**

Overall, no change was made to the Internet marketing indicator, 4Cs, as it was appropriate for application for Internet marketing purposes. The application of Internet marketing is consistent with the marketing strategies (market development, diversification, market penetration, and product development), as it aligns in minimizing the marketing costs of small businesses, which are particularly limited in financial resources. In performance evaluation of Internet marketing, the attributes (sales per sales person, and market share) were removed to comply with the nature of

small businesses, as suggested by the experts. This is supported by Chaffey et al.(2006) indicated that the typical measurements of marketing effectiveness are sales, customer retention, qualified enquiries, brand enhancement, online markets, and customer service. Figure 21 presents the overview of the refined framework based on Week 5 discussion.

**Figure 21 Overview of refined framework based on Week 5 discussion**



### **7.3.16 Summary of the changes to the framework**

The overall discussion generated a number of in-depth suggestions concerning the framework. As a result a number of changes were made to the initial conceptual framework, in terms of the structure and its attributes. The framework still maintains its major indicators and a few attributes were added and removed to suit the framework for SBEs.

In Week 1 an evaluation loop was added (refer Figure 18). In Week 2, customers and competitors were added as antecedents to the Internet marketing indicator because they were identified by experts as major external forces that pressure small business to adopt Internet marketing (refer Figure 19). For week 3, the overall impact of the six attributes listed for e-readiness was generally agreed upon by experts except the attribute of government policies, which was changed from ‘some impact’ to ‘major impact’, particularly for developing countries and for both urban and rural areas.

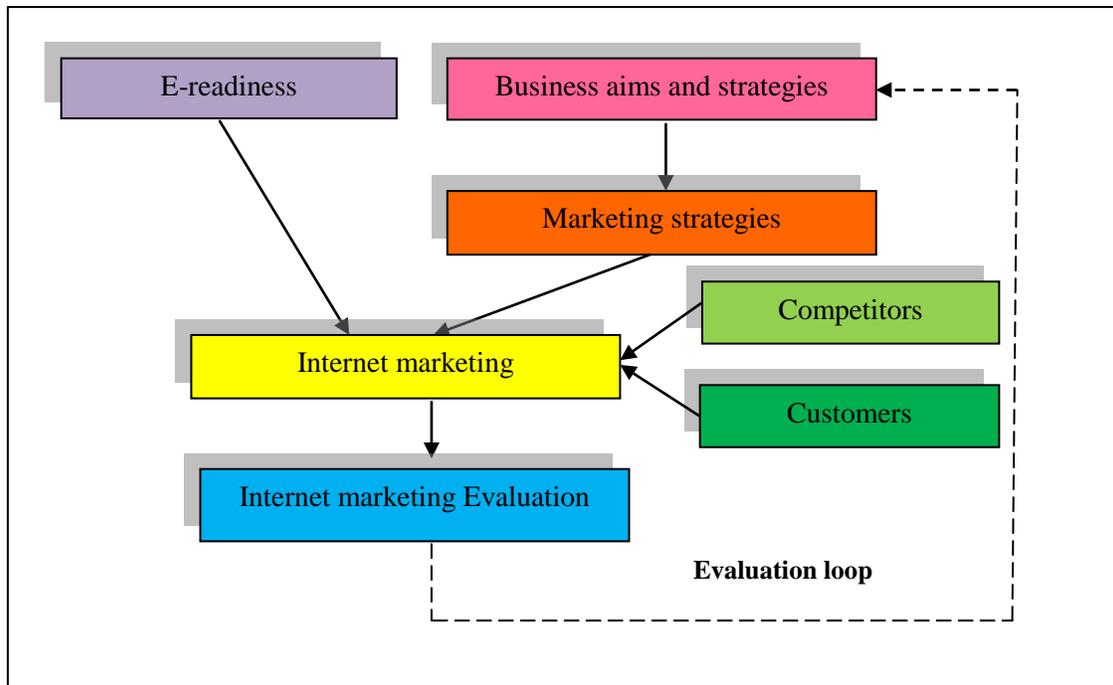
There were comments in Week 4 in terms of the listed business strategies in the discussion being considered by the experts to be too broad and not applicable for small businesses. Nevertheless, the listed business aims and strategies were maintained in the framework and will be tested again in the next phase of data collection to see whether or not they are appropriate to remain or be removed from the framework. In addition, a new indicator, marketing strategies, was added (market

development, diversification, market penetration, and product development), which was more appropriate for micro and marketing perspectives. For the final week discussion (Week 5) no changes were made in terms of Internet marketing attributes (4Cs). However, there were changes in the Internet marketing evaluation indicator. Two attributes were dropped (sales per sales person and market share), as the attributes were not applicable to the nature of small businesses. Finally, based on the comments and suggestions from experts the refined framework was derived, particularly for SBEs to use as a guideline in adopting Internet marketing in their business. Figure 22 presents the general view of the tested and refined final framework based on the overall comments and suggestions from Week 1 until Week 5 (refer page 125 and 209); Figure 23 presents the final framework in detail (refer page 131 and 185).

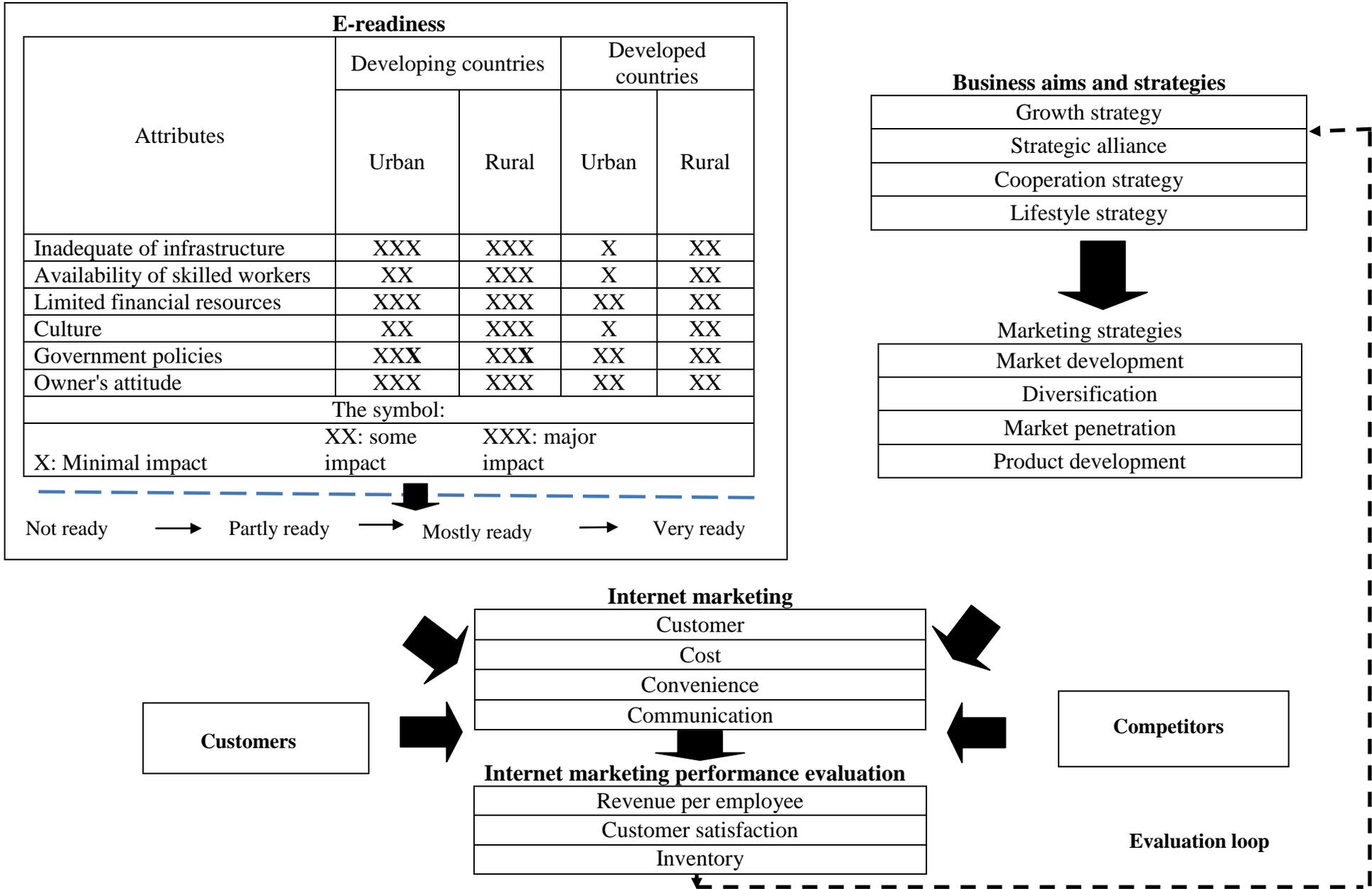
The next chapter will discuss the findings gathered in Phase Two. The findings from Phase One were analysed and the initial research framework was revised. The Phase Two (interviews with small business owners or managers) was commenced once the Phase One of data collection completed.

Figure 22

General view of refined framework.



**Figure 23 A Detailed Illustration of the Refined Framework based on Expert Panel's Feedback**



# 8

## PHASE TWO/MULTIPLE CASE STUDY

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### **8.0 Phase Two: Multiple Case study**

This chapter describes the data collection in Phase Two. Interviews were conducted with SBE owners or managers in Malaysia and Brunei. The data gathered in this phase was used to further refine the framework. This chapter consists of two sub-sections. The first part discusses the selection of the countries, Malaysia and Brunei. The second part of the chapter describes the selection of SBEs, how the interviews were conducted and the challenges and experiences gained by the researcher during the fieldwork.

### **8.1 Cross-cultural/national Research**

This research involved cross-cultural studies with SBEs in developing countries. A small number of studies have informed this aspect of the research. For example, a study of e-commerce adoption in Australia and Denmark by Scupola (2009)

shared similarities and also differences in terms of owners' characteristics, government policies and environmental factors –customer pressure and quality of ICT services. Preliminary studies were conducted by Chong (2008) in both Australia and Singapore on perceptions of small businesses regarding their experience with Internet-based e-commerce. Chong (2008) developed a model of electronic commerce implementation success for small and medium-sized enterprises (SMEs). There were differences in influencing factors of electronic commerce success between Australia and Singapore. It was found that five factors contributed to the success of electronic commerce in Australia: observability, communication channel, customer pressure, supplier pressure, and perceived governmental support. For Singapore only three factors contributed to the adoption of Internet-based e-commerce, firm size, perceived readiness, and observability. Similarly, MacGregor & Vrazalic (2005) conducted a study that developed a basic model of e-commerce adoption barriers to small businesses in developed countries (Sweden and Australia). These countries were selected as they represented a large number of small businesses in regional areas and the governments of both countries promoted e-commerce adoption by small businesses in these areas.

## **8.2 Selection of the countries**

This section describes the selection of the countries in this research and will describe SBEs in Malaysia and Brunei.

A background analysis was performed before entering the field research. An analysis was conducted, particularly on the current state of affairs in these countries. According to Dawson (2009), background analysis is important to help in explaining any emerging themes. In the case of Malaysia, extensive documentation was available. For Brunei, the equivalent documents were not always available.

### **8.2.1 How selection of the countries was made**

Malaysia and Brunei are presented as examples of developing countries. There are a number of reasons why these countries were selected. The main reason was the revised research focus on developing a framework of Internet marketing adoption for only SBEs in developing countries. Malaysia and Brunei were selected as they were in a convenient location for the researcher. The selection of countries also represented a convenience sample, from both the point of view of the language spoken and the time taken and cost to travel to the countries.

E-readiness ranking is used to measure the readiness of countries towards the use of ICT in their countries. The researcher acknowledged that there was a limitation in using e-readiness ranking for selecting the countries as not all developing countries were listed. Other attributes used were GDP, tele-density<sup>17</sup> and other related ICT indicators.

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<sup>17</sup>Tele-density is referred to as the number of telephone lines available for every 100 people in a region.

For Malaysia and Brunei there was not much difference in terms of culture, religion and geographic location. However, there was a difference in government type as Brunei is a monarchy while Malaysia is a democratic country. The selection of Malaysia, and Brunei presented a convenient choice to the researcher in terms of geographical location. Refer to figure 24 for their geographic location.

**Figure 24** Geographical location of the selected countries



Source: Lonely Planet, 2011.

Table 12 displays several differences in the e-readiness ranking of Malaysia and Brunei. It shows that the level of e-readiness of Malaysia slightly fluctuated over years 2007 to 2010. However, there was no data recorded by the Economist Intelligence Unit for Brunei, as Brunei did not participate in this survey. In terms of the network readiness index, the ranking of Malaysia was steady over the years

2007 to 2009. Meanwhile, Brunei's ranking on their network readiness was far behind.

**Table 12 Malaysia and Brunei readiness rankings**

Year	2010		2009		2008		2007	
	M	B	M	B	M	B	M	B
Economist Intelligence Unit	36/ 70	N.A	38/ 70	N.A	34/ 70	N.A	36/ 70	N.A
Network Readiness Index	N.A	N.A	27/ 133	63/ 133	28/ 134	63/ 134	26/ 122	N.A

Source: Compiled from (The Economist Intelligence Unit, 2008, 2010; World Economic Forum, 2008, 2009, 2010)

Note: M=Malaysia; B=Brunei

### **8.2.2 The Background of Malaysia and ICT Growth**

Malaysia is situated close to the equator within longitudes 1-7° North and 100-119° East, in the very heart of South-East Asia. It has the two divided lands, which are Peninsular Malaysia and Malaysian Borneo. They are separated by the South China Sea –640 km apart. Malaysia consists of 14 states including three Federal Territories – Kuala Lumpur, Putrajaya and Labuan – which collectively form the 14<sup>th</sup> 'state'. The states of Peninsular Malaysia are the Federal Territories of Kuala Lumpur and Putrajaya, Pahang, Terengganu, Kelantan, Selangor, Negeri Sembilan, Perak, Penang, Malacca, Johor, Kedah and Perlis, while Sabah and Sarawak are the two remaining states in Malaysian Borneo. The Federal Territory of Labuan is located on the west coast of Sabah (area: 91 km<sup>2</sup>).

Malaysia is a multi-racial and multi-religious country with a population of 28.25 million (Department of Statistic Malaysia, 2010). Islam is the official religion in Malaysia and the Constitution allows the freedom to practice other faiths in the country. Each faith is likely to identify with a specific ethnic group. For example, almost all Malays in Malaysia are Muslims, while the Chinese are predominantly Buddhist and Taoist, and the Indians, Hindus. The Malay Language (Bahasa Melayu) is the official language in Malaysia. Most Malaysians are able to speak two or three languages and/or dialects fluently, and, thus, language is a mirror of the multi-racial mix among Malaysians (Department of Statistic Malaysia, 2010).

Table 13 displays the key economic indicators of Malaysia. It indicates the steady growth of the Malaysian economy from the year 2009 to 2010. For instance there was a dramatic growth of Gross Domestic Product (GDP) to RM 525.4 billion for 2010. Malaysia still maintains its major exports: electrical and electronic products, palm oil and palm oil-based products, liquefied natural gas (LNG), crude petroleum, chemicals and chemical products, and refined petroleum products. Nevertheless, Malaysia depends on its major import products, such as electrical and electronic products, machinery, appliances and parts, chemicals and chemical products, metal, and transport equipment.

**Table 13 Malaysia Key Economic Indicators**

	2010f	2009e
Population	28.9 million	28.3 million
GDP	RM525.4 billion	RM512.4 billion
GDP Growth	4.5-5.5%	-1.7%
Per capita income	RM24, 661	RM24, 055
Inflation rate (CPI)	2.25%	0.6%
Labour force	12.2 million	12.1 million
Unemployment	3.6%	3.7%
Total tax (f.o.b)	RM559.0 billion	RM553.3 billion*
Total import (c.i.f)	RM452.8 billion	RM434.9 billion*
Major exports *	<ul style="list-style-type: none"> <li>• Electrical and electronic products</li> <li>• Palm oil and palm oil-based products</li> <li>• Liquefied natural gas (LNG)</li> <li>• Crude petroleum</li> <li>• Chemicals and chemical products</li> <li>• Refined petroleum products</li> </ul>	
Major imports *	<ul style="list-style-type: none"> <li>• Electrical and electronic products</li> <li>• Machinery, appliances and parts</li> <li>• Chemicals and chemical products</li> <li>• Manufactures of metal</li> <li>• Transport equipment</li> </ul>	

Extract from Economic Report 2009/2010 (Treasury, 2010)

Malaysia has seriously concentrated its focus on ICT by establishing the Multimedia Super Corridor (MSC) in 1996. The MSC acts as a gateway to growing profits in the booming information and communication technology markets. Since the establishment of the MSC Malaysia, the country has greatly shifted in areas related to ICT. The transformation has revolutionized the lifestyle

of Malaysians. The growth of ICT in Malaysia has progressively transformed the country towards a knowledge-based economy and society. It has been reported in the Internet World Statistic's website(<http://www.internetworldstats.com>, 2010) that the penetration of the Internet in 2010 is about more than half of the population (64.6 per cent of 26,160,256 people) as opposed to only 15 per cent of users in 2000. The rapid growth of the Internet usage development is related to the impressive initiatives taken by the Government. For example, in the 8<sup>th</sup> Malaysia Plan, the Government focused on providing a stronger platform for the country's transition towards a knowledge-based economy. These transitions increased the effort in promoting Information Communication Technology as a strategic driver to support and contribute to the growth of the economy. Substantial investments were made in communication infrastructure to increase accessibility, as well as to improve the requisite institutional and legal environment. This also increased the level of ICT usage in the various sectors of the economy, between urban and rural areas and among different segments of society.

During the 8<sup>th</sup> Malaysia Plan, priority was given to the promotion of infrastructure expansion in the rural and remote areas to broaden access to communication infrastructure: basic telephony, public payphones, and Internet services including wired and wireless technologies. In the 9<sup>th</sup> Malaysia Plan the concentration on the development of ICT was continued as it had a significant impact in positioning Malaysia as a knowledge-based economy. All the development related to ICT development was consistent with the National Broadband Plan (NBP). The

National Broadband Plan (NBP) was a national development plan for ICT that particularly focused on the growth of Internet services in Malaysia. Table 14 displays the growth of selected key communication indicators for the period 2000-2010.

**Table 14 Selected Key Communication Indicators**

Indicator	2000	2005	2010
Fixed telephone lines in operation <ul style="list-style-type: none"> <li>• Number of lines (millions)</li> <li>• Penetration %</li> </ul>	4.6 19.7	4.4 16.6	- -
Cellular phone subscription <ul style="list-style-type: none"> <li>• Number of subscribers (millions)</li> <li>• Penetration %</li> </ul>	5.0 21.8	19.5 74.1	24.4 85.0
Personal computers installed <ul style="list-style-type: none"> <li>• No. of units installed (millions)</li> <li>• Penetration rate %</li> </ul>	2.2 9.4	5.7 21.8	11.5 40.0
Internet dial-up subscriptions <ul style="list-style-type: none"> <li>• Number of subscriptions (millions)</li> <li>• Penetration rate %</li> </ul>	1.7 7.1	3.7 13.9	10.0 35.0
Internet broadband subscriptions <ul style="list-style-type: none"> <li>• Number of subscriptions</li> <li>• Penetration rate %</li> </ul>	- -	490, 630 1.9	3, 733, 000 13.0

Sources: Malaysian Communication and Multimedia Commission (2006)

### **Small business enterprises in Malaysia**

Small and Medium Enterprises (SMEs) have been recognized as the backbone of Malaysia's economy with a contribution of 31 per cent of the nation's Gross Domestic Product (GDP) (Bernama, 2011). SMEs contributed to total

employment and exports of 56 per cent and 19 per cent, respectively. This means that SMEs are an important driver of Malaysian growth. The Census on Establishment and Enterprises 2005 (conducted by the Department of Statistics, Malaysia, (2005) indicated that SMEs in Malaysia are mainly in the service sector, followed by manufacturing and finally agriculture (87 percent, seven percent and six per cent, respectively). The service sectors consist of wholesale and retail (55.5 per cent), restaurant and hotel (14.7 per cent), professionals and other businesses (8 per cent) and transport and communication (6.5 per cent).

