BUILDING LEADERSHIP FOR E-BUSINESS DEVELOPMENT

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Overview

Electronic business is becoming an essential component of private sector development in a growing range of nations to achieve and maintain international competitiveness. This is due basically to its multiple benefits as a strong driver of innovation, productivity improvements, lower transaction costs with governments, and poverty reduction. Experience shows that accelerating ebusiness adoption, particularly among smaller firms, requires deliberate leadership on the part of governments in conjunction with the private sector to establish a conducive policy framework and overcome market failures.

eBusiness: a key competitiveness strategy of global leaders

eBusiness has clearly caught on in OECD member countries and those rapidly emerging in Asia as an essential competitiveness strategy. In the EU member states, even among small firms, over three-quarters have Internet access, 44 percent have a website and 36 percent provide online purchasing. Among G8 countries, approximately 20% of sales are attributable to having an online presence according to the 2003 International Benchmarking Study. In Korea, businesses have doubled their revenues attributable to e-business in just two years over 2001-2003 to a colossal $170 billion and are making exceptional use of e-business technologies to enable growth with the help of the world’s highest rate of broadband technology deployment. China has not ignored these trends and an estimated 80% of its medium to large companies are already engaged in various forms of online business. Small businesses are also becoming involved, in particular through some 9000 villages and towns now linked to the Internet.

These trends show that such countries are deliberately and quickly overcoming basic barriers to ebusiness adoption. In fact, many firms in them are already incorporating more sophisticated applications that deepen e-business’ impact on productivity. This includes upgrading Internet infrastructure with broadband, expanding supply-side applications that better integrate logistics and production functions in supply chains, incorporating online order and payment systems, and integrating internal management systems. This process in many cases is induced by large manufacturing businesses developing online links with numerous smaller suppliers.

The gap in ebusiness adoption

Most other areas of the world lag markedly behind these strident trends in ebusiness development. eBusiness in all of Latin America totaled only about $6.5 billion in 2002 and was...
concentrated in a few Latin America countries. Brazil accounted for $3.7 billion, followed at a distance by Mexico and Argentina. Even this modest level of activity is heavily concentrated among large firms - over 90% of Brazil’s ebusiness is reported to be generated by its 30 largest firms. Latin America’s smaller firms, in particular, tend not as yet to regard ebusiness as a strategic tool for competitiveness. Even in Chile, which leads the continent in e-development indicators, while 59 per cent of small businesses have a computer and 37 per cent have Internet access, only 10 percent have a web site and 4 percent of those surveyed believe the Internet can improve their competitiveness and sales.

There are several constraints at the heart of this gap. While network infrastructure services and the security of electronic transactions are significant factors, the most predominant constraints to e-business adoption involve awareness-building – particularly, smaller entrepreneurs lack of information and hands-on experience in e-business practices, underestimate e-business net benefits, and are hindered by the externalities associated with innovation at-large. Most also lack critical strategic ebusiness skills and financing for implementing e-business innovation. Further, there are often few small business-friendly information and communications technology (ICT) systems and applications, and fewer ebusiness strategy consultants and reliable suppliers to facilitate adoption and maintenance.

**Elements of ebusiness leadership**

*National organizational and policy frameworks* for e-business adoption first appeared mainly in OECD member countries in the late 1990s, most often in the context of broader information society goals adopted by governments. They consisted of dedicated organizational arrangements, a strategy and policy framework, government-2-business (G2B) services demonstrating by example the value of e-development, and results-oriented outreach programs to the business community. Most such countries (particularly Australia, Ireland and Canada) have progressively narrowed their direct program support to smaller firms out of strong commitments to address market failures impeding nationwide e-competitiveness and to promote employment generation.

In Australia, for example, a ministerial forum coordinates policy approaches to ebusiness at national and local government levels and they are executed by the National Office for the Information Economy (NOIE) in the Department of communications, Information Technology, and the Art. The NOIE is organized around key issues and establishes eight major divisions, each one with a Manager: (1) strategic framework for the information economy, (2) national broadband strategy, (3) spam, (4) statistical benchmarking, (5) ebusiness, (6) e-security, (7) the Information Technology Online Program (ITOL), and (8) international affairs. Australian eBusiness initiative works to promote and accelerate the uptake of electronic business tools and practices in order to lift the productivity and productive capacity of the Australian economy. It does this through: (1) providing guides and resources to doing e-business through a website and case studies, (2) targeted funding for collaborative e-business projects, (3) projects to improve the level of interoperability of systems, and (4) publications. eBusiness adoption has grown over the past four years to reach a rate of 55 per cent online activity among all businesses, including a 27 percent e-purchasing and 20 percent e-selling including electronic payments.