In the 10<sup>th</sup> Malaysia Plan, the Government committed to enhance the growth and innovation potential of SMEs. Accordingly, the Government developed several initiatives to be undertaken:

- Reduce the regulatory costs borne by SMEs.
- Build capacity and capability of SMEs.
- Support the creation of an entrepreneurial culture.
- Strengthen support systems for SMEs.
- Enhance access to financing SMEs.

The SME Corporation Malaysia (known as SME Corp. Malaysia) acts as the central agency in coordinating any collaboration with other relevant ministries and agencies that are particularly related to the development of SMEs. SME Corp. Malaysia coordinates and manages the programmes including any funding offered

by various ministries and agencies, to minimize redundancy and inefficiency as well as to keep track and assess the effectiveness of the programmes.

Many SMEs suffer with many regulatory issues, as typically, they do not often have the financial resources to deal with regulatory requirements in a cost-effective manner. Consequently, the Government is proposing exemption from some of the most costly business regulations for businesses employing five or less employees until the business expands beyond five employees. The exemptions of regulations to these businesses are registration of business and employment requirements (SME Corporation Malaysia, 2011a).

### **8.2.3 The Background of Brunei and ICT Growth**

Brunei is a small country with a population of 406,000 and growing at an average rate of 1.8% per annum (Brunei Economic Development Board, 2010). Brunei is located on the north-west coast of the Island of Borneo, right in the heart of Asia. There are four districts in Brunei, namely Brunei-Muara, Tutong, Belait, and Temburong. The capital city of Brunei, Bandar Seri Begawan is located in the Brunei-Muara district. Bandar Seri Begawan is the centre of Government and business activities. In terms of language, the Malay Language (Bahasa Melayu) is the official language and English is widely spoken and understood. Other languages or dialects (Chinese and Indian) are also used in Brunei by the respective communities. Since the fourteenth-century, Islam is the official religion of Brunei. Brunei has developed a strong Islamic reputation around the world;

however, Brunei also practices religious tolerance as underwritten by the constitution. There are also other faiths practiced in Brunei, such as Christianity and Buddhism. Brunei is constitutionally an absolute monarchy. Brunei is ruled by the Sultan and Yang Di-Pertuan of Brunei Darussalam, His Majesty Paduka Seri Baginda Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, who is both the head of state and Prime Minister (Brunei Economic Development Board, 2010).

In terms of economic overview, Brunei experiences a wealthy economy, with an average inflation rate of 1.5% over the past 20 years. The estimated income per capita of Bruneians is USD 31,000 which is the second highest in the ASEAN region. Brunei's economy has been dominated by the oil and gas industry for the past 80 years. Currently, Brunei is the fourth largest oil producer in South East Asia and the ninth largest exporter of liquefied natural gas in the world.

Brunei is developing their main nation's long-term development plan, known as Wawasan Brunei 2035. The main aims in the Wawasan Brunei 2035 are to transform Brunei into a nation that is widely recognized for the accomplishments of its educated and skilled people, as measured by the highest international standards that would be ranked among the top ten nations in the world by the year 2035. The government also focuses on integrating e-government programmes that enhance their small and medium enterprises through e-business, enabling the provision of high quality online customer service, and building human and

institutional capacity in ICT applications (Tuan, 2009). According to Tuan (2009), the government spending on ICT devices and accessories is increasing. Nevertheless, the adoption of SMEs in ICT is still limited as it is mainly limited to email and productivity applications only.

The Brunei National Development Plan (NDP) 2007-2012 focuses on enhancing the basic ICT infrastructure as well as addressing the lack of human resources and advancing e-business and e-government (Oxford Business Group, 2008). The ICT development programme was first introduced in NDP 2001-2005, however, it only provided modest results. Consequently, the government gave high priority to the development of ICT in NDP 2007-2012, which allocated BN 1.14bn (USD 786 m) or 12 percent of the NDP 2007-2012 budget to develop this sector. The NDP 2007-2012 allocates BN185m (USD 127.5 m) to support the development of small and medium enterprises in Brunei.

Telekom Brunei (TelBru) is the leading telecommunication company in Brunei. To keep in line with the rapid growth of the Internet market, TelBru has implemented high-speed data transmission access by offering a reasonable price for its users using ADSL (Asymmetric Digital Subscriber Line) technology. According to the Radhi & Masli (2010), Bruneians can expect faster and more stable Internet connections with the new application of the Asia-American Gateway (AAG); and a high bandwidth optical fibre submarine cable system connecting seven Southeast Asian nations to the United States. The

implementation of AGG aims to reduce the international Internet traffic in Brunei. Telbru has upgraded its peak broadband bandwidth to five megabits per second (it previously ranged between 512 kilobits per second to 3.5 megabits per second).

### **Small business enterprises in Brunei**

The Government has recognized the contribution of small and medium enterprises to the economic growth. SMEs have become a major player in industrial development and have great potential to contribute towards a diversified economy. SMEs in Brunei contribute almost 98 per cent of all active enterprises and provide 92 per cent of the employment in the private sector. They also contribute a little over 66 per cent of GDP within the non-oil sector of Brunei's economy (Borneo Bulletin Yearbook, 2010). The Government of Brunei has developed several initiatives to boost SMEs' growth, such as financial assistance schemes, access to ICT, and business counselling, which includes training and workshops, seminars and consultation.

Several of the initiatives taken by the Government to support the development of SMEs include:

- *A Business Park*

The Government is developing a business park at Anggerek Desa, which is located approximately five minutes from Brunei International Airport.

- iCentre

*iCentre* is the first ICT incubator in Brunei that focuses on nurturing successful technopreneurs<sup>18</sup> based on its comprehensive and effective incubation programmes. Through this programme, local ICT businesses are able to receive a mentorship and attend networking programmes organized by the iCentre.

- Knowledge Hub

This hub acts as a research and development centre that provides training to SMEs.

- Opportunity Centre

The centre is a one-stop centre, which provides advisory services to guide local SMEs in conducting their businesses. The centre also supports SMEs by providing key business information, such as SME databases, market research and studies, industry information and trade statistic reports, as well as legal advice and guidance in business start-up processes.

- *Buy Brunei Portal*

The Buy Brunei Portal is the first online business and marketing platform that encourages local businesses in Brunei to market and promote their products and services locally and internationally. The portal also encourages local businesses to

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<sup>18</sup>Technopreneurs are entrepreneurs whose core business involves technology-based industries.

deal with business-to-business (B2B) and business-to-consumer (B2C) transactions, which will boost business growth.

- *Accel –X Venture Capital Fund*

Accel –X Pte. Ltd. is a venture capital fund that invests in new technology businesses that have high potential in the market. The fund will assist young technology businesses to finance their expansion into viable markets and provides further value-added through mentoring programmes and injection of operational capabilities.

- *Entrepreneurship development*

The Brunei Economic and Development Board (BEDB) organizes several programmes, which target women and youth. The programmes carry out the objectives to improve the business skills among the target groups (women and youth) and to provide support services, business networking, infrastructure and facilities. Among the programmes are Youth Development Resources (YDR) and a YDR Grant Scheme. All the programmes have the objective of enhancing the business skills among Bruneians to become successful entrepreneurs.

### **8.3 The selection of small business enterprises**

The participants in this phase of data collection were small business owners/managers of small business enterprises. The participants were selected from urban and rural areas in order to gain comprehensive findings for revising

the framework. The main criteria used in selecting the participants were that the enterprise uses the Internet to market their products/services and have a website. In addition, the enterprise also needed to fulfil two other conditions in order for them to be eligible in this study:

- have less than 20 employees
- independent business that does not belong to another company or subsidiary

The selection of enterprises was conducted using online searches. For Malaysia, the enterprises were selected through the official website of the Small and Medium Enterprises Corporation Malaysia (SME Corp) (<http://www.smecorp.gov.my> and <http://www.smeinfo.com.my>). These two websites are the official websites, which consist of the SME Directory that is registered with SME Corp. Commercial websites were also used, such as Malaysia Yellow Pages. However, Brunei did not have an official directory for Bruneian Small and Medium Enterprises, and one of the websites found by the researcher on small business enterprises directory in Brunei was last updated 12 years ago (1998). Thus, it would have been inaccurate to rely on only one source. After browsing many times, the researcher finally found a commercial 'blog' that listed e-stores in Brunei. The first time the researcher browsed this blog, it was using the free blog to display 'e-stores' in Brunei (<http://brunei-e-stores.blogspot.com>). However, they since closed this blog and shifted the

Bruneian e-stores to Facebook (<http://www.facebook.com/pages/Brunei-E-Stores/224879205624>).

### **8.3.1 Overview of the selection of small business enterprises**

The interviews were conducted between 11 July 2010 and 29 September 2011. The first batch of interviews (five participants) began in Malaysia on 11 July 2010 and ended on 18 July 2010. Later, on 3 August 2010 the second batch of interviews followed when the researcher headed to Bandar Seri Begawan, Brunei Darussalam, for data collection (five participants). Finally, the third batch of interviews (eight participants) continued after the researcher returned to Malaysia; these began on 10 August 2010 and ended 29 September 2011. As per Purcell et al. (2004) data gathered from the selected participants were through the interview method and the invitation emails were sent to invite selected participants to participate in this study.

In order to avoid language bias, the interviews were conducted either in the Malay Language or English, whichever was preferred by the participants. Introductory emails, which have the possibility of creating a bias, as they may be 'Internet enthusiast', were then sent to the potential participants. However, it is almost impossible to avoid the perspectives of this group emerging, especially when contacting participants through the Internet (Menou, 1999).

The researcher was looking for small business enterprises in urban and rural areas. To achieve this target, invitation emails were sent based on group. The purpose of this method was that it was easier for the researcher to manage the responses and determine the group of responses –either urban or rural areas of small business enterprises. Each batch of invitation emails consisted of ten potential participants. The next three sections will explain further details on the selection of participants from Malaysia and Brunei.

### **8.3.2 Selection of Malaysian Small Business Enterprises**

A large number of email addresses were gathered from the Business Directory of SME Info and commercial websites. Nevertheless, the researcher needed to verify if the selected enterprises had a business website. A total of 30 invitation emails were sent to the potential participants. However, five of the emails bounced back due to invalid or discontinued email addresses. Some of the potential participants used third-party email addresses such as Yahoo or Hotmail that became invalid email addresses when they had not accessed the email account for a certain period of time. The online tool ([www.checkdns.net](http://www.checkdns.net)) was used to identify the validity of email address/domain. The delivery problems related to the domain could be traced by this tool. Figure 25 shows an example of a response from the Domain Test tool.

**Figure 25 Response from the Domain Test Tool**

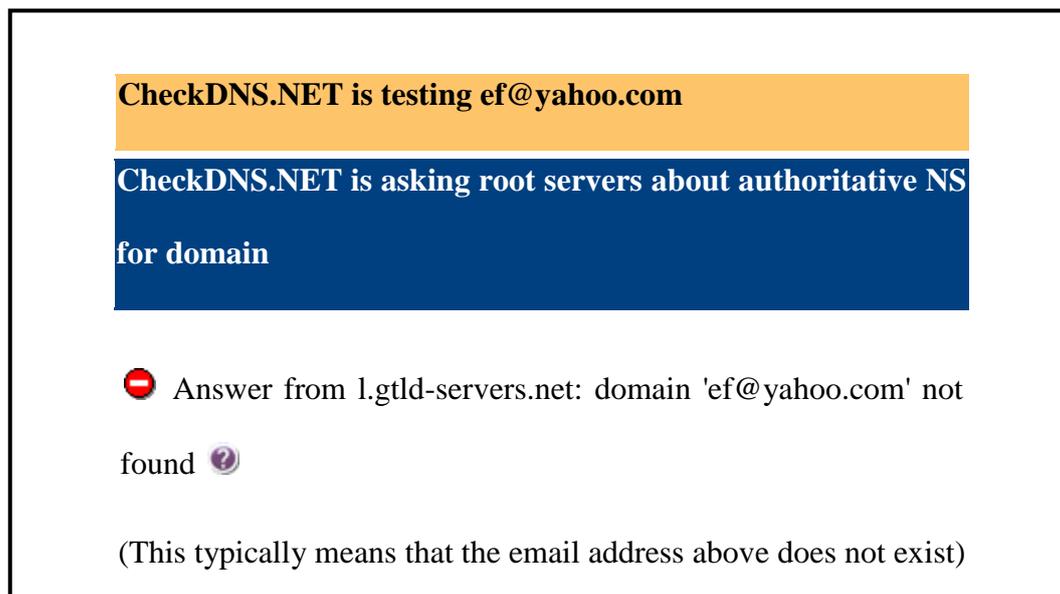


Table 15 below indicates the response rate of the emails (the number of emails sent, the number of emails that bounced back and the positive responses).

**Table 15 Summary of Malaysian response rate**

Items	Quantity
Number of invitation emails sent	30
Positive responses received	13
No response	12
Invalid email addresses	5
Actual interviews performed	10

Figure 26 illustrates geographically the location of the small business enterprises where the interviews took place. As observed, the interviews were conducted in Peninsular Malaysia.

Figure 26 Map of Malaysia



Source: <http://www.lonelyplanet.com> (2010b)

In this research, five rural and five urban small business enterprises were selected to be interviewed. Most of the small business enterprises selected were micro-sized businesses (less than five employees). The selected small business enterprises were from Peninsular Malaysia. For rural areas, two different areas were selected: Terengganu and Johor. Rural areas in Terengganu were situated about 114km outside of Kuala Terengganu (capital of Terengganu). The selected location for rural areas in Johor was situated approximately 124km from Johor Bahru (capital of Johor).

Urban areas involved one respondent from city of Terengganu, three from Kuala Lumpur, and one from Selangor. As observed, participants from urban areas were based in the city. All the urban locations could be accessed by air or land. Meanwhile, the rural locations could only be accessed by land.

Table 16 displays the profile of selected Malaysian small business enterprises. It consists of their location, type of services, the category (urban or rural) and their ID, which will be used for referring to the business.

**Table 16 Profile of Malaysian Small Business Enterprises**

Location	Services	Category	ID
Kuala Besut -Terengganu	Inbound Travel Agent	Rural	MR – Tour (01)
Merang - Terengganu	Resort	Rural	MR – Resort (02)
Kuala Terengganu	Bakery	Urban	MU – Bakery (01)
Kuala Lumpur	Photography Studio	Urban	MU – Photo (02)
BatuPahat - Johor	Snack retailer	Rural	MR – Snack retailer (03)
BatuPahat - Johor	Caterer	Rural	MR – Caterer (04)
Paka - Terengganu	Photo shop	Rural	MR – Photo (05)
Shah Alam - Selangor	Wedding Boutique	Urban	MU – Wedding Boutique ( 03)
Petaling Jaya- Selangor	Mother and baby products	Urban	MY – U 04
Kuala Lumpur	Apparel	Urban	MY – U 05

### **8.3.3 Selection of Bruneian Small Business Enterprises**

Email addresses were gathered and invitation emails were sent to small business enterprises in Brunei. The invitation emails were sent accordingly based on group. For the first group, ten invitation emails were sent and only one participant was interested in participating in this research. Thus, the researcher made an effort to send more invitation emails in the second group in order to receive more responses. From the second group, two positive responses were received. The researcher decided to create a third group invitation email to meet the target of five participants. Finally, five participants agreed to participate in this research (after three groups of invitation emails were created) out of the total of 31 invitations. Due to time constraints and the low number of responses from potential participants, the researcher decided to conduct the interviews with five participants only. However, this is appropriate as Brunei is a small country with a total land of just 5,765 sq kin (Borneo Bulletin Yearbook, 2011) when compared with Malaysia. There is also a wide gap in population between Brunei Darussalam (over 400,000) and Malaysia (over 28 million) in year 2011 (World Bank, 2013).

Table 17 shows a summary of the Bruneian response rate (the number of emails sent, the number of emails bounced back and the positive responses).

**Table 17 Summary of Bruneian Response Rate**

<b>Items</b>	<b>Quantity</b>
Number of invitation emails sent	31
Positive responses received	6
No response	20
Actual interview performed	5
Invalid email addresses	5

Five Bruneian participants participated in this research. As Brunei is a small country, these participants were randomly selected either from urban or rural areas. The Bruneian participants were very cooperative and welcomed the researcher for the interview. Some of the positive responses from participants were:

“Hi, first of all we would like to thank you for your interest in interviewing us. We are very happy to receive your visit at our premises. Hope that you could inform us in advance (date and time) in order for us to prepare for your visit”.  
(Translated from Malay Language to English)

“Sure no problem, SMS me first before you come and appreciate you don't come during 12am to 2pm as it's my lunch break. My handphone: xxxxxx. Thanks!”

“Hello, No problem, always happy to help. I should be available anytime in the day would be fine but I am just busy this Friday and Saturday 30-31st July. Hope to hear from you soon.”

Brunei is a small country. Brunei is divided into four districts: Belait, Brunei-Muara, Tutong, and Temburong. For this research, participants were from Brunei-Muara (four participants), and Temburong (one respondent). Brunei-Muara is the northern-most district of Brunei with over half of Brunei's population. Brunei-Muara is also a bustling district as it is the state capital; Bandar Seri Begawan presents the centre of all business activities. Temburong district is separated by Malaysia and Brunei Bay. The Temburong District is rich in unspoiled natural heritage, including the UluTemburong National Park (formerly the BatuApoi Forest Reserve) (refer Figure 27).

Table 18 displays the profile of selected Bruneian small business enterprises that consists of their location, type of services, the category (urban or rural) and their ID, which will be used later in the discussion.

**Table 18 Profile of Bruneian Small Business Enterprises**

<b>Location</b>	<b>Services</b>	<b>Category</b>	<b>ID</b>
Brunei-Muara	Bakery	Urban	BU-Bakery(01)
Brunei-Muara	Inbound travel agent	Urban	BU-Tour (02)
Brunei-Muara	Bakery	Urban	BU-Bakery (03)
Brunei-Muara	Baby gift shop	Urban	BU-Baby gift (04)
Temburong	Apparel	Rural	BR-Apparel (05)

Figure 27 Map of Brunei



Source: <http://www.lonelyplanet.com> (2010a)

### 8.3.4 The conduct of the interviews

The interviews started in Malaysia with four interviews. The researcher then decided to commence the interviews with Bruneian small business enterprise owners/managers even though the interviews in Malaysia were not yet completed. The main reason the researcher had to speed up the interviews with Bruneian small business enterprises owners/managers was because it was near to the fasting month (participated in by Muslims; the majority of Bruneians are Muslim). Thus, half of the interviews with Malaysian small business enterprise owners/managers were conducted after the interviews in Brunei were completed. The selected participants were contacted by email to organize interview times. However, some

of the participants were contacted via a telephone call, as there was no response to the email. The interviews provided a challenge to the researcher as some of participants changed the appointment schedules, which required the researcher to rearrange the appointment date. Due to tight schedules or being unable to allocate time for the researcher to visit the premises, a few participants requested to be interviewed over the telephone. Davidson et al. (2006) indicated that telephone calls have been used as a back-up in other small business studies.

In Malaysia, two of the participants agreed with the appointment date. However, when the researcher arrived at his/her business premises, he/she was away in the city. This required the researcher to reschedule the appointment, which was initially in the morning, to the evening. There were three participants that agreed to be interviewed but they were unable to be contacted (emails and telephone calls). They had stopped corresponding with the researcher, were away (meetings and/or holidays) or were busy with business operations.

Nevertheless, the researcher received positive responses from the Bruneian participants. They were very welcoming of the researcher to visit their premises. One of the participants was prepared for the researcher's visit and welcomed the researcher to visit his factory as well. While visiting their factory, the researcher was able to see and gain further information on how the business operated, starting from the raw materials being processed into finished products. The researcher had also been given an opportunity to try the products (cookies) as

well. They also gave a door gift to the researcher as a thank you (it is Malay culture to give a gift or souvenir to the visitor) for visiting their premises.

Public transport was less familiar in Brunei as most Bruneians have their own transport. It is difficult to access the public transport, particularly for visitors or foreigners who need to rely on hotel taxis to move around in the city. However, one of the participants assisted the researcher to move around in the city and assisted the researcher to reach the city after the interview session ended. The participant was a friendly person and also provided the information on places of interest in Brunei.

Another Bruneian participant requested the interview to be conducted over the telephone as she was on maternity leave at that time. The particular interview was accordingly conducted over the telephone.

Cross-country research often provides language barriers. However, for these interviews there were no language barriers, as the researcher is fluent in the Malay Language and English, thus the participants were able to select whichever language they preferred for the interviews. Even though some of the jargon used might be different between Malaysians and Bruneians it could be understood by the researcher.

In this research, semi-structured interviews were applied. A set of semi-structured interview questions were developed and generally the interview questions were derived based on the refined framework from Phase One (attached in Appendix Two). There were no time restrictions for the participants to speak in the interviews. During the interviews, the researcher probed or asked questions to gain more detailed responses on particular issues. The interviews ranged in length from 30 minutes to one and a half hours. The longest interview was with a participant in which the interview session was disrupted by his staff with queries pertaining to office matters. The researcher was conscious of not occupying more of a participant's time than was necessary.

#### **8.4 The summary**

This chapter discussed the structure behind the interview sessions in the second phase of data collection. The chapter explained in detail how the selection of the countries was made and provided overviews of the selected countries economic development and the development of SBEs. The following chapter will discuss in detail the data gathered in the field research conducted in Malaysia and Brunei.

# 9

## **PHASE TWO/ DISCUSSION AND ANALYSIS OF MULTIPLE CASE-STUDY**

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### **9.0 Phase Two: Discussion and Analysis**

This chapter will discuss the data gathered from the interview sessions with Malaysian and Bruneian owners of SBEs in phase two of the data collection. The chapter will provide an insight into how these interviews were conducted. The first section of this chapter will present the findings gathered from interviews with Malaysian and Bruneian SBEs. The analysis of the findings will be discussed in the second part of the chapter. Finally, a summary of the second phase of the data collection will be discussed.

The structure of the discussion will be as follows:

- Summary of each interview
- Discussion of e-readiness factors

- Discussion of business aims and strategies
- Discussion of Internet marketing
- Discussion of Internet marketing performance evaluation
- Reflections and presentation of the final framework

## **9.1 Overview of the field interviews in Malaysia and Brunei**

This section summarizes the researcher's field journal of the actual interviews in Malaysia and Brunei. It discusses how the interviews involving different countries and cultures were conducted. Pseudonyms are used when discussing the interview data. The first pseudonyms refer to the name of the country. For instance, M: Malaysia, B: Brunei. The second pseudonym refers to the location of the business, either urban (U) or rural (R) areas. The third pseudonym displays the type of business. The fourth pseudonym shows the sequence of the interviews. For example, a fictional business name is "Green Travel and Tours", located in a rural area of Malaysia, would be referred to as MR-Travel (01) (if it was the first interview). The same type of pseudonym will be used if the name of the fictional business is "Candy Bakery", located in an urban area of Brunei (and it was the second interview). It will be referred to as BU-Bakery (02). The next section will discuss the interviews conducted in Malaysia and Brunei.

### **9.1.1 Interviews in Malaysia**

The list of potential Malaysian SBEs was gathered from the Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia) official website.<sup>19</sup> Based on the gathered list, 30 invitation emails were sent to potential participants. The potential participants needed to meet certain criteria for this study: a business which has its own business website, employs less than 20 employees and is independently owned or partly owned. Out of 30 invitation emails, 13 positive emails were received. However, only ten interviews were performed in this study as three of the participants withdrew at the last minute. Participants were from various parts of Malaysia –urban and rural areas. As the interview locations were from various parts of Malaysia, some of the interviews required the researcher to travel by car or to fly to those places.

For the interview session, the researcher tried to make the session quite informal and made contact with the participants before the interview. The researcher contacted participants a day before the interview and allowed them to select the interview time and venue based on their convenience. The researcher believes that it is important to provide an opportunity to SBEs to choose a convenient time and venue as they are usually busy and conduct more than one task in a time. All of the interviews in Malaysia were conducted in the Malay Language as most of them preferred to do so. Most preferred the interview sessions not to be recorded.

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<sup>19</sup>SME Corporation Malaysia is an established government agency that is charged with the development of small and medium enterprises (SMEs) by providing infrastructure facilities, financial assistance, advisory services, market access and other support programmes.

The researcher believes that they felt that if the interview had been recorded, they would not be comfortable to share their business experience. Only one respondent allowed the interview to be recorded.

The majority of participants were aware of the benefits of the Internet for their business and tailored their business according to customer needs and wants. Malaysian SBEs that participated in this study were open to share their business experiences with the researcher. A few participants were not from business backgrounds but they were involved in business due to their passion. One participant that was interviewed by the researcher had managed to build his own house at the business premises (a resort) in order for him to monitor and manage his business easily. According to him, he will be able to look after his family and business at the same time. His wife sometimes acts as a part-time cook at the resort if there is any event that requires them to prepare large meals, which helps him to reduce the cost of hiring a cook. This situation provides an insight into the challenges faced by SBEs, particularly for long-term survival. The interviews in Malaysia began on 11 July 2010 and were completed on 28 September 2010.

Details of each interview are as follows:

#### **Interview with MR-Tour (01)**

The first interview in Malaysia started with an interview session with the owner of an inbound tour operator. The business was located in a small fishing town named

Kuala Besut, which lies on the coast of Terengganu, Malaysia. It is about 114 km from Kuala Terengganu, the capital town of the state. Kuala Besut is a gateway and a departure point for tourist boats to the Perhentian Islands (a tourist spot destination in Malaysia). The interview with the owner of MR-Tour (01) lasted for 45 minutes. The owner was one of the well-known tour operators in that particular area. The interview took place at his business premises. For this interview session, the owner preferred the interview not to be recorded. The interview ran smoothly but sometimes it was interrupted by his staff, who needed his attention to deal with certain matters. This was because the interview was conducted at around the time of the last boat trip to the island; some confirmed tourists had not arrived from Kuala Terengganu airport due to flight delays. Thus it caused some changes to be made in terms of boat departure schedule with regards to boat passenger safety due to changing water levels.

The MR-Tour (01) website mainly provides information on the services that they currently offer to the tourists. The owner explained that the particular purpose when he decided to develop his business website was to cater to the domestic and international markets. He commented that since he has his own business website, he is able to reduce his marketing cost as it was paperless. He initiated his own business website two years after he opened the business as he was enthusiastic about the benefits of ICT.

### **Interview with MR-Resort (02)**

The second interview was conducted with a small resort owner, located at a small village in a rural area of Terengganu. This small resort is near the beach, which is about five minutes walking distance. The interview appointment was made on the selected date; however, it had to be re-scheduled due to the owner having a few urgent matters to attend to. The re-scheduled appointment was made for the next day. The researcher arrived at his resort late afternoon and was welcomed by the owner. The owner was a friendly person and was enthusiastic in running his business. The owner shared with the researcher his business experiences in terms of owning the business and how he makes an effort to sustain the business. The owner also indicated that he took the initiative to learn by himself how to develop the business website by referring and gathering information from the Internet and books.

The MR-Resort (02) website mainly displays information concerning the business, the facilities, and the packages offered. The owner decided to develop his own business website with the purpose of catering to a wider segmentation, particularly from outside of Terengganu. The main reason was that most of the local people prefer to make a telephone call to make a booking or visit the resort personally (especially for events such as a family day or school camping) before making a booking. For local people, word mouth-of-mouth helped to promote his business in the market. The interview with the owner lasted for 50 minutes.

### **Interview with MU-Bakery (01)**

The interview with MU-Bakery (01) was conducted after the researcher came back from Brunei Darussalam for the data collection. The owner was a fresh graduate from a local university who had decided to set up a business, which was opposite from her academic background. Due to a strong interest in baking and business, she decided to become seriously involved in the industry. Currently, she is not only making cupcakes but also making her own chocolates and conducting cooking classes.

Her business website displays a variety of cakes, cupcakes, and chocolates, which the customers may browse and select before they place an order. On her website, there is also a timetable that shows the availability for customers to make a booking for the cakes or other items. The owner also offers a delivery service to customers, which they prefer. The website is interactive and has a picture of each type of cake. The owner received positive business support from the local people, as not many businesses offer this kind of business in Kuala Terengganu. The interview was lasted for 45 minutes.

### **Interview with MU-Photo (02)**

The interview with the owner of MU-Photo (02) was held at a small café, close to the owner's business premises. The owner preferred the interview to be conducted in a casual mood, as his business premises were quite busy with photo shooting for a few clients. The business premises of MU-Photo (02) were located in one of

the prime business areas in Kuala Lumpur. The owner graduated in architecture and worked as an architect with a local architect firm before he became a full time photographer. Previously, photography was only his leisure time hobby but it turned out to be his career after he decided to quit his job.

According to him, the first time he stepped into the business, he did not have much experience managing and organizing the company himself. He had to struggle to get people's confidence with his artwork. When he started the business, he could not afford to rent business premises and worked from home. As time went by, he managed to gain the confidence from the public. All his hard work paid off as now he has his own photo studio.

The interview lasted for 45 minutes. The MU-Photo (02) website is a simple website, which shows the photo shoots taken either for corporate customers or wedding ceremonies. The main reason to display all the selected photo shoots was to demonstrate to potential clients how the owner's artwork looked and provide a basic idea to potential clients as to the type of photo shoot they might prefer for their events.

### **Interview with MR- Snack retailer (03)**

The interview with the owner of MR-Snack retailer (03) was supposed to be conducted at her business premises in Johor. However, the owner preferred the interview to be conducted in Kuala Lumpur as the researcher and the owner (on

business trip) were in Kuala Lumpur at the same time. This was convenient for the researcher, as the researcher did not have to travel from Kuala Lumpur to the owner's business premises, which is approximately a four-hour drive. The interview was conducted at the hotel restaurant where the owner stayed. The owner was a friendly person and very supportive during the interview session.

The owner was new in the snack retailer business when she started her business in July 2010. She decided to have her own business website immediately after she commenced her business due to the current trend of marketing the products. She believed that marketing online enabled her to reduce her marketing costs and it was easier for her to manage orders from the customers (either from home or business premises). Her business website displays the various types of snack offered to the customers and the price of the snacks. According to the owner, banana chips attract the highest demand compared to other snacks. The interview lasted one hour.

#### **Interview with MR-Food caterer (04)**

The manager of MR-Food caterer (04) was a food caterer in Johor. Nevertheless, the interview was conducted in Selangor. The appointment was scheduled to be conducted in Selangor at the request of the manager due to her visit to her sister. According to the manager, her parents owned the business and she just took over managing their family business. The manager had graduated in business management, which aligned with this nature of business.

The website was newly developed after the manager took over the business management. The purpose of setting up their own business website was to cater for a wider market as well as to promote their business. The manager believed that having a business website allowed them to stay competitive in the market as nowadays most people prefer to get basic information via the Internet before making an order or calling retailers/sellers for further information regarding the products or services. The interview lasted for 40 minutes.

#### **Interview with MR-Photo (05)**

The interview with manager of MR-Photo (05) was conducted at her business premises. The manager was a fresh graduate in business management from a local university in Malaysia. According to the respondent, the business was owned by her parents. The business premises were located approximately 80 kilometres from Kuala Terengganu (city of Terengganu state). According to the manager, the business had started when she was born and her father had struggled to survive in the business.

In order to stay competitive in the market, the management decided to develop their business website. They believed that they were able to provide more information to their potential customers and it also allowed them to reduce their marketing costs. The manager also stated that they have to keep up to date with the latest camera models and photographic devices, as, nowadays, many young people are more interested in photography as a hobby and career. The

management also maintained a good relationship with suppliers in terms of updating and getting the stocks ready as requested. The interview lasted 50 minutes.

### **Interview with MU-Wedding boutique (03)**

The interview was conducted at the owner's business premises in Shah Alam, Selangor. It was a small wedding boutique owned by a hardworking lady. The business location of MU-Wedding boutique (03) is in one of the prime business areas in Shah Alam. Previously the owner was a housewife and working from home as a tailor. However, due to her passion for business, she decided to open her business premises with the hope that she could gain more experience and expand her business.

Her business was particularly focused on that of a wedding boutique, in which she provides the tailoring for the bridal costumes and also decorating the wedding gifts. Her business also provides the service of renting the bridal costumes. She decided to develop her business website after she realized it was the current trend in marketing the business. The customers still need to visit her business premises for measuring the size and sending their preferred wedding clothes; however, the website helps her to communicate with her potential customers in terms of advising on the types of material that may suit them, how many metres they need to buy for making one wedding dress and to provide a budget price for the tailoring services. The owner of MU-Wedding boutique (03) was an optimistic

entrepreneur as she was always updating herself on the latest design of bridal costumes. According to the owner, it is important for her to provide the best service to her customers, as by doing so she is able to maintain a long-term relationship with the customers. Perhaps the word-of-mouth from satisfied customers also helps to promote her business. The interview lasted for 45 minutes.

#### **Interview with MU-Baby Apparel (04)**

MU-Baby Apparel (04) is a business that sells baby apparel and confinement products. The interview with the owner was conducted at her business premises. The business premises are located in the business area in Selangor. The researcher spent some time to study the map to locate the premises, as she was not familiar with the location. The owner was a friendly lady and very welcoming of the researcher's visit. According to the owner, previously she was an accountant at PERODUA (one of Malaysia's car manufacturers). After delivering her third baby, she decided to quit her job and focus on her children. However, being a working mother before made her feel bored staying at home. After being tutored by her brother on online business operations, she made an effort to study on her own concerning how to start the online business and how to develop her own website. She struggled during the first phase of the business, but she received full support from her family. The main reason she started the business online was that she was able to work from home and have more flexible time for the family. The online business went well and finally she decided to open her own business premises to expand her business.

According to the owner, she has her own authorized dealers to sell her products. She also receives the orders to design and produce the products (confinement products; abdominal binder) based on customers' needs. The business also adds to its product range from time to time. Currently the owner is waiting for her business trademark registration. The interview session lasted for one hour.

### **Interview with MU-Apparel (05)**

The appointment with MU-Apparel (05) was supposed to be conducted at her business premises. However, the interview was held during the lunch hour at a café. According to the owner, she received many emails asking about her products. Having a click and mortar business,<sup>20</sup> she needs to manage her time, particularly in managing the orders from the online customers, preparing to package the orders and posting the orders. The owner stated that being involved in the apparel business she needs to be aware of the current trends and fashions. The price offered must be competitive in order to be profitable. This was because the customers might shift to another online store that may offer better products and prices. Therefore, the owner has to build a good reputation with her customers in terms of the quality of the products and also service and delivery. The interview session lasted for 45 minutes.

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<sup>20</sup>Click and Mortar business is a type of business that operates online and offline business operation; typically includes a physical store and a website.

### **9.1.2 Interviews in Brunei Darussalam**

The journey started on 3 August 2010. It took all day to fly to Brunei via Kuala Lumpur. Interview sessions with Bruneian small business enterprises started a day after the researcher's arrived in Brunei (4 August 2010) and were completed by 7 August 2010.

A total of five interviews were conducted with Bruneian SBEs. Out of the five interviews, two interviews were conducted by telephone while the other three interviews were face-to-face. One of the key characteristics of Bruneian SBEs observed by the researcher was that they were very happy to receive a visit and felt proud to be a part of the research process. The main language in Brunei is the Malay Language. However, the accent might be used differently in Malaysia and Brunei. Nevertheless, it did not present a problem to the researcher.

Details of each interview are as follows:

#### **Interview with BU-Bakery (01)**

The first interview was conducted a day after the researcher arrived in Brunei Darussalam. The participant requested the researcher to visit his business premises, which is also his house. A night before the interview, the researcher called the respondent to get the directions to his premises. As the researcher was not familiar at all with Brunei, the researcher decided to use hotel transport to travel to the interview location. The participant was a Bruneian man (manager)

who was the son of the business owners. The business was a bakery, which not only focuses on making cakes but also cookies and tarts. The interview ran smoothly. The participant was very cooperative in the interview session. The business was currently busy completing a large order (20,000 boxes) from an international company. He was in-charge of managing the online orders, replying to emails from the customers and managing the business operation. He also promotes and updates their products via Facebook. He claimed that sometimes Facebook was a more effective marketing 'bandwagon' for him to update his products, as people were more aware of it instead of the business website. The interview lasted 30 minutes. The researcher was invited to visit his bakery and was shown the process of making cakes and cookies.

### **Interview with BU-Tour (02)**

The second interview was conducted on the third day the researcher was in Brunei. The interview ran smoothly and the respondent requested the interview to be mixed between the Malay Language and English. The participant was a Filipino woman who married a Bruneian man. She decided to develop her business website as she would like to cater for international tourists. Through the Internet, she believed that she would be able to minimize her marketing and travelling costs for any travel exhibitions. The interview lasted for 35 minutes. The participant offered the researcher a ride to the city, as it is difficult and expensive to get a taxi.

### **Interview with BU-Bakery (03)**

The interview with the owner of BU-Bakery (03) was conducted at her business premises. The business premises location of BU-Bakery (03) was right beside the hotel in which the researcher stayed, which was convenient for the researcher. The owner of this business was a Malaysian lady. Previously she worked as a chartered accountant in Malaysia. She decided to quit her job and followed her husband, who had been offered work in Brunei. While in Malaysia, she had attended many bakery courses in Malaysia and Singapore due to her passion for the bakery industry. In Brunei, she did not want to become a full time housewife and decided to open her own bakery. She has done well in her bakery business. The researcher asked the respondent whether the business website contributed to her business. The answer was 'not that much' and she explained that most of her customers preferred to visit her shop and select the type of cake that they wanted rather than order them online. The participant stated that even though her website provides information about the cakes and other information, the customers still prefer to make a phone call to talk to staff. However, the purpose of her website is to cater to the young generation as most of them prefer to get information via the Internet before making a purchase. Otherwise, the purpose of the website was to build the business image and stay competitive in the market. The interview lasted for 40 minutes.

#### **Interview with BU-Baby gift (04)**

The interview with BU-Baby gift (04) was conducted over the telephone. The participant requested a telephone interview, as she did not have adequate time to accept the researcher's visit to her business premises. This was due to her tight schedule in moving into a new house. The participant was a friendly person and had been involved in the baby gifts and hamper business since 2009. According to the participant, her business was initiated by her eldest sister after she saw her talent for decorating and wrapping presents. Her passion for decorating encouraged her to open the business. She needs to keep up to date with the current designs in decorating gifts and hampers. In order to do that, she normally goes to Malaysia and Singapore to add to her business stock. According to the participant, she prefers to go to Malaysia to get new stock, as the currency exchange is much better than for Singapore. Thus, it is more cost effective to her business to get the stock from Malaysia.

#### **Interview with BR-Apparel (01)**

The final interview was also conducted over the telephone as the participant indicated she was unable to receive any visit as she was on maternity leave. The participant was a Bruneian woman and involved in women's apparel. She told the researcher that, generally, she went every three months to China to get new stock. According to her, most local Bruneian women prefer to shop for her products offline, and they purchase directly from her. They prefer to look at the material quality and design by themselves rather than purchase online. Normally, most of

her online customers were from Malaysia and Singapore. However, in respect of international orders, the delivery cost needs to be considered by customers. The interview lasted 28 minutes.

### **9.1.3 Summary of the interview descriptions**

This section presented details of the actual interviews conducted in Malaysia and Brunei. As observed, participants owned their business website or marketed their products and/or services online, which constituted the main criteria required for each of the participants involved in this study.

## **9.2 The data analysis**

This section will discuss the data gathered from the interview sessions with the SBEs in Malaysia and Brunei. The discussion will cover the indicators of e-readiness, business aims and strategies, marketing strategies, Internet marketing, and the Internet marketing performance evaluation. The reader is reminded that there are six attributes related to the e-readiness indicator, which consists of infrastructure, financial resources, skilled workers, culture, government policies, and owner's attitude. For business aims and strategies, the attributes consist of growth strategy, strategic alliance, cooperation, and lifestyle; marketing strategies (consisting of segmentation, business integration, customer retention, and product added-value); Internet marketing (consisting of customer, cost, convenience, and communication) and performance evaluation (consisting of customer satisfaction, revenue, and inventory). Each indicator and its context will be briefly described

and discussed according to the interview data. There will be two parts of the discussion: the first part will discuss the interview data gathered from the selected countries (Malaysia and Brunei); and the second part will be the summary of all interview data.

### **9.2.1 Indicator one: E-readiness**

E-readiness refers to the readiness level of country, nation or economy towards their ability to obtain benefits from information, communication and technology (ICT) (Dada, 2006). In this study, e-readiness is viewed from a micro perspective in which it refers to the readiness of the businesses to use ICT in developing their business. This study looks particularly at the scope of SBEs towards their readiness to adopt the Internet in the business. The following indicators are discussed based on the data gathered from the interviews.

#### **Infrastructure**

The infrastructure attribute in this study particularly refers to the telecommunication infrastructure related to ICT, such as the hardware, software and network, being used in the business.

#### **Malaysia**

There are several ways to get connected with the Internet in Malaysia: Digital Subscriber Line (DSL), Analogue (Dial-up), wireless Internet connection (broadband) or 3G. Many participants accessed the Internet for their business

purposes by using personal computers (PC), laptops and mobile phones. Five of the participants had chosen DSL as the way to get connected to the Internet. The main reason for them to select DSL as their main choice of Internet connection was that it came in a bundle package of fixed telephone line and Internet line; offered by Telekom Malaysia (TM). It was also easier for them to manage their bills. They also claimed that the DSL Internet connection provided by Telekom Malaysia (TM Net) was stable and a fast speed of connection. Mobile broadband was also the top preference of six of the small business owners/managers to access the Internet at anytime and anywhere. Participants who used mobile broadband claimed that overall they were satisfied with the service provided and no major problems occurred. Only rarely did a situation happen in which they had a problem to connect to the Internet. Several participants also accessed the Internet through their mobile phone if they were out of the premises.

Overall, participants (either urban or rural areas) did not have much problem with their Internet connection and were satisfied with the service provided. This is because most of them had at least two types of Internet connection: DSL and mobile broadband to keep online. The MR-Food caterer (04) claimed that she had to use the DSL connection provided by TM Net as in her area, the Internet coverage for the mobile broadband was not consistent and it was hard to get an Internet connection. The MR-Snack retailer (03) was the only participant that used only mobile broadband to access the Internet; she claimed that it was easier for her to access the Internet anywhere. She had prior experience with a few Internet

Service Providers (ISP) until she found one of the best Internet providers that could provide better Internet coverage. According to her, the location of her place probably impacted the ability to access the Internet, as it was located out of the city (in a rural area). In terms of the obstacles of infrastructure affecting the small business enterprises to adopt the Internet in their business, all the participants answered “No” and indicated that they did not face any problems in adopting the Internet in their business.

### **Brunei**

Based on the findings gathered from Bruneian participants, most participants used their laptops to access the Internet. Only BU-Bakery (01) accessed the Internet using a personal computer and laptop. The Bruneian participants prefer to use DSL and/or mobile broadband for their Internet connection. In terms of Internet connection problems, all participants agreed that they did not have many problems with the Internet connection. However, none of them were satisfied with the Internet speed provided. They claimed that the Internet speed seemed too slow for them. BU-Bakery (01) stated that the Internet speed was not appropriate with what he had paid, as it seemed expensive. BR-Apparel (01) claimed that the speed was slow, and she needed to connect a few times in order to get the Internet connection. Four participants indicated that the Internet connection that they received was not appropriate with their business’s need, except for BU-Baby gifts (04). For the Internet Service Provider (ISP), three of the participants; BU-Apparel (01), BU-Bakery (03), and BU-Baby gift (04) had chosen Telekom

Brunei (TelBru) as their ISP and the other two participants had chosen private ISPs (B Mobile and DST). The main reason for them choosing TelBru as their ISP was the same as the Malaysian participants, a bundle package with fixed telephone line. BR-Tour (02), who used mobile broadband for accessing the Internet, had chosen B Mobile as it had been recommended by someone to her. BR-Apparel (01) had chosen DST for her ISP, as previously she was not satisfied with the service provided by B Mobile. Consequently, she decided to switch her ISP from B Mobile to DST. Most of the participants were satisfied with their chosen ISPs except a minor issue mentioned by participant BU-Tour (02), who faced a problem in monitoring the gigabytes of data that she had already used.

*“I cannot monitor the numbers of gigabytes that I already use. My Internet prepaid balance is always missing”*

**BU-Tour (02)**

In terms of the obstacles of infrastructure that might affect the SBEs in adopting the Internet, most of the participants claimed that they did not have many obstacles except if the signal might be weak or hard to get on a rainy day. BU-Tour (02) used mobile broadband to access the Internet and claimed that she would have a problem to access the Internet if out of the city as there was the possibility of having problems getting the signal or being out of coverage.

### **Financial resources**

Adopting the Internet in business involves additional cost in business operations. However, several scholars claimed that the cost of adopting the Internet only has a minor impact on SBEs (Rizk, 2006; Sadowski, et al., 2002; Wresch, 2003).

### **Malaysia**

According to the interview data, nine out of ten participants claimed that adopting the Internet only had a minor impact on the cost of running their business operations. Most of the participants paid an Internet cost of approximately MYR100 (32.9USD) per month. They considered the cost was reasonable and affordable in respect of the impact on their business. However, MU-Photo (02) considered that the cost of the Internet in Malaysia was slightly expensive and not appropriate based on the service and speed offered.

### **Brunei**

For Bruneian participants, four of the participants claimed that adopting the Internet in their business did not affect their business cost, except for BU-Tour (02). She indicated that the price charged to her was not reasonable compared to the service that she received. BU-Baby gift (04) felt that the benefit received from the use of the Internet was greater compared to the cost that she paid. BU-Bakery (01), even though he claimed that the cost of adopting the Internet did not affect his business cost, considered the Internet cost overseas were cheaper than Brunei for the price and speed that was offered. BR-Apparel (01) said that she only pays

on average of BDN68per month for unlimited usage of Internet, which did not significantly affect her business cost.

### **Skilled workers**

Skilled workers in this research refer to the workers that have skills in communicating with any form of computing systems, telecommunications and for the Internet.

### **Malaysia**

Most of the participants preferred their employees to have at least basic computer knowledge (such as Ms Word, Ms Excel or the Internet). However, MR-Tour (02) did not really need employees that had basic ICT knowledge, as most of the management tasks were done by the owner himself. The same thought was also gathered from MU-Photo (02) in that it was not necessary to have employees with these skills. He stated that it depended on what type of job that the management was looking for. MU-Wedding boutique (03) was probably not looking for employees that have ICT skills, as most of the tasks involved with the use of computers were done by herself. MR-Photo (05) needed employees who had ICT skills. This was because the transactions in her business involved computerized transactions such as uploading pictures and updating stocks.

Nine participants claimed that they did not have much problem in gaining access to ICT skilled employees. MR-Resort (01) explained that acquiring employees

who have basic ICT skills was not a problem for him. However, to hire a skilled employee who was expert in ICT might be a problem, as most of them demanded higher salaries, which matched their skills accordingly. MU-Photo (02), even though his business location was in the metropolitan area, faced a problem in gaining employees who had specialized ICT skill, particularly in editing photos and handling tasks that related to photography. Three participants came out with the same thought, in that basically most of the younger generation has at least basic knowledge about ICT or computers (MR-Photo (05), MU-Wedding Boutique (03), and MU-Apparel (05)). Related to ICT or Internet training, seven participants agreed that they did not provide any related training to their employees. MR-Resort (02) explained that he was interested to give ICT or Internet training to his current employees, however, so far none of his employees were interested in learning. Another three participants –MR-Photo (05), MU-Baby apparel (04), and MU-Apparel (05) – explained that they provided in-house training. MR-Photo (05) stated that normally the training involved senior employees teaching and explaining to new employees the computerized systems in the business operations. MU-Baby apparel (04) also trained her new employees on the computerized system in the business operation, phase by phase. For example, in the first month the new employee will be trained how to print the order received from the Internet and the second month probably on collecting the order and responding to customer orders via the Internet.

## **Brunei**

Four participants agreed that they need employees who have the necessary skills to communicate with any form of computing system, telecommunications and/or the Internet except for BU-Tour (02). BU-Tour (02) claimed that she did not really need those skills for her employees as she herself managed all of the ICT related tasks, such as replying to emails. BU-Bakery (01) also claimed that for his employees who work in the factory, it was not necessary for them to have ICT skills, as they were only involved with manufacturing tasks. Three participants (BU-Bakery (01), BU-Baby gift (04), and BR-Apparel (01)) indicated that they did not have much problem in gaining access to ICT skilled workers. However, another two participants –BU-Tour (02) and BU-Baby gift (04) – claimed that they faced difficulties in gaining access to skilled workers. Three participants – BU-Bakery (01), BU-Tour (02), and BR-Apparel (01) – did not provide any ICT training to their workers, while another two participants –BU-Bakery (03) and BU-Baby gift (04) – claimed that they provided internal training to their workers. Normally, the senior workers will train and teach new workers to work in their new work environment.

## **Culture**

Culture in this research refers to the level of acceptance and openness of the employees in accepting the use of computers and the Internet in the business operations.

## **Malaysia**

Most participants (except MR-Resort (02)) stated that their employees were well adapted to the use of computers and the Internet in the businesses. They were very positive and willing to learn ICT. For MR-Resort (02), his employees did not bother with the use of the Internet in the business. This is because his employees were involved with non-management work, such as housekeeping and maintenance work.

## **Brunei**

In terms of employees' acceptance of the use of computers and the Internet in the business operation, four participants claimed that their employees were well adapted to these new technologies. Only the respondent for BU-Tour (02) claimed that her employees did not really accept the use of computers and the Internet in the business operations. This was because her employees were not involved in clerical work due to their level of education.

## **Government policies**

Government policies refer to the support and assistance provided by the government to encourage SBEs' growth. Government policies include training and support programmes, financial assistance and the policies themselves.

## **Malaysia**

The government of Malaysia puts great effort into strengthening the performance of SBEs by developing and initiating several development programmes and incentives. Almost half of the participants knew and had read about the government policies that encourage Malaysian SBEs to use ICT and the Internet for the business. Another four participants – (MR-Tour (01), MR-Resort (02), MR-Food caterer (04), and MU-Baby apparel (04)) – did not know about the government policies concerning the use of ICT and the Internet. MR-Resort (02) stated that he could not wait to receive the incentives from the government. He also stated that he had to struggle by himself to survive in the business.

According to the participants, they did not receive any incentives in terms of monetary support from the government. Nevertheless, five participants – (MR-Resort (02), MR-Snack retailer (03), MU-Wedding boutique (03), MU-Baby apparel (04), and MU-Apparel (05)) – agreed that they received support from the government in terms of training and seminars. MU-Photo (02) noted that although he knew about the incentives provided by the government, he did not know how to apply for or join such programmes. All participants agreed that the government policies did not create barriers for them to adopt the Internet in their business.

## **Brunei**

Four out of five Bruneian businesses – (BU-Bakery (01), BU-Tour (02), BU-Baby gift (04), and BR-Apparel (01)) – suggested that they knew about the government policies that encouraged SBEs to use ICT and the Internet in their business. BU-

Tour (02) added that most of the government agencies also diverted their transactions online. BU-Bakery (01) and BU-Baby gift (04) were in agreement that the government now actively encouraged SBEs to shift from traditional business to e-commerce. In terms of receiving any support or incentives from the government, four participants did not receive any support or incentives from the government, except BU-Tour (02), who had attended training organized by the government agencies. BR-Apparel (01) felt that it was hard to apply for the incentives from the government as many procedures had to be followed. All participants agreed that government policies did not create a barrier to them in adopting the Internet in their business.

### **Owner's attitude**

Owner's attitude involves the perception and acceptance of the owner-manager of SBEs in adopting new technologies in their business operations.

### **Malaysia**

MR-Tour (01), MR-Snack retailer (03), and MR-Food caterer (04) claimed that with the use of the Internet in the business it makes all of their business transactions easier and more manageable in terms of responding to the customers (replying emails). MR-Photo (05) also added that she was also able to monitor her shop using CCTV while she was at home by connecting to the Internet. The Internet also helped the participants – MR-Resort (02), MR-Snack retailer (03), MR-Food caterer (04), MR-Photo (05), MU-Wedding boutique (03), and MU-

Apparel (05) – to explore a wider business market. MR-Resort (02) stated that “I feel that the Internet has an excellent and positive impact on my business. Almost 70 percent of my new customers are from the Internet and 90 percent are from overseas”. Some of the participants also enjoyed themselves exploring with the new technologies. For example, MU-Bakery (01) claimed that “I am very positive about the Internet and I enjoy myself exploring new things. I consider the Internet as a new thing and new approach to market my products. It is also cheaper”.

All participants agreed that the use of computers and the Internet had a major, positive impact on their business. It helped to improve the business sales and provided more opportunities for the business to enter a wider market.

*“The Internet helps me to widen my market, quick in terms of information (update new products), exposure to a new world and good approach for marketing the products”.*

**MU-Photo (02)**

*“My business becomes better known by the public. I received many emails asking about my business packages”.*

**MU-Wedding boutique (03)**

*“The use of the Internet has a big impact on my business. I started my online business at home and now I am proud that I managed to open business premises through online business”.*

#### **MU-Baby apparel (04)**

##### **Brunei**

Most participants were positive regarding the use of the Internet in their business except for BU-Bakery (03). BU-Tour (02) was positive about the use of the Internet in her business; however, she admitted that her business via the Internet was progressing slowly as she did not pay much attention to getting her business listed on the top lists in the web. She claimed that the name of her business did not seem suitable to the industry that she was involved in. Most participants agreed that the use of computers and the Internet had a positive impact on their business except BU-Bakery (03). BU-Bakery (03) claimed that the use of computers and the Internet did not really impact on her business, as most of her customers prefer to visit her business premises rather than purchase online. She felt that selling products via blogs is more useful rather than the business website. BR-Apparel (01) stated that the online business helps SBEs to reduce their costs.

##### **Summary of indicator one: e-readiness**

Most Malaysian SBEs use DSL and mobile broadband to access the Internet. For the infrastructure, they were satisfied with the Internet connection provided in Malaysia in terms of speed and the Internet coverage. In Brunei, most of the interviewed SBEs indicated that they did not have much problem with the Internet

connections. However, they were dissatisfied with the Internet speed as they claimed that the Internet speed was too slow for them. Both Malaysian and Bruneian SBEs agreed that adopting the Internet did not affect the cost of running their business operations. Malaysian and Bruneian SBEs preferred their potential employees to have at least basic computer knowledge. It also depended on the type of jobs that the management were looking for, and whether or not they needed basic computer knowledge. Both Malaysian and Bruneian SBEs agreed that they did not have much problem in gaining access to ICT skilled workers. Most of them did not provide any related training to their employees except for internal training. Both Malaysian and Bruneian SBEs also claimed that their employees were well adapted to the use of computers and the Internet in the business operations. Under the 10<sup>th</sup> Malaysia Plan, the government developed and initiated many development programmes and incentives for SMEs, such as strengthening the support systems to SMEs and enhancing financial access to SMEs. The Malaysian participants indicated that they knew and had read about the government policies and development programmes. Participants received support from the government through training and seminars but not in terms of monetary support. The same situation also applied to the Bruneian participants who did not receive any monetary support from the government, only training and seminars. The response received from the Malaysian and Bruneian participants shows that they were very positive concerning the use of the Internet in their business except BU-Bakery (03) who claimed that most of her customers prefer to visit her business premises themselves to purchase cakes or pastries instead of

purchasing online. Overall, participants were ready for the use of the Internet in their business operations. The factors of infrastructure, availability of skilled workers, financial resources, culture, government policies and owner's attitude tended to support SBEs in adopting the Internet in their business.

### **9.2.2 Reflections on e-readiness**

The data gathered through the interview sessions with the owners and/or managers of SBEs provided an in-depth insight into the e-readiness factors. At a macro level, it was found that the e-readiness of SBEs in terms of infrastructure, availability of skilled workers, financial resources, culture, government policies, and owner's attitude had a moderate impact on the e-readiness factors. As observed, the government of Malaysia has actively geared up their effort towards a knowledge-based society and a value-driven economy. The Malaysian government considers the ICT sector to be one of the important strategic drivers for positioning Malaysia as a competitive knowledge based economy and global ICT and multimedia hub. In the case of Brunei, the government readiness can be described as lower compared to Malaysia, as not much has been done to assist SBEs.

A number of studies found that external factors, such as infrastructure, skilled workers and government policies influenced SBEs to adopt the use of ICT and the Internet for the business. Karanasios & Burgess (2008), in their cross-study of SBEs in East Malaysia and Ecuador, found that half of the participants in the

study experienced challenges of telecommunication infrastructure problems and limitations. A study of the factors affecting the adoption of electronic commerce technologies by Australian SMEs found that the lack of skills, knowledge and poor training of staff are the barriers that contribute to a lack of Internet adoption in the organization (Lawson, et al., 2003). A few scholars have agreed that the government plays an essential role, particularly in developing countries in creating a favourable environment for ICT (Montealegre, 1998; Mujahid, 2002; Pradhan, 2002; Rizk, 2006; Sadowsky, 1993). In Phase One of this study, the experts suggested that the government policies had a major impact on the readiness of SBEs in adopting the Internet. SBEs are reluctant to invest in ICT, probably due to a fear of changing policies to suit changes of government affected by political barriers (Kapurubandara & Lawson, 2006). However, Al-Qirim (2007) argued that government policies and strategies only have a small impact on the adoption of the Internet in SBEs. This is supported by Chong & Ooi (2008) in that the government's influence did not pose a significant barrier to adopting the Internet.

The results from the fieldwork found that the external factors –inadequate infrastructure, availability of skilled workers and government policies –only had a moderate impact on SBEs adopting ICT and the Internet for business purposes. This is in line with the continuous and growing interest in ICT adoption in developing countries, especially in the Asia Pacific. It has been discovered that the countries that enjoy higher GDP per capita, literacy rate, well established

telecommunication infrastructure and political stability typically enjoy higher diffusion of the Internet. For Internet development, the advanced economies, such as Hong Kong, Singapore, South Korea, and Taiwan, lead the Internet growth, followed by countries like Malaysia, Brunei, and Thailand (Hao & Kay, 2004).

The cost for subscribing to the Internet in Malaysia is more or less the same as Brunei. The only difference is in terms of value, as the cost will be charged in Malaysian Ringgit or Brunei Dollar. Other studies suggested that the cost will be an issue for adopting the Internet (Cloete, Courtney, & Fintz, 2002; Costa, 2001; Lake, 2000). However, this study found that the cost did not have a major impact on SBEs. This was supported by Rizk (2006) and Wresch (2003). Sadowski, et al. (2002), in their study on the strategic use of the Internet by small and medium enterprises, found that Internet adoption did not require a high cost of investment or an advanced pre-existing communication infrastructure.

It was found that owner's attitude plays a major role in adopting new technology in the business. The owner holds the key decision of whether they are willing to accept new technology in the business or to maintain their business in a traditional approach. This study found that Malaysian and Bruneian SBEs were open and interested in trying new business approaches, particularly in shifting their bricks and mortar approach to an Internet approach. The adoption decision is subject to the attitude of employees and may relate to the social and cultural characteristics of the business (Erumban & Jong, 2006). This is in line with the findings in which

several employees of SBEs were reluctant to learn and adopt the use of ICT in the business as they considered that the nature of their job did not require them to do so. The openness of employees to learn and adopt the new technology also depends on the sector that they are involved with.

Both Malaysian and Bruneian SBEs are enthusiastic and very positive concerning the adoption of ICT and the Internet for their business. Nevertheless, the different types of ICT infrastructure provided, culture and government policies reflects the level of Internet adoption in these countries. As mentioned earlier, this study was conducted in Peninsular Malaysia and Brunei. Based on the results, the location of SBEs (urban or rural areas) has a minor impact on the readiness level of these businesses in adopting the Internet. Naidu (2007) states that there is a wide disparity between the level of development within Malaysia. Peninsular Malaysia remains much more developed compared to East Malaysia (Malaysia Borneo) (Naidu, 2007). The 10<sup>th</sup> Malaysia Plan highlighted the ICT development in Malaysia as one of the National Key Economic Areas (NKEA) (Malaysia Economic Planning Unit, 2010). Under the 10<sup>th</sup> Malaysia Plan, the government will aggressively concentrate on upgrading the physical infrastructure including broadband networks, ports, double-track railway lines and airports, which will enhance the access and connectivity throughout Malaysia. The government is targeting to increase the penetration of broadband to 75 percent by the end of 2015 by introducing two main initiatives: High Speed Broadband (HSBB) and Broadband to General Population (BBGP). HSBB is mainly focused on high

population and high economic impact areas (state capitals, large urban and industrial zones). The HSBB will complement the BBGP to cover semi-urban and rural areas (Malaysia Economic Planning Unit, 2010). The government of Brunei is actively gearing its efforts to tackle the connectivity issues by revealing Broadband Wireless Access (BWA) for under-served areas (non-urban areas), higher bandwidth for households through Fibre to the Home (FTTH) and launching the Asia-America Gateway (AAG) (Borneo Bulletin Yearbook, 2011). Brunei also highlighted infrastructure development as one of the key strategies, particularly communication infrastructure.

Based on the results gathered from the field interviews, the framework has been refined to identify the significant level of e-readiness factors. A small number of changes have been made to the framework. All the e-readiness factors will remain for the final framework. Changes have only been made to the level of e-readiness impact in respect of the results and the literature review. Details of the refined framework on the e-readiness indicator are presented in Table 19. The changes in terms of level of e-readiness impact on infrastructure, financial resources, and government policies were applied in the refined framework. The level of impact of e-readiness may vary from one developing country to another depending on the type of technology, market sector, economic conditions, and so forth.

**Table 19 Details of refined framework for e-readiness indicator**

Factor of e-readiness	Developing country	
	Urban	Rural
Inadequate infrastructure	XX(X)	XX (X)
Availability of skilled workers	XX	XXX
Limited financial resources	XX	XX
Culture	XX	XXX
Government policies	X(X)	X(X)
Owner's attitude	XXX	XXX
The symbol: X minimal impact      XX some impact      XXX major impact X(X) / XX (X) – might have more impact in “less developed” country		

### Summary of e-readiness indicator

In this section, the discussion presented the e-readiness indicator of the framework in accordance with the findings from the interviews. The attributes of e-readiness were examined, and, subsequently, the e-readiness indicator of the framework was refined. The next section will discuss the interview data with the second indicator in the framework –business aims and strategies.

### 9.2.3 Indicator two: Business aims and strategies

Indicator Two discusses the business aims and strategies applied by small business enterprises. Based on the initial framework, the listed business aims and strategies are growth strategy, strategic alliance strategy, cooperation, and lifestyle strategy. All of the listed business aims and strategies were proposed based on the literature and findings from the previous phase of data collection (Phase One). Not all of the listed business aims and strategies were applied by SBEs.

## **Malaysia**

All participants had short-term and long-term business aims except MR-Tour (01), which only had short-term business aims. Most participants had a business growth strategy to achieve their business aims. Among the short-term and long-term business aims were:

*“I plan to settle the bank loan that I made to buy this resort”*

*(Short-term business aim)*

*“I want to improve the resort, such as every 10 -15 years we need major maintenance to be done”. (Long-term business aim)*

**MR-Resort (02)**

*“I want to train my workers who know how to bake. I am also in the process of improving my chocolate” (Short-term business aim)*

*“I plan to open another branch in the city”. (Long-term business aim)*

**MU-Bakery (01)**

*“I want to expand my business to Singapore and Brunei. I also want to be one of the major suppliers to other businesses that will buy my products in bulk”.*

*(Short-term business aim)*

*“I plan to have better business premises in the future”. (Long-term business aim)*

**MR-Snack retailer (03)**

*“I am in the process of improving my items and transaction system as I think it is still not really proper yet” (Short-term business aim)*

*“I would like to produce my own brand and have my own dealers. I am also thinking of franchising this business so more people will know about my business”  
(Long-term business aim)*

#### **MU-Baby apparel (04)**

All participants had a plan to grow their business in the future. However, not all participants had a strategic alliance with other businesses. Some participants had a cooperation strategy, particularly with their suppliers or their business networks. For example, MR-Tour (01) was an inbound tour operator that managed reservations to the local islands. MR-Tour (01) had a cooperation strategy with businesses that operated boat services to the islands. Other example was MU-Photo (02), who cooperated with Japanese artists in relation to his artwork. This cooperation strategy assisted both parties to discuss and improve their artwork. It involved knowledge sharing such as the techniques to set up portrait shoots, lighting for indoor/outdoor photo shoots, and hardware and software to soften the images. MU-Photo (02) and Japanese artists also collaborated in presenting their artwork at the national level by entering international photography competitions. MU-Wedding boutique's (03) owner stated that she did not have any proper cooperation with other businesses. She suggested that her clients refer to her colleague's business for other services, such as hairdresser or photographer. All

participants agreed that the use of computers and the Internet assists them to achieve these business aims and strategies.

## **Brunei**

All participants have short-term and long-term business aims. They were enthusiastic about growing their business. Some of the examples of the short-term and long-term business aims were:

*“I want to complete the big project from Ghanim International”*

*(Short-term business aim)*

*“I want to expand my factory” (Long-term business aim)*

**BU-Bakery (01)**

*“I want to be patient and survive in this business” (Short-term business aim)*

*“I would like to expand the business and have more business networks and get more sub-contracts” (Long-term business aim)*

**BU- Tour (02)**

*“I want to improve my sales and get more orders” (Short-term business aim)*

*“I would like to expand my business and also my business premises”*

*(Long-term business aim)*

**BU-Baby gift (04)**

All participants agreed that they would like to develop and expand their businesses in the future. Several participants have built a cooperation strategy with suppliers or business networks. For example, BU-Bakery (01) has a cooperation strategy with suppliers, in order to get the raw materials for manufacturing in stock. BU-Tour (02) had a cooperative relationship with related networks in the tourism industry, such as transport services, hotels and businesses offering 'rainforest' packages. According to BU-Tour (02), the main reason for her to develop a cooperation strategy with other tour operators was that she could easily arrange any tour package based on the tourist's request and pass it on to other tour operators if it was beyond her company capabilities, such as a rainforest package. None of the participants had developed any strategic alliance strategy for their businesses. Participants agreed that the use of the Internet in their businesses had assisted them to achieve their business aims.

### **Summary of indicator two: business aims and strategies**

Based on the results gathered from Malaysian participants, most of them have short-term and long-term business aims, except MR-Tour (01) who only has short-term business aims. All participants stated that they applied a growth strategy for their betterment and business growth in the future. Several participants also applied a cooperation strategy. They cooperated with their suppliers and business networks to expand and strengthen the businesses in the market. Bruneian participants were enthusiastic in growing their businesses in the future. They applied a growth strategy and several of them also applied a

cooperation strategy for their businesses. None of the participants applied an alliance strategy or lifestyle strategy in their business.

#### **9.2.4 Reflections on business aims and strategies**

Business aims and strategies are the drivers for business growth. The results gathered from the field interviews with the Malaysian and Bruneian participants indicated that most of them have short-term and long-term business aims and strategies. Most of the participants considered a growth strategy as a main driver to boost the business and also a cooperation strategy to sustain operations in the market.

A study by Burke & Jarrat (2004), based on an empirical study on SBEs in Australia, indicates that strategy is an explicit plan and an implicit pattern of behaviour. It is related to the attitudes and decisions of the owners or managers of the SBE's, and, thus, influences the growth strategy of the business. Majumdar (2008) suggested that motivation of the owners or managers of SBEs governs the attitude and decision concerning growth. A growth strategy might vary amongst SBEs even if they operate in similar markets (Matthews & Scott, 1995).

Cooperation networks by Malaysian and Bruneian participants are often related to their business market. For instance (MR-Tour 01), which is an inbound tour operator, built a cooperation strategy with a boat service operator. This cooperation strategy strengthened the market and provided more opportunities for

the business. This is supported by Pesamaa & Hair(2007) who claimed that the formation of cooperative networks could be one of the solutions for small businesses to survive in the marketplace. Pesamaa & Hair (2007) also indicated that a cooperative strategy is needed as relatively small businesses face difficulties in competing in the market due to business locations located in remote geographical areas. Relatively small business markets minimize the number of businesses with similar product strategies (such as two bakeries with the same pastry products). However when the businesses are too dissimilar, it minimizes their ability to develop a strong shared strategy and eliminates possible long-term product development. Thus, it contributes to negative attitudes in discouraging new ideas and a lack of determination to succeed. The decisions are often based on limited resources with inadequate competencies, such as higher transportation costs or a smaller customer base, thereby creating challenges to improve the products and services and also the marketing strategies (Pesamaa & Hair, 2007). Felzensztein & Gimmon (2007), in their studies on the influence of culture and size upon inter-firm marketing cooperation for the salmon farming industry in Scotland and Chile, found that small businesses in that industry in Scotland were more proactive in building inter-firm cooperation for international marketing activities. However, in Chile, they seemed to be constrained in that respect, as they were too small to afford the membership of the national salmon-industry trade association that facilitates cooperation and interaction among its members. According to Ussman & Franco (2000), the Portuguese textile and clothing sector was monopolized by SMEs, and the majority were family businesses. However,

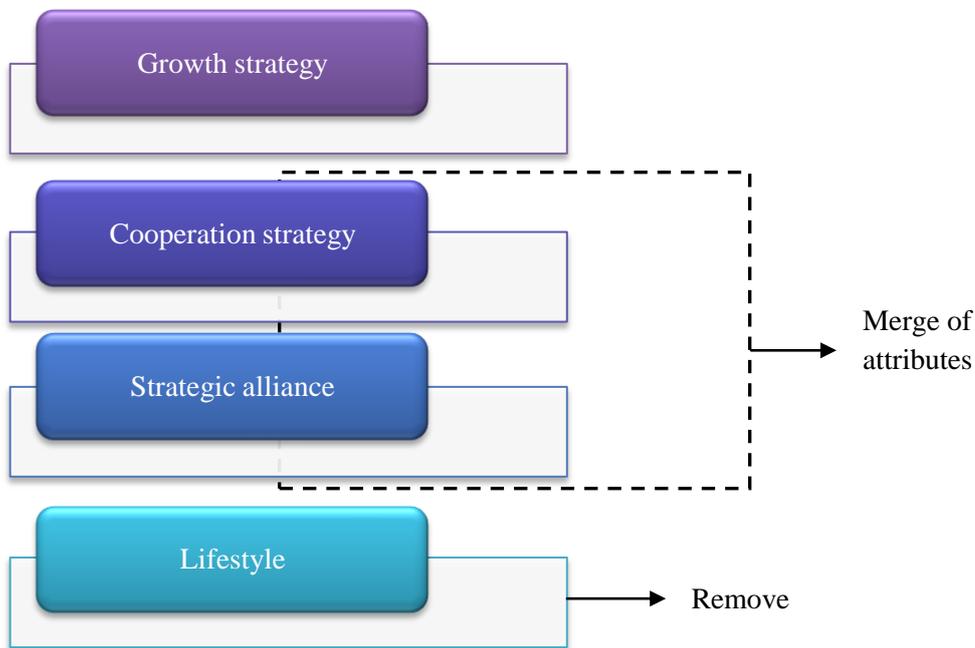
some of them failed to tackle obstacles adequately, thus, cooperation between SMEs can be one of the strategies to overcome the constraints and improve market position. Ussman & Franco (2000) argued that the cooperation process was difficult and complex, but it also had some positive results that can be useful to businesses to improve competitiveness.

Based on the refined framework from Phase One, four business aims and strategies were proposed: growth strategy, cooperation strategy, strategic alliance, and lifestyle strategy. However, based on the findings gathered from field interviews with SBE owners or managers in Malaysia and Brunei a minor alteration is considered. The findings from Phase One (expert panels) indicated that it was accepted that cooperation strategy and strategic alliance were among the business aims and strategies for SBEs. Nevertheless, based on the particular business environment (country's economic growth is considered) many SBEs had not yet reached where a strategic alliance is seen as one of the options for business strategies. The findings in Phase One also agreed that although it is an ideal achievement for SBEs to link their businesses with a strategic alliance for global markets, in reality not many SBEs practice it. The experts considered that there was an overlap between cooperation strategy and strategic alliance. The alteration for the final framework based on the findings from the interviews (Phase Two), the feedback from expert panels (Phase One) and the literature are considered. For the final framework, both business aims and strategies (cooperation strategy and strategic alliance) will be merged into one strategy.

The expert panels (Phase One) commented that lifestyle strategy could not be considered as a business strategy. It was more of a reason for the owner-manager of SBEs to get into the business. The researcher decided to maintain this strategy for further refinement in Phase Two. This strategy was tested in the fieldwork interviews (Phase Two). Based on the results of the interviews, the findings support the arguments made by the expert panel in Phase One. The findings found that lifestyle strategy did not exist as a business aim and strategy. A study by Lewis (2008) on lifestyle and business growth of small business owners in New Zealand found that small business owners had desires to grow their businesses but with certain limits. Typically their limits for business growth were related to their lifestyle and family oriented routines.

Thus, it was decided to remove the lifestyle strategy from the final framework. Figure 28 shows the business aims and strategies indicator that will be maintained for the final framework.

**Figure 28 Business aim and strategy indicator based on findings in Phase Two**



### **9.2.5 Indicator three: Marketing strategies**

Marketing strategy is about the process of achieving business sales by considering the satisfaction of the customers in competitive markets. In indicator three, which is marketing strategies, four attributes were listed: market development, diversification, market penetration, and product development (Chaffey, et al., 2006). The attributes were discussed in the interviews.

#### **Malaysia**

Most participants indicated that their marketing strategies, particularly to the wider business market, provided current information concerning their products or services to the customers, and improved their packaging (products). Below is some of the feedback from the participants concerning their marketing strategies:

*“My marketing strategies are to widen my business market, either domestically or internationally. I also plan to improve my marketing strategies via the Internet”.*

**MR-Tour (01)**

*“My target market is all over Malaysia. I also would like to have a specific packaging with my own brand. For chocolate I would like to come out with my own brand and patent my cupcake designs. I also targeted in the future to expand the sales of my cupcakes to hotels, etc.”*

**MU-Bakery (01)**

*“My marketing strategy is to provide current information on the service to my clients”.*

**MU- Photo (02)**

*“My marketing strategy is to create a latest design based on the current trends in order to meet customer needs”.*

**MU-Wedding boutique (03)**

All participants agreed that their marketing strategies were derived from the business aims and strategies. Most participants have their own target market. Each of the target markets of participants was based on the type of business. Nevertheless, several participants may have different marketing strategies for different types of customer. The other participants only had one marketing

strategy for different types of customer. For example, MU-Bakery (01) offered different packages and prices for different types of customer, such as for wedding door gift packages, where there were different prices compared to normal orders. This is because for wedding gifts, they usually ordered in large quantities. MU-Photo (02) also offered different kinds of photography packages and prices. He had three focuses in his business: wedding division, architectural division, and art division. All of these divisions offered different packages and prices, and had different target markets. However, MR-Resort (02) offered a business package based on the customer's request or need. For example, if his guests for that month were school students that organized motivation camping, he needed to cope with the request and budget from the organizers, such as if they requested six meals per day.

All participants agreed that customer loyalty was important to support their sales. More than half of the participants were concerned with delivering the best customer service in order to maintain customer loyalty: (MR-Tour (01), MU-Bakery (01), MU-Photo (02), MR-Snack retailer (03), MR-Food caterer (04), and MR-Photo (05). For example, MR-Food caterer (04) stated that she tried to provide the best service to her customers. She also believed that by delivering the best food to her customers, she was able to retain her customers and attract more new customers through word-of-mouth promotion.

## **Brunei**

There were several marketing strategies taken by the participants to market their products and services. Below is some of the feedback received from the participants concerning their marketing strategies:

*“I have set up a kiosk at a shopping mall in Brunei (Kompleks Yayasan). I also joined the Young Entrepreneur Expo and promoted my business through business website and Facebook”.*

**BU-Bakery (01)**

*“I have invested my marketing activities in the Australian market. I also joined the World Trade Fair (WTF) and road show with Brunei Tourism”.*

**BU-Tour (02)**

*“I will consider marketing the latest design of baby gifts to my customers”.*

**BU-Baby gift (04)**

All participants agreed that they derived their marketing strategies from their business aims. As every participant came from a different type of business, each of them has their own business target market. For example, BU-Bakery (01) targeted supermarkets and shops and wedding packages for door gifts as well as Sabah and Sarawak to market his products. BU-Tour (02) targeted foreign tourists

for her business. BU-Bakery (03) targeted middle to higher income customers to visit her business premises.

BU-Bakery (01) and BU-Tour (02) have developed a different marketing strategy for each customer type. BU-Bakery (01) offered different packaging, price and quantity of products, as requested by customers, particularly for wedding door gifts. For BU-Tour (02), the segmentation was slightly varied as it depended on the type of tourist. For example, she offered different packages for European tourists, Asian tourists and others. According to her, most tourists from Shanghai or China did not want the rainforest package compared to European tourists who were looking for nature and rainforest experiences. Asian tourists preferred city shopping packages rather than rainforest packages. BU-Bakery (03), BU-Baby gift (04), and BR-Apparel (01) said that they did not have a different marketing strategy for different types of customers.

All participants agreed that they were concerned with customer loyalty in supporting their business sales. BU-Baby gift (04) maintained long-term relationships with her customers in order to gain customer loyalty towards her business. BR-Apparel (01) offered a price discount to her regular customers and the customers who purchased in bulk as a part of encouraging customer loyalty.

### **Summary of indicator three: marketing strategies**

Most Malaysian and Bruneian participants indicated that their marketing strategies were expanding their business markets, providing current and latest information to their customers and improving the packaging of products. They claimed that the marketing strategies were derived from their business aims and strategies. As participants run different types of business, each target market varies. Several participants had different target markets for each type of product that they offered, whilst some only have one target market for all the products that they offer. Participants also agreed that customer loyalty assisted them to improve business sales.

### **9.2.6 Reflections on marketing strategies**

Marketing strategies are often related to marketing activities, particularly to attract more customer awareness, gain new market segments, improve customer loyalty and provide added value to customers. As listed in the Phase One refined framework, all proposed strategies will be maintained for the final framework: market development, diversification, market penetration, and product development.

Market development strategy relates to the target market and segmentation. Target market could be considered as individuals or organizations that have a need for products and an ability to purchase the products (Pride, et al., 2006). Segmentation is important in dividing a market into smaller groups with different

needs, characteristics, or behaviour that might require separate marketing strategies or mixes (Phillip Kotler & Armstrong, 2010b, p. 191). In the case of Malaysia and Brunei SBEs, most of the participants were considering a market development strategy to market the products and services. According to the findings gathered from the interviews with Malaysian and Bruneian SBEs, several of them developed different marketing approaches for different target markets. The marketing approaches were in terms of packaging, design, quantity or price.

Market penetration involves selling existing products in the existing markets (Chaffey, et al., 2006). It also relates to establishing and retaining customer loyalty and market share. According to the findings gathered from the interviews, customer loyalty is important to support their sales. McMullan & Gilmore (2008) concur that the market becomes more competitive as many companies are aware of the importance of establishing and retaining current customers.

Product development strategy is related to product added value to existing products or increasing a range of products. Otto & Wood (2001) defined product development as “the entire set of activities required to bring a new concept to a state of market readiness”. The findings gathered from interviews support the product development strategy, as participants attempt to offer their products or services differently from competitors. Thus, it involves product added value to create the uniqueness of products or services.

Diversification is where new products are extended and sold into a new market. Diversification could be into related business, unrelated business, upstream integration, or downstream integration (Chaffey, et al., 2006). Forming linkages with MNCs is one of the popular methods of bringing SBEs to selected industries to learn quickly about innovation and marketing (Kaloo, 2010). In his study on SBEs in Malaysia, Kaloo found that in recent years government agencies had facilitated the formation of linkages between local SBEs and MNCs. For instance, local SBEs (like agriculture-based enterprises) collaborated with multinational retail chains such as Tesco or Carrefour to supply fresh food items to their stores. Even though the results from the interviews did not support the diversification strategy, the researcher has decided to maintain the indicator for the final framework due to its support in the first phase of the study. The indicator of diversification strategy will be tested in future research. Three strategies (market development, market penetration, and product development) are appropriate to be applied for marketing strategies as the findings from field interviews with SBE owners or managers supported these proposed strategies. Thus, the marketing strategy attributes in the final framework are: market development, diversification, market penetration, and product development. Figure 29 shows the marketing strategy indicator for the final framework.

**Figure 29** Marketing strategies indicator based on findings in Phase Two



### **9.2.7 Indicator four: Internet marketing**

The fourth indicator in the proposed framework is Internet marketing. This indicator consists of the four Cs attributes: customer, cost, convenience, and communication. The attributes of the four Cs were derived from the marketing mix: place, promotion, price, and product (four Ps).

#### **Malaysia**

All the participants agreed that the use of the Internet in the business helps them in marketing and promoting their products or services. They commented that Internet marketing benefits them in terms of the market coverage, enhanced awareness of the existence of the businesses, and providing convenience to the customers to access the latest information, anywhere and anytime. MR-Snack

retailer (03) indicated that Internet marketing was an easier and cheaper way to market products and services. This is supported by MR-Food caterer (04) and MR-Photo (05). MR-Photo (05) added that Internet marketing was about a new trend to purchase products online. It is more convenient and customers have more time to select and browse products before making any purchase.

There were several reasons that prompted SBEs owners or managers to set up their own business website. A few SBEs decided to set up their business website due to the influence by customers and competitors: MR-Tour (01), MU-Photo (02), MR-Photo (05), and MU-Wedding boutique (03). Other participants: MR-Resort (02), MU-Bakery (01), MR-Snack retailer (03), MR-Food caterer (04) and MU-Apparel (05) were influenced by customers who pursued them to have a website. Customers insisted that these SBEs have a business website in order for them to view the latest products or services and to easily interact with them (emails). MU-Baby apparel (04) was influenced by her brother to set up the business website. Otherwise, for MR-Food caterer (04), she stated that she decided to develop her own business website through her own initiative and those customers had also influenced this decision.

*“This is my own initiative to develop my business website after I noticed that many businesses already have their own website. The customers also influenced me”*

**MR-Food caterer (04)**

*(This relates to Customers, and Communication in the 4C’s)*

Most participants agreed that Internet marketing helped them to cater for new geographic markets and new market segments. Some of the feedback received from participants in the interviews includes:

*“I gain more bookings and reservations from the international and also the domestic market”.*

**MR- Tour (01)**

*(Communication, and Convenience)*

*“Since I have my own business website, I receive many emails either from local or international customers enquiring for further information on my resort”.*

**MR-Resort (02)**

*(Communication, and Convenience)*

*“I received bookings from all around Malaysia and also from Malaysians who stay overseas that want to give cupcakes for special occasions to their relatives or friends in Malaysia”.*

**MU-Bakery (01)**

*(Customer, Communication, Cost, and Convenience)*

*“There were orders from out of Peninsular Malaysia like Sabah, Sarawak and also Singapore and Brunei”.*

**MU-Wedding boutique (03)**

*(Customer, and Convenience)*

*“My customers are from all over Malaysia. I also received orders from Australia, New Zealand, Japan, Singapore and Brunei”.*

**MU-Baby apparel (04)**

*(Customer, Communication and Convenience)*

*“I received orders from all over Malaysia, Singapore and Brunei”.*

**MU-Apparel (05)**

*(Customer, Communication and Convenience)*

As marketing involves communication and delivering information to customers, all participants updated the information on their products or services through their business website and/or online newsletter. Most participants updated their

business website based on their new business items or any promotion involved. Basically they updated the website once a week, fortnightly or depending on their needs. Overall, they communicated with customers via email or SMS. In terms of responding to customer feedback, they often gain a quick response in terms of replying to emails within a day.

All participants agreed that they were able to minimize their costs by using an Internet marketing approach. Several participants – (MR-Tour (01), MR-Resort (02), MU-Bakery (01), MU-Photo (02), MR-Food caterer (04), MR-Photo (05) and MU-Wedding boutique (03)) – did not provide special offers to the customers who purchased online. MU-Baby apparel (04) gave special discounts for her regular customers and gifts for those who make a purchase online. Half of the participants –MR-Tour (01), MR-Resort (02), MU-Photo (02), MR-Food caterer (04), and MU-Wedding boutique (03) – did not offer product or service value added. The other half of the participants did offer product or service value added to their customers.

### **Brunei**

Most participants except BU-Bakery (03) agreed that their marketing strategies did support the adoption of Internet marketing. Among the reasons were:

*“Internet marketing helps me to keep update with trends, it is cheaper and easy to manage the customers’ orders and feedback”.*

**BU-Bakery (01)**

*(Communication)*

*“Cheaper and easy”.*

**BU-Tour (02)**

*(Cost, and Convenience)*

*“Via the web, I could display my new products and latest designs. It is cheaper and fast”.*

**BU-Baby gift (04)**

*(Communication, Cost, and Convenience)*

*“Through the Internet, I am able to cater to a wider market and reduce my marketing costs”.*

**BR-Apparel (01)**

*(Customer, and Cost)*

BR-Bakery (03) claimed that her marketing strategies did not support the adoption of Internet marketing as most of her customers preferred to visit her business premises rather than make the orders online.

Competitors and/or customers have influenced SBEs to adopt Internet marketing for their businesses. BU-Bakery (01) decided to adopt Internet marketing for his business. He also agreed that customers did influence him to adopt Internet

marketing. This is supported by BU-Tour (02). Adopting the Internet marketing in the business was her own initiative and customers and competitors also became the main reason for her to adopt Internet marketing for business operations. Both BU-Bakery (03) and BU-Baby gift (04) were influenced by customers and competitors to adopt Internet marketing in their business. BU-Bakery (01) claimed that competitors influenced her to adopt Internet marketing, as she has to compete with competitors in terms of price and design.

Most participants agreed that Internet marketing helped them to target new geographic markets and new customer segments, except for BU-Bakery (03). All participants updated new information for their customers and suppliers by updating their business website, except BU-Bakery (03). Two participants updated their business website on a yearly basis: BU-Tour (02) and BU-Bakery (03). BU-Bakery (01) updated his business website every two months, BU-Baby gift (04) updated her website based on the availability of new stock and BR-Apparel (01) updated her website once per month. All participants managed online feedback from their customers by replying to emails except for BU-Bakery (03). Participants usually took 1-2 days to respond to customer feedback. None of the participants offered special offers for online buyers. Three participants –BU-Bakery (03), BU-Baby gift (04), and BU-Bakery (01) – offered an e-catalogue on their website, displaying all of their products and making it easier for customers to choose before making any purchase.

#### **Summary of indicator four: Internet marketing**

Both Malaysian and Bruneian participants agreed that the Internet helped them to market and promote their products and services. They claimed that Internet marketing assisted them to have wider market coverage, create customer awareness, identify new market segments and provide more customer access to the latest information via the Internet. Customers and competitors were the factors that influenced SBEs to shift from a traditional marketing approach to Internet marketing. There was also a self-initiating factor that prompted SBEs to adopt the Internet marketing for BU-Bakery (01). Most of the Malaysian participants updated their business website based on their needs (new promotion or new items only). However, Bruneian participants based their updates on a scheduled period, once a year or every two months. They communicated with customers through email or SMS and usually responded to emails within 1-2 days. They also agreed that Internet marketing helped to reduce their marketing costs. In terms of special offers provided to online customers, not all participants offered special discounts to those who purchased online. Almost half of the participants offered e-catalogues on their business websites.

#### **9.2.8 Reflections on Internet marketing**

Internet marketing is a new marketing approach to promote products or services to customers. It is one way to reduce marketing costs, improve customer loyalty and manage orders systematically. A study by Selitto (2004) on Internet adoption for marketing practices by Australian winery found that wineries experienced the

benefits of the Internet in both business processes and marketing activities. The use of the Internet had allowed wineries to increase their sales to new customers even though wineries located in remote areas. Canavan, Henchion & O'Reilly (2007) supported that the Internet also can be a significant marketing channel for managing information and customer relationships.

The refined framework from Phase One listed the 4Cs –customer, cost, convenience, and communication – as the indicator for Internet marketing. Based on the findings from the field interviews, the owners or managers of SBEs in Malaysia and Brunei agreed that the attributes of the 4Cs supported Internet marketing. For the final framework, all the listed attributes of the 4Cs were retained. Thus, no changes were made for Internet marketing attributes for the final framework. The attributes of customers and competitors will also be maintained for the final framework. Figure 30 shows the Internet marketing indicator that will be retained for the final framework.

**Figure 30 Internet marketing indicator based on the findings in Phase Two**

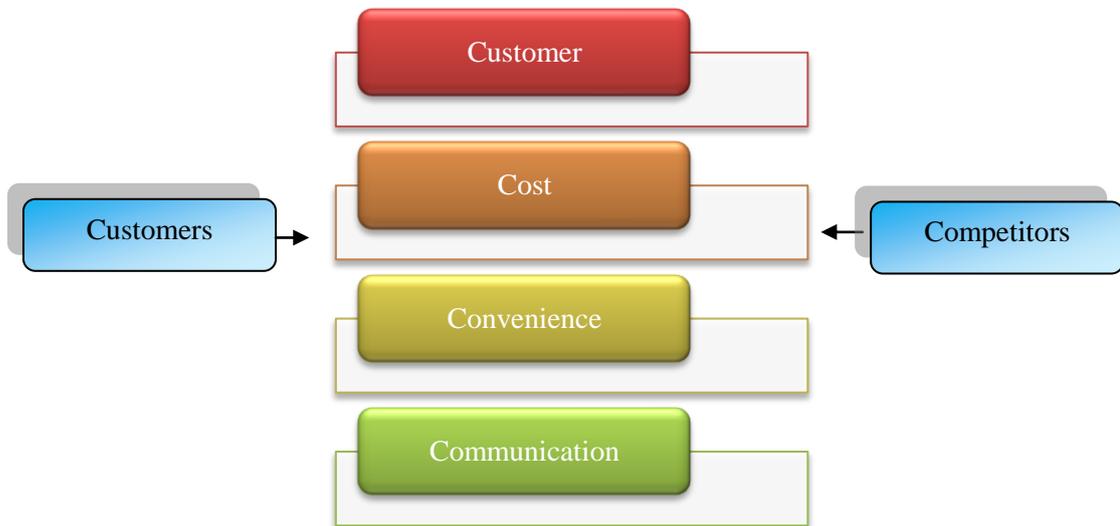


Table 20 shows how the marketing indicator (the 4C's) was applied by participants.

**Table 20 Summary of marketing indicator based on interviews**

Attributes	Responses
Customer	MR-Food caterer (04); MU-Bakery (01); MU-Wedding boutique (03); MU-Baby apparel (04);MU-Apparel (05); BR-Apparel (01)
Cost	MU-Bakery (01); BU-Tour (02); BU-Baby gift (04) BR-Apparel (01)
Convenience	MR- Tour (01); MR-Resort (02); MU-Bakery (01); MU-Wedding boutique (03); MU-Baby apparel (04) MU-Apparel (05); BU-Tour (02); BU-Baby gift (04)
Communication	MR-Food caterer (04); MR- Tour (01); MR-Resort (02); MU-Bakery (01); MU-Baby apparel (04); MU-Apparel (05); BU-Baby gift (04); BU-Bakery (01)

### **9.2.9 Indicator five: Internet marketing evaluation**

The fifth indicator in the proposed framework is Internet marketing evaluation. This attribute consists of customer satisfaction, revenue, and inventory. The evaluation of Internet marketing performance is essential for SBEs. The purpose of the evaluation is to measure the effectiveness of Internet marketing in contributing to business performance.

#### **Malaysia**

Most SBEs measured their Internet marketing performance through the response received by the customers, the increase of sales and demand, and the number of visitors. Overall, Internet marketing did affect their revenue, sales and customer satisfaction.

#### **Brunei**

Only BU-Bakery (01) and BU-Baby gift (04) measured their Internet marketing performance. Through the adoption of Internet marketing, they were able to improve sales, increase orders received, and more people were aware of their business. The adoption of Internet marketing helped them to increase their revenue, sales per sales person and customer satisfaction. BU-Baby gift (04) suggested that another measure that could be considered in measuring the performance of Internet marketing was web visitor traffic.

### **Summary of indicator five: Internet marketing evaluation**

Both Malaysian and Bruneian participants received positive business growth with the adoption of Internet marketing in the business. Nevertheless, not many of them formally evaluated the success of their new marketing approach. The evaluation of Internet marketing performance is important to review and evaluate the success of this new approach. The participants perceived that by adopting Internet marketing in the businesses they were able to increase revenue, increase sales and improve their customer satisfaction (based on their informal evaluation). A few participants also suggested that the performance of Internet marketing could be measured by the number of web visitors.

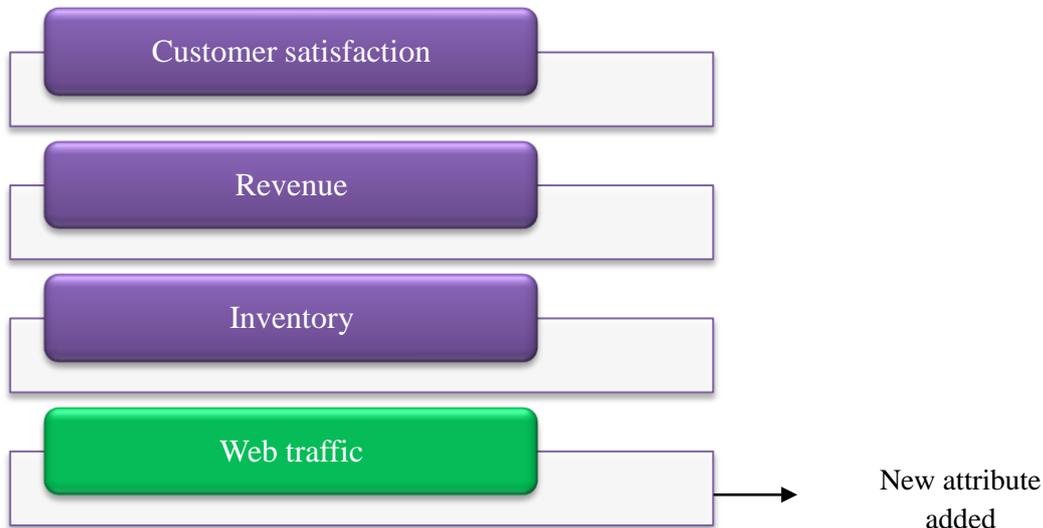
#### **9.2.10 Reflections for Internet marketing evaluation**

Internet marketing evaluation is important, particularly for SBEs in evaluating the success of Internet marketing in business operations. In the refined framework (Phase One), three attributes are listed: customer satisfaction, revenue, and inventory. Based on the findings gathered from the field interviews with SBE owners and managers, most of them indicated that Internet marketing contributes to increased customer satisfaction and sales (revenue). Chaffey et al. (2006) classified the measurement of Internet marketing into three categories, business effectiveness, marketing effectiveness, and Internet effectiveness. Customer satisfaction and revenue attributes are considered under marketing effectiveness. One participant suggested that web traffic could be considered as another method to evaluate the success of Internet marketing.

For the final framework, three attributes for Internet marketing evaluation remain. Even though the results from the interviews did not support the inventory indicator as one of the methods to evaluate Internet marketing performance, it was decided to maintain the attribute to be tested for future research based on the feedback from the experts in Phase One of the data collection.

A new attribute will be added for the final framework, web traffic. This is based on the findings gathered from the interviews where the participants suggested that web traffic could be considered as one of the ways to measure the effectiveness of the Internet marketing. Web traffic is categorized under Internet effectiveness (Chaffey, et al., 2006). Studies by Evans & King (1999), Sterne (2002), and Stout (1997) indicated that website performance can be evaluated through network statistics, such as hit rate and log analysis. In addition, Suh, Lim, Hwang, & Kim (2004), in their study of real time web marketing, use automated tools to analyse and numerically measure data (such as traffic-based and time-based data from websites). Figure 31 shows the attributes for Internet marketing performance evaluation.

**Figure 31** Internet marketing evaluation indicator based on the findings in Phase Two



### 9.3 The revised framework

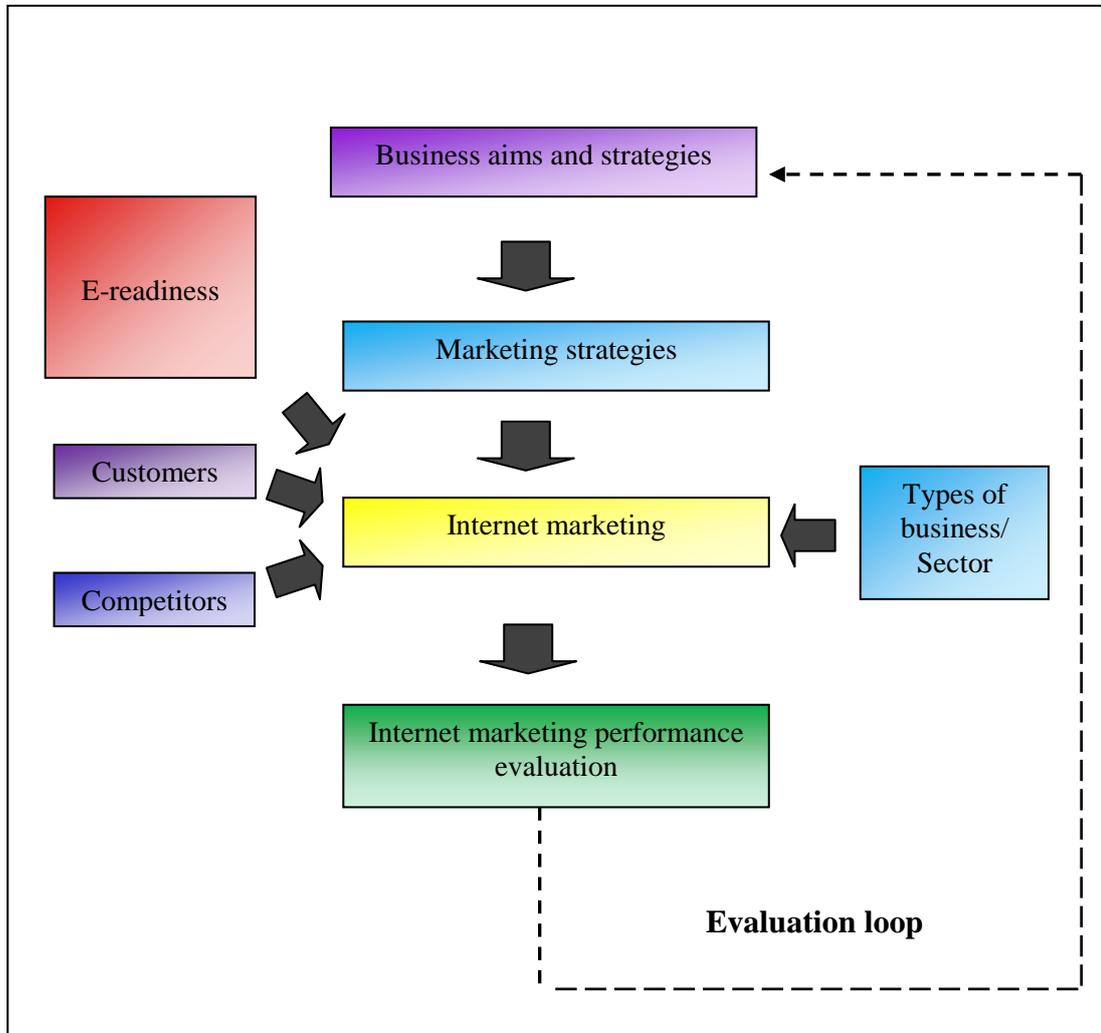
Figure 32 presents an overview of the revised framework for this study. This refined framework was based on the findings from the data collection in Phase Two (interviews) and considered the revised framework in Phase One (an online discussion). Each indicator is presented in Figure 33.

The framework discusses the e-readiness indicator that contributes to the factors of adoption of the Internet by SBEs. The level of e-readiness in the listed attribute provides the impact on the adoption of the Internet. The results from the study indicate that one new attribute does influence SBEs in adopting the Internet in the business: *type of business* or *sector*. The impact of the factors of e-readiness might vary according to the country (developing or less developed). The

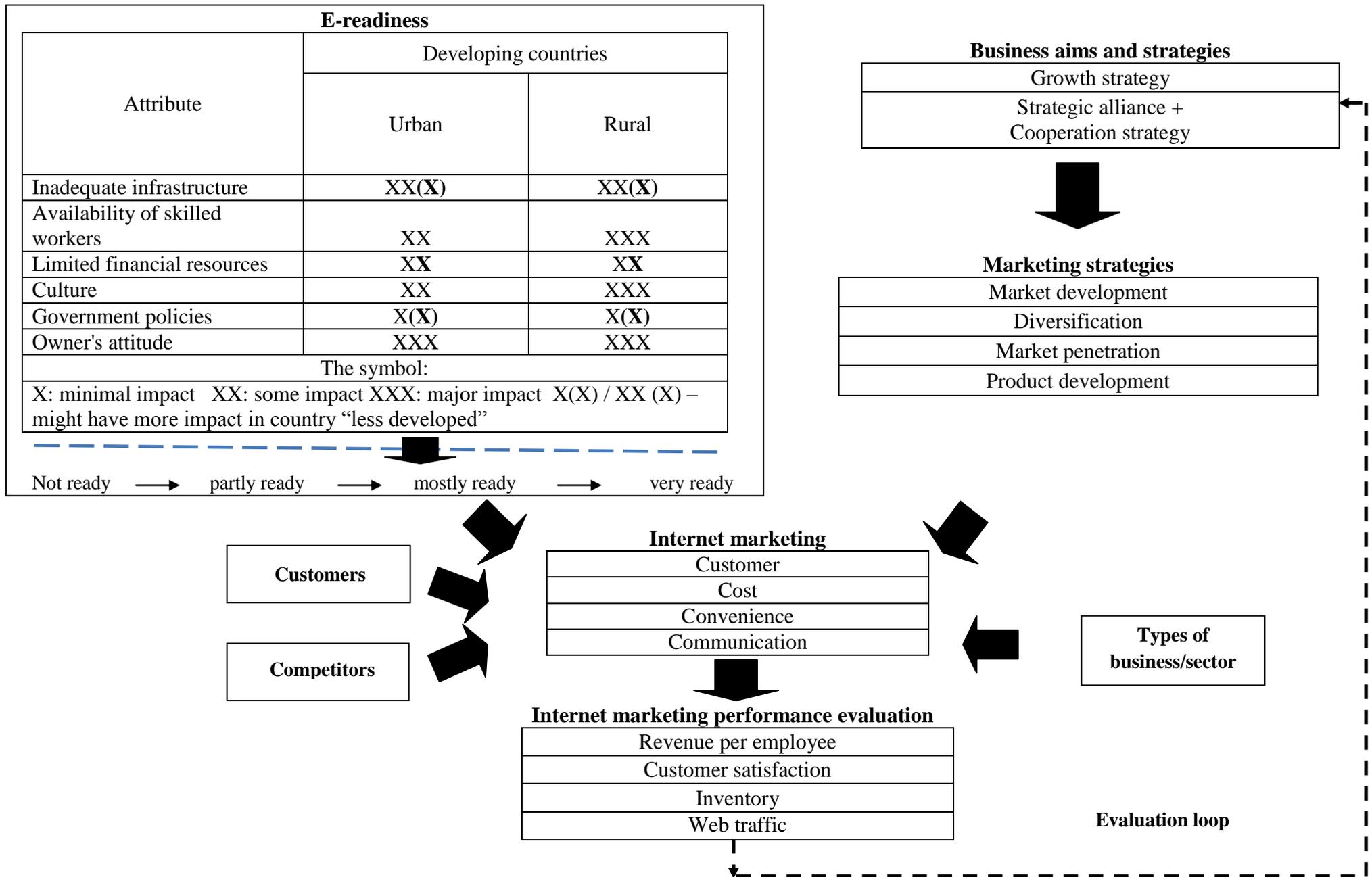
framework also suggests that four business aims and strategies can be applied by SBEs in respect of their business development. Two attributes were merged: the cooperation strategy and strategic alliance. The rationale to merge these attributes is that the experts considered that there was an overlap between cooperation strategy and strategic alliance. Based on the experts, these two attributes are applicable when different business environments are considered.

For marketing strategies, four of the marketing strategies were incorporated in the final framework –market development, diversification, market penetration, and product development. No changes were made to the final framework, as including the customer and competitor attributes can influence SBEs in adopting Internet marketing. There are changes in the listed Internet marketing performance evaluation indicator for the final framework. A new attribute – web traffic– was added for Internet marketing performance evaluation.

**Figure 32 Internet Adoption Framework for Marketing by Small Business Enterprises in Developing Countries (Overview)**



**Figure 33 Internet Adoption Framework for Marketing by Small Business Enterprises in Developing Countries (Detailed)**



## 9.4 Summary of the field research

This study commenced with the development of an initial Framework for Adoption of Internet Marketing by SBEs that was based on the existing literature. Two phases of data collection were then used to test and refine the Framework. Phase One used a modified Delphi methodology with a panel of experts to evaluate and refine the initial conceptual model. Modifications during Phase One involved narrowing the macro perspective of the study to a micro perspective and adding a *Marketing Strategies* indicator to the framework. The experts also suggested including an evaluation loop and adding two indicators (*Customers* and *Competitors*) to the *Internet Marketing* indicator. Overall, four major modifications were involved; a new indicator of marketing strategies, an evaluation loop, and the customers competitors indicators. These modifications represented the refinement of the framework and were based on the opinions of experts in the related areas.

Further refinement of the Framework was continued in Phase Two based on the analysis of interviews with SBE owners or managers in Malaysia and Brunei Darussalam. Phase Two refinements included the addition of a new indicator (*Type of Business or Sector*) that relates to e-Readiness in adopting the Internet and the addition of one attribute (Web traffic) to the *Internet Marketing Evaluation* indicator. In this phase, there was one major modification - a new indicator was introduced (type of business or sector). Also, one attribute (*web traffic*) was added to the Internet marketing evaluation indicator. These

modifications were based on the interview analysis (the ‘practical’ perspectives of SBEs owners or managers). Thus this study considered both theoretical and practical perspectives in refining the framework.

This study has presented a number of contributions for research and provides greater insight to SBEs in adopting Internet marketing in their businesses. The final framework is designed for SBEs; however, it also offers benefits to researchers, development consultants, and policy makers. Even though this study has involved developing the framework for SBEs, it also presented the similarities and differences between the two countries examined as well as urban and rural areas. For example, the difference between Malaysia and Brunei Darussalam.

SBEs in Malaysia enjoyed better Internet facilities and were better supported by government policies compared to their counterpart, Brunei Darussalam. In term of location wise; urban and rural areas, most SBEs in Malaysia and Brunei Darussalam which are located in urban areas did not experience many problems with Internet connectivity. In contrast, some SBEs in rural areas experienced the problem of slow Internet connectivity. Thus, better ICT infrastructures such as Internet cables and towers might be required in these areas.

For business aims and strategies, and marketing strategies it was found that there were a number of similarities concerning the strategies applied by these SBEs (Malaysia and Brunei). In regards to Internet marketing indicator, a new attribute was added; *Type of Business or Sector*. This new attribute was applicable to SBEs in both Malaysia and Brunei Darussalam. The type of business or sector did influence the adoption of Internet for marketing by SBEs as not all businesses adopt the Internet in the same manner for marketing purposes.

This study contributes to the development of the body of research in the area of SBEs and Internet marketing in developing countries. This study also raised a number of questions for future research. The framework of Internet adoption for marketing by SBEs in developing countries provides a greater input to the related area of studies and this study can potentially be applied to SBEs in other developing countries as well.

# 10

## SUMMARY AND CONCLUSION

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### **10.0 Summary and conclusion**

This chapter presents the summary and conclusion of this study. The chapter includes a summary of the discussion concerning the research findings, the contribution of the study, and the application of the framework to small business enterprises. The study limitations and future areas of study are also discussed in this chapter.

### **10.1 Summary of the study**

This study proposed the Internet adoption framework for marketing in small business enterprises, particularly in developing countries. The framework was initially developed based on the literature. The proposed framework could be incorporated as part of the business strategies for small business enterprises in order to assist owners and managers (who are often poor planners) to adopt the Internet for marketing. This study presented five main indicators in the

framework, which are e-readiness, aims and strategies (which will lead to the Internet marketing approach by small business enterprises), marketing strategies, the Internet marketing approach, and, finally, the evaluation of Internet marketing (refer Figure 33, p. 334).

In adopting a qualitative research approach, an online focus group and multiple case studies were conducted in this study. In the first phase of data collection, an online focus group consisted of experts from various disciplines. The main areas of expertise sought in this study were e-commerce and small businesses, marketing, ICT, and small businesses in developing countries (or a cross-section of these areas). Academics were selected for the expert panels for the discussion, as it provided greater thought and perspective in terms of the theory and knowledge base. The selection of experts was based on publication records: journal articles, conference papers, book chapters, other relevant literature and recommendations by peers. The discussion was conducted in five rounds. Each round was conducted on a weekly basis: one round per week. Each round discussed a different topic based on the structure of the initial framework. The topic of discussion was designed according to the structure of the initial framework. The results from the discussion were used to refine the proposed framework. The second phase of data collection occurred after the modification of the framework from Phase One. Phase Two consisted of multiple case studies; fieldwork interviews were conducted among small business owners or managers. For this study, businesses in Malaysia and Brunei Darussalam were selected. The

interview questions were developed from the first phase based on the feedback from the expert panel. The results from the fieldwork interviews were analysed and additional refinements were made to produce the final framework.

## **10.2 Discussion of the findings**

The growth of Internet marketing has been increasing rapidly, and provides greater opportunities for SBEs to explore wider markets. Internet marketing creates a new platform for SBEs to market their products and services through cost savings in terms of marketing and operations, and improved relationship with customers.

This study generated findings in regards to the benefits of adopting the Internet for marketing purposes. The Internet can assist SBEs in marketing their products and services more efficiently and reachable in building good relationship with customers (either domestically or internationally). However, Internet reliability in developing countries varies greatly and depends on the development and ICT growth of each country.

In this study, several challenges to the successful appropriation and the use of the Internet were articulated. These are the issues mentioned across the ‘digital divide’ literature. The main purpose of this study is to create awareness among SBEs in developing countries to adopt the Internet for marketing their products and services. This study also provides a lesson to non-adopter SBEs to shift their

traditional marketing approaches to Internet marketing. It also highlights the importance of business aims and strategies, and marketing strategies to SBEs in providing direction to achieve the potential of Internet marketing for their businesses.

The potential markets for SBEs for marketing via the Internet are local and international customers, particularly those who enjoy buying products and services online. The high ICT penetration of certain countries also contributes to the growth of Internet marketing. Also, the type of products or services offered by SBEs can influence the adoption of Internet marketing. For example, some customers prefer to purchase products direct from a store (such as perishable items).

The positive impacts from the use of the Internet marketing by SBEs identified in this study provide sufficient justification to encourage non-adopter SBEs to overcome the challenges and make use of the Internet as a new channel for marketing purposes. In this case, the Government should play a role in enhancing and supporting SBEs with their use of Internet marketing. For example the Government could build a good relationship with SBEs to enhance their confidence and trust in relying on Governments' support and assistance. For instance, several examples of incentives and support allocated to SBEs in Malaysia include the promotion of SBEs through government-agency official websites, training and workshops for SBEs, tax-free ICT equipment, and expert

advisory centres. SBEs represent the backbone for economic growth by offering employment opportunities, which is a key to poverty alleviation in developing countries.

This study discussed the benefits of ICT adoption, however, many SBEs in developing countries are hindered in their use of ICT. The emerging question raised is how to encourage the adoption of Internet marketing by SBEs in developing countries. The idea is to address the development of ICT infrastructure and skilled human capital. It is important to pursue these development objectives via the appropriate channels. There are several opinions on how this matter can be geared up in terms of political will and resources. For instance, the support from industry can reduce some of the pressures faced by SBEs.

### **10.3 Contribution**

In Chapter One, it was mentioned that this study was based on three research questions. The research questions that have been addressed in this study are:

- a) What factors influence Internet adoption in developing countries?
- b) How do these factors differ between developing and developed countries?
- c) How does the adoption of Internet marketing improve the marketing activities of SBEs in developing countries?

This study answered the research questions that been addressed. The study indicated that six factors that involved in the lack of Internet adoption in

developing countries, which were inadequate infrastructure, availability of skilled workers, limited financial resources, culture, government policies, and owner's attitude. Each of these factors represented different level of impact minimal impact, some impact or major impact to each country. The impact of Internet adoption among SBEs in developing countries and developed countries were varied according to the development and the growth of ICT /Internet of the country. It seems that while the developed countries might be first, the developing countries pick up the pace quick.

The new approach of Internet did influence the marketing activities conducted by SBEs in developing countries. The research findings signified that the marketing via the Internet helps SBEs to reduce their marketing and operation costs. It provided more opportunities for SBEs to enter wider market; either domestically or internationally. Furthermore, the use of Internet for marketing enhances communication between SBEs and customers through e-mails and keep updates of latest information through business websites. It also creates a convenience to customers to purchase the product or service through SBE's business website from anywhere which the Internet access available and anytime that convenience them; 24 hours a day and 7 days a week.

Thus, this study contributes to the body of knowledge in respect of the use of Internet marketing by SBEs in developing countries. It has been observed that more attention is needed to support SBEs in adopting Internet marketing. Many

previous studies have focused on the use of the Internet by larger enterprises in developed countries and less concentrate on SBEs. SBEs have unique characteristics, which make them different from larger enterprises. Also, SBEs in developing countries have different needs to SBEs in developed countries. This study has involved the development of a framework for the use of the Internet for marketing purposes, particularly for SBEs in developing countries. This framework also contributes to a knowledge in research particularly in area of Internet marketing and SBEs in developing countries. The framework could become a reference to other researchers who interested in conducting research in a related field.

The Internet is an alternative tool for marketing products and services. For SBEs, the Internet offers many benefits and opportunities to enhance the business growth. The findings of this study contribute to a better understanding of SBEs, particularly owners and managers in performing a transition from traditional to a new marketing approach, which can help to improve their productivity as well as to stay competitive in the market. The new approach to marketing can assist products and services, especially in respect of personalizing them and providing more added value to encourage repeat customers or customer loyalty.

#### **10.4 Framework application and implications**

There are many ways to apply this final framework. From the perspective of SBEs, this framework can be applied by SBE owners or managers to evaluate the

performance of Internet marketing. The owners or managers could revise their business aims and strategies, and marketing strategies if the adoption of the Internet marketing does not contribute to the outcomes as expected. The framework can also be used by professional consultants or developers to SBEs. This framework will provide better insights to professional consultants or development for assisting adopter and non-adopter SBEs to focus on which areas they need to concentrate if any complexities arise. This framework can be presented as an instructive manual for policy makers. Through this framework the policy makers could determine the areas of e-readiness that require support.

## **E-readiness**

### *Telecommunications infrastructure*

Telecommunication infrastructure refers to the facilities and networks employed to transmit and receive information by electrical or electronic means. For every country, the level of telecommunication infrastructure provided is different. Users need to know what telecommunication infrastructure is available in their area to have a better understanding of the type of Internet connection they can use or access.

There are various types of Internet connection offered to the users depending on the availability. Some examples of common Internet connections are Digital Subscriber Line (DSL), Wireless Internet Service Provider or mobile broadband. Each of the connections offers a different type of Internet speed and price. If the

users have a reliable telephone connection, considering the DSL might be the best choice as it offers reasonable value for money compared to mobile broadband (most expensive). However, mobile broadband has the advantage that the users can use it to access the Internet anywhere (dependent on whether the users have access to the 3G network).

The other alternative to access the Internet is from a public access point, such as a tele-centre, places that offer free Wi-Fi or Internet cafés. This alternative is a common option for rural area users to get connected to the Internet.

### *Government*

The government is the agency that can provide many kinds of support programmes and incentives to assist SBEs in adopting the Internet. For example, the Malaysian government has introduced six major indicators of support programmes, which cover infrastructure, financing, advisory services and information, market access, technology, and human capital. These indicators are created to assist and enhance the growth of SBEs.

These support programmes and incentives provide greater opportunities for SBEs to gain an advantage. For instance, SBEs may seek advice on adopting and using the Internet. In addition, SBEs may consider the incentives offered by the government such as no taxes paid on ICT equipment, which supports the adoption of the Internet. Nevertheless, in some countries this type of support programme

will not exist. SBEs can refer to their small business council to identify what support programmes and incentives are being offered by the council.

The government website for small and medium enterprises is the appropriate means for SBEs to promote their businesses. Some governments have an official SBE website that provides a list of legitimate small enterprises under the government's supervision. This will help SBEs to be recognized and allow them to be promoted by the government without any cost incurred. For SBEs that do not have an option of a government's website (an official government website does not exist), SBEs may find an alternative solution to promote the business via a well-known or top list portal website of the country/region.

#### *Financial resources*

The cost of adopting the Internet can be an issue for SBEs. It will result in start-up costs that have to be borne by the SBEs; however, in the long-run the adoption of the Internet will reduce the operational costs. For example, through Internet marketing SBEs can reduce cost of printing of materials (brochures, pamphlets or forms), manage customer orders systematically, and be able to answer any response from customers promptly (replying to e-mails). Below are a few recommendations that SBEs could consider to reduce the cost of adopting the Internet:

- SBEs may utilize free services, like free website templates to design the website, free e-commerce checkout tools for payment facilities, free software for managing website content and free hosting packages. These free services allow SBEs to create a business website with minimal cost. SBEs can slowly replace the website with high quality for-pay services as the Internet business grows and generate profits.
- SBEs may ask close friends or family for IT assistance, such as advice, technical problems in relation to websites, or website development rather than pay for professional assistance.
- SBEs could consider using third party websites (the official government website) and using the website as a platform to market the business.

For SBEs in rural areas, collaborating in developing a superior website can be an advantage for SBEs (sharing the resources). Through this website, SBEs can work together to promote their business as they do not have to pay to promote themselves individually.

### *Skilled workers*

There are certain issues to be considered before hiring skilled workers. Among these issues are:

- The cost of hiring skilled workers is expensive. Does it affect your business expenses?

- For rural areas, there is a possible shortage of skilled workers. Thus, it diminishes the option of the skilled workers to be selected.

It is essential for employees to communicate well in English as it involves managing the customers. In other case, sometimes ICT skilled workers are not required if the owner/manager does it all (based on the findings in Phase Two).

### **Organizational environment**

#### *Business aims and strategies*

It is important to have appropriate business aims and strategies for each business. The business aims and strategies will determine the direction of the business. The aims guide the business in what to do and the strategies indicate how the business will do it.

#### *Marketing strategies*

Marketing strategies involve promoting the products and services, which allows the organization to increase the sales and profits with limited available resources. Marketing strategies may differ depending on the type of product/service offered and the unique situation of the businesses.

There are some guidelines to assist SBEs in developing marketing strategies. SBEs should consider the 4C's when developing their Internet marketing strategies. Some examples are:

- SBEs should know their unique selling proposition (USP). For example M&M's: "Melts in your mouth, not in your hand".
- It is important to identify your target markets.
- SBEs need to determine what are the benefits, specialty, and competitive advantage of products compared to those of their competitors.
- SBEs should identify how to position the products/services in the market.
- Finally, SBEs need to determine the best marketing method to position their products/services such as Internet marketing, direct marketing or others.

Overall, these guidelines highlight the attributes of market development, diversification, market penetration and product development that can influence SBEs to position their products/services in appropriate ways.

### **Influencing forces**

#### *Customers*

Every customer might have different needs. For example, local people in developing countries prefer to visit the shop to buy a birthday present rather than buying online. In contrast, people in developed countries (where many people use the Internet) prefer to buy online, as it is more convenient. In addition, young people prefer to search for information over the Internet before making a decision to buy the products/services, whereas the elderly prefer to go personally to the shop and get explanations from the salesperson. This scenario needs to be considered by SBEs to select the appropriate approach for the target market.

### *Competitors*

It is important for SBEs to identify their competitors in the market. There are two types of competitor: direct (selling the same products/services in the same market), and indirect (selling substitute products/services). It is common for SBEs to monitor the competitor's marketing activities and it will keep SBEs current with business trends.

Several of the recommendations that have been highlighted in this study are also applicable to professional consultants or developments, the government, and policy makers.

## **10.5 Generalisability**

The main objective of the study was to develop a framework concerning the use of the Internet for marketing purposes by small business enterprises in developing countries. The framework is a generic framework and does not particularly focus on a particular industry. Thus, this framework is applicable for SBEs, researchers, professional consultants, and policy makers to assist them in making decisions concerning the use of Internet marketing. This study was conducted in two developing countries (Malaysia and Brunei Darussalam). Nevertheless, this study was not a comparative study and readers should notice the similarities and differences between both countries. One issue that was highlighted is the available telecommunication infrastructure. The findings indicated that SBEs in Malaysia enjoy better telecommunication infrastructure than their counterparts in Brunei

Darussalam. Another finding is that the government policies in both countries are actively geared to the development programmes for SBEs. The role of the owner or manager of SBEs is important to overcome the shortcomings and contribute to the use of Internet marketing. The influencing forces –customers and competitors indicators– play a part in encouraging the use of the Internet marketing as well as to meet current business trends. The framework could be applied in other developing countries to identify such differences.

As the framework specifically focussed on SBEs in developing countries, it is not appropriate to be applied in developed countries. SBEs in developed countries generally experience advanced technology and infrastructure, level of economic development, and availability of skilled workers which are different with developing countries, particularly SBEs.

## **10.6 Limitations**

This study was conducted over three and half years during the course taken by the author. The study commenced in mid 2008. In Phase Two, the fieldwork interviews were conducted with SBE owners or managers. The researcher was aware of the potential bias that may occur. However, it is almost impossible to avoid the bias, particularly in respect of the type of selection method applied (respondents were contacted through the Internet) when the emerging group took place (Menou, 1999). Time constraints and financial limitations restricted the scope of study. This is because the author had to complete the study within the

time period given by the university. As this study required the author to travel to developing countries, and an amount of cost was incurred, the author had to manage the costs with the limited research funds provided, and with some personal cost.

The study was also limited in terms of the absence of the viewpoint of offline' SBEs, who have tried, but failed, to overcome the obstacles or choose not to adopt the Internet.

## **10.7 Future study**

This study has produced, reviewed and refined a framework for Internet marketing by SBEs in developing countries. However, it does not mean the work is complete. This study has demonstrated that much of the 'engagement' literature comes from five major indicators: e-readiness, business aims and strategies, marketing strategies, Internet marketing, and an evaluation of Internet marketing performance. A framework has been developed and (as observed) it is useful for SBEs, researchers, development consultants and policy makers (refer Figure 33, p. 334).

An approach that can be considered in the next phase of the study is to focus on both adopters and non-adopters, and to conduct a longitudinal study to investigate the period taken by existing non-adopter and their transition to adopt the Internet. The next phase (post thesis) is to ensure that the framework could be applied to

SBEs more generally. This requires extended fieldwork with online and offline SBEs. The application of this framework should be practical and not theoretical (nevertheless, the use of the framework should be rigorous, as developed in this study).

The purpose of this study was to gain an understanding of Internet marketing with a limited number of participants, even though this study focuses on a small selection of SBEs in Malaysia and Brunei Darussalam. The findings of this study highlight the problems faced (to a large extent), and the solutions for (to a certain extent) SBEs in developing countries. In this study, the discussion and the framework are presented. The framework can provide guidelines for SBEs. For future research (post-doctoral), the researcher is planning to apply the framework in further real environments to evaluate its practicality. In addition, the researcher will also consider focusing the application of the framework in certain sectors, such as tourism, manufacturing, retail or others instead of generalising the framework as a whole. For the time being, the framework presented in this study is very practical for SBEs, researchers, professional consultants, developers, and policy makers to use as a tool for the development of SBEs.

The author encourages the use of this study in respect of the framework being applied in other developing countries to focus the study on particular industries, and consider other attributes, such as type of business, maturity stage of the business, and others. Another important contribution to the research would be a

comparative study with several developing countries in the context of characteristics of owners/managers and how they adopt the technology. As this study is a qualitative study, the author encourages both qualitative and quantitative data collection to be applied as research approaches for further study.

This study highlights the emerging issues for further research. One emerging issue raised is how to encourage more small businesses in developing countries to shift their traditional marketing to Internet marketing. In relation to other e-readiness factors (such as infrastructure, financial issue, and government policies) there are some alternative ways to address and facilitate Internet diffusion among SBEs in developing countries. Another issue is how to educate SBE owners/managers to apply appropriate business and marketing strategies for their business, which are often less structured than large businesses. These issues are not only relevant to SBEs, but also to policy makers as they attempt to transform the perception, confidence, and ways of managing the business of the adopter and non-adopter small businesses. Finally, the author encourages more study in this particular area as it is important to support the development of SBEs as a domain and their economic growth overall.

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## **Appendix One – Lists of Publication**

This section contains of a list of publications resulting from this study.

Mokhtar, N.F. & Burgess, S. 2010, ‘An Internet Marketing Adoption Framework for Small Business Enterprises’, presented in *2<sup>nd</sup> International Conference on Technology and Operations Management*, Langkawi Island, Malaysia.

Mokhtar, N.F. & Burgess, S. 2011, ‘The Development of an Internet Marketing Adoption Framework for Small Business Enterprises: Results from an Online Focus Group’, presented in *8th AGSE International Entrepreneurship Research Exchange*, Swinburne University, Melbourne, Australia.

Mokhtar, N.F. & Burgess, S. 2012, ‘The Use of the Internet by Small Business Enterprises in Brunei Darussalam’ presented in *Business and Economics Society International Conference*, Queenstown, New Zealand.

## **Appendix Two – Phase Two Interview Questions**

This section consists a copy of interview questions that been used in the interview sessions with small business owners/managers in Phase Two of this study. The semi-structured interview was employed in this study.

### **Section A – Business Information**

#### **Question 1:**

- a) What type of business/service do you offer?
- b) How many employees do you have?
- c) How many years have you been in the operation?

### **Section B – E-readiness**

#### **Question 1(Infrastructure)**

- a) Do you use computers in your business?
- b) How long have you been using a computer in the business?
- c) Have you access to the Internet
- d) What device do you use to access the Internet?
- e) What type of Internet connection do you have?
- f) Do you experience any problems with your Internet connection?
  - i) Are you satisfied with your Internet speed?
  - ii) Is it appropriate to your business's need/use?
- g) Do you know who is your Internet Service Provider (ISP) is?
  - i) Why did you choose this ISP?
  - ii) Did you face any difficulties with the chosen ISP?
- h) Do any obstacles in term of infrastructure affect your business in adopting the Internet?
  - i) What are those obstacles?
  - ii) How do you overcome those obstacles?

#### **Question 2 (Financial resources)**

- a) Does adopting the Internet affect the cost of running your business? How?

**Question 3 (Skilled workers)**

- a) Do you consider that your employees had the necessary skills to communicate with any form of computing systems, telecommunications and/ or the Internet before hiring them?
- b) Do you have any problem gaining access to ICT skilled employees?
- c) Do you provide any ICT or Internet training and development for your employees? Please describe the type of training and its impact on the business.

**Question 4 (Culture)**

- a) How well do your employees accept computers and the Internet in your business operation?

**Question 5 (Government policies)**

- a) Do you know of government policies encouraging small business enterprises to use ICT and the Internet in the business?
- b) Does your government provide any incentives or support assisting adoption of the Internet or ICT? This probably might be in the form of training and advice, tax incentives to purchase IT equipment, or etc. If so, how does it help you?
- c) Do the government policies create barriers to you to adopt the Internet? For example changing of government policies, unstable political environment, etc. Please explain.

**Question 6 (Owner's attitude)**

- c) What is your perception towards the use of the Internet in your business? Please explain.
- d) Do you think the use of computers/ the Internet have an impact to your business?

**Section C – Business Aims and Strategies****Question 1:**

- a) What are your business aims (short-term)?
- b) What are your business aims (long-term)?

**Question 2:**

Would you like to grow the business?

**Question 3:**

Do you cooperate with other business? (If any) Who?

**Question 4:**

Do you collaborate with other business?

**Question 5:**

Do computers or Internet assists with achieving these aims?

**Section D – Marketing Strategies**

**Question 1:**

Briefly outline your marketing strategy.

**Question 2:**

Did you develop your marketing strategies from your business aims?

**Question 3:**

Describe your target market.

**Question 4:**

Do you have a different marketing strategy for different types of customer?

**Question 5:**

Customer loyalty is important to support sales. Do you consider how to improve your customer loyalty?

**Question 6:**

(If they have a growth strategy) Do any of your marketing strategies assist in growing your business? If so, which strategies? (Relate back to business aims and strategies).

**Section E – Internet marketing**

**Question 1:**

Do your marketing strategies support the adoption of Internet marketing? Why do you consider it? (Relate back to marketing strategies).

**Question 2:**

Did your customers and/or competitors influence you to adopt Internet marketing? How?

**Question 3:**

Did Internet marketing help you to target new geographic markets and new customer segments? (Relate back to marketing strategies and customer indicator of 4Cs) How?

**Question 4:**

Do you think that you are able to improve your communication (i.e.: exchange of data or updates) with your suppliers and customers when adopting Internet marketing? (Relate back to marketing strategies and communication indicator of 4Cs). For instance:

- a. How do you update any new information to your customers and suppliers? (Probably by newsletter, email, etc)
- b. How frequently do you update information on your business web site?
- c. How do you manage any online feedback from your customers?
- d. How long do you usually take to respond to customers' feedbacks?

**Question 5:**

The Internet can be used for market penetration (existing market and existing customers). Are you able to minimize costs by using Internet marketing? (Relate back to marketing strategies and cost indicator of 4Cs).

- a. Do you have special offers for customers who purchase online?

**Question 6:**

Do you provide any product/service value added as part of your Internet marketing? For example some businesses provide e-payment or e-catalogue in their web site for customers' convenience. (Refer to convenience indicator of 4 C's). Please explain.

**Section F – The evaluation****Question 1:**

Do you measure your Internet marketing performance?

- a) How do you measure it?
- b) How is it performing?
- c)

**Question 2:**

Does the adoption of Internet marketing affect:

- a) Inventory cost
- b) Revenue
- c) Sales per salesperson
- d) Customer satisfaction

**Question 3:**

Do you have any other suggestion that you think can be applied to evaluate Internet marketing performance?

## Appendix Three – Guidelines to SMEs in developing countries

Duncombe, et al.(2005) suggested enterprises to analyse all aspects of businesses before making decision to adopt the Internet for businesses. The authors highlighted a few key areas that can assist SBEs to analyse their businesses (refer Table 1)

**Table 1: How to analyse your enterprise**

Key area	Issues	Feedback
Market	Are your main competitors marketing or selling similar products or services over the Internet?	If the answer is ‘YES’ the enterprise needs to consider whether are they ahead, on a par, or behind in comparison with competitors, customers, and suppliers in using the Internet and e-commerce.  If the answer is ‘NO’, then the web-based e-commerce may not be a priority to you.
	Do your main customers or suppliers have access to the Internet or are they seeking to use e-commerce?	
Proximity	Where are your main customers and supplier located?	If customers and suppliers are located overseas, and the enterprise is located in a well-connected urban area, thus the enterprise has a high potential for web-based e-commerce.  If customers and suppliers are located within the country and the enterprise is located in rural area, the enterprise may consider using mobile phone or email by gaining access to a telecentre.
	Where are your business premises located?	

Products and services	Do your products or services have broad or specialized (niche) market appeal?	<p>If customers are from large and medium enterprises which operating in high potential sectors or in high disposable incomes, thus the enterprise needs to consider for e-commerce.</p> <p>If customers are from low income consumers or small and medium enterprises which operating in low potential sectors, thus the enterprise may have the low potential for e-commerce.</p> <p>If the enterprise is unsure, then the additional market research is needed particularly concerning on customers.</p>
	Are your products or services suitable for marketing or selling over the Internet?	
	Can your products or services be delivered electronically?	
Business	Is your enterprise new or well established?	<p>The size and the growth rate of the enterprise are not as important as the market, products and the nature of customers in determining the business potential.</p> <p>If the enterprise has a larger well-established business, there are more likely to have greater available resources for investment in web-based e-commerce.</p> <p>If the enterprise has a greater number of employees then climbing the steps to e-commerce</p>
	How many employees does your enterprise have?	
	Is your enterprise growing, contracting or reasonably stable?	
	What was the turnover of your enterprise in the last financial year?	

		<p>may present greater challenges in term of transforming skills and attitudes of the employees.</p> <p>For small enterprise, employing a few numbers of employees (2-5 person) it is easier to adapt with the use of the Internet, although it is likely that available resources will be lower.</p>
Access to ICTs	Do you currently have access to email or the Internet on your business premises or via a third party?	<p>If the enterprise is already a computer/email or Internet user and those facilities are accessible in the company, the enterprise has the greater potential to climb the steps of e-commerce. If the enterprise not yet to deploy ICT within the business, the enterprise needs to consider carefully the issues in relation to adoption and decide what type of ICTs would be most beneficial.</p>
	Does your enterprise currently have a website?	
	Are your internal IT systems networked?	
	To what extent are your business processes (customer database, account, invoicing, purchasing, etc) computerized?	
ICT and Business skills	Are you an ICT enthusiast and do you have ICT skills?	<p>Enthusiasm is the most important skill that the enterprise can consider for e-commerce initiatives. It is also necessary to develop the technical and business skills to successfully implement the technology and the innovations that will lead to new ways of doing business.</p>
	Are your employees familiar with ICTs and what is their level of ICT skills?	
	Do you have ICT support available 'in-house' or do you depend upon external maintenance and development of your ICTs?	

		<p>If the enterprise already have ICT skill and experience this will contribute higher potential for e-commerce. Nevertheless, good business skill – the ability to recognize how new technology can be used both wisely and cost effectively – are likely to be more important than the technical skills.</p>
Business environment	Are local telecommunication services provided to suit e-commerce?	<p>The ability of the enterprise to climb the steps to e-commerce will depend only on skills but also the level of support, and the barriers in the existing environment.</p> <p>An increased level of awareness of the ‘e-readiness’ issues will help the enterprise to understand the barriers that will be faced while operating the business.</p>
	How advanced is your nation regarding the legal, regulatory and banking requirements for e-commerce for example secure payments?	
	To what extent can transport and delivery systems meet the needs of potential e-commerce customers?	
Finances	How financially stable is your business?	<p>It is necessary for the enterprise to have access to financial resources to make an initial investment, but the enterprise also need to be able to generate sufficient revenue to sustain the e-commerce activities. It is important for e-commerce to contribute for growth of revenue (and profits) whilst not imposing a heavy burden to the cash flow or affecting financial stability</p>
	What investment resources do you have available?	
	Are you aware of the total likely financial cost (investment + recurrent costs) of e-commerce?	
	Have you weighted the cost against the benefits?	