*Regional ebusiness leadership* has also been a very important tool in the European Union, which created in 2001 the regional Electronic Business Support Network (eBSN). It provides information about e-business policy initiatives, analytical data about the uptake of ebusiness among European smaller businesses, examples of best practice, news, and a forum for exchange among members. It is complemented by programs under the Innovative Actions Network for the Information Society (IANIS), which support widespread sharing of information through mechanisms such as eris@ that builds cooperation between regional economic development agencies.

Governments in Latin America - notably Mexico, Costa Rica, Colombia, Peru, Brazil and Ecuador – are in the early phase of building ebusiness leadership, usually by setting up high-level coordinating units or councils to set digital agendas and coordinate their implementation. The strongest organizational and policy leadership for e-business in Latin America at present is found in Chile. Its second strategy for the digital economy “Agenda Digital 2004-2006”, just adopted, contains thirty-four separate initiatives grouped in six main areas. The Agenda emanates from the Digital Action Taskforce (Grupo de Accion Digital), a public-private partnership composed of government agencies, the private sector and academia. The group, led by the Ministry of Economy and a Government Coordinator for ICT, also includes the Chilean Association for ICTs, Chamber of Commerce of Santiago, Ministry of Education, Sub-secretary of Telecommunications, University of Chile, and members of the legislative branch of the Government. In the area of ebusiness, the Agenda focuses on reinforcing the regulatory environment in the areas of data protection, authentication, and security in electronic transactions. With other programmatic support, it also aims to achieve by the end of the period ebusiness adoption by 60 percent of small firms, of which about one-third doing transactions online and more advanced ebusiness practices.

*Online services for business regulatory compliance* have been important both in increasing efficiencies and demonstrating the benefits of ebusiness adoption. Web-enabled transactions, such as for business registration, export and import, and meeting labor regulations provide savings simul-
taneously for businesses and government.1

Australia, for example, has approximately 1,600 government services and information sources online and approximately 20 per cent of them support online transactions. In the U.K., as at June 2004, in excess of 70% of all government services were available online and the Government aim to achieve 100% by the end of 2005. In Chile, SitioEmpresa (www.sitioempresa.cl) offers some 130 business online transactions, and TramiteFacil (www.tramitefacil.cl) is another remarkable G2B service that offers information for 1,386 transactions, of which 80 are enabled for online fulfillment of regulations and nearly 200 downloadable forms.

Public online procurement systems are also deepening e-business development. In Brazil, the government’s system, Comprasnet (www.comprasnet.gov.br), offers access to all federal administration contracts. An auction mechanism stimulates competition, lowers prices, and guarantees transparency. In addition, the government provides an online registration system for suppliers interested in participating in the bidding. Since October 2001, more than seven thousand auctions valued at more than US$612 million have taken place and the government has reaped substantial savings from the system. In Chile, the government’s electronic purchasing system, ComprasChile (www.compraschile.cl), began in 2000 providing information about goods and services acquisition by public entities to suppliers and citizens. Today, 250 public entities and 15,000 suppliers are enrolled in ComprasChile.

Direct program outreach support has also been provided by governments experienced in ebusiness leadership, mostly within a limited range of areas appropriate to public intervention such as awareness-raising, skills development and temporary facilitation of firm-level innovation initiatives. For example, Australia’s ITOL federal grant program fosters awareness and accelerates implementation of B2B e-business solutions, especially in smaller business clusters. The program promotes industry sectoral solutions and collaboration between buyers and suppliers within a supply chain to gain economies of scale and use of common infrastructure. Colombia’s Agenda de Conectividad has mounted a similar scheme using vouchers which so far have provided up to $4,000 per firm to 750 small businesses to co-finance e-business assessment and design services along with ICT technical assistance.

Economically advanced countries have moved relatively quickly over the past five years with strong leadership aimed to foster broad e-business adoption, particularly among smaller business. While many businesses in these economies are embracing mature e-business integration and transformation processes, the majority in most other economies have yet to begin. Strong government leadership and public-private partnerships are essential to close this gap. Observing countries with leadership experience in ebusiness development, this may include:

- a clear and documented long-term vision of the key role for ebusiness in the national competitiveness strategy (e.g. Smart Successful Scotland);
- a policy framework that sets an investment climate to facilitate e-business adoption, not only for telecoms but also for trust and security in online transactions, authentication and data protection, fighting cybercrimes and better intellectual property rights;
- an institutional focal point for central responsibility and for coordination among the various government ministries and agencies involved in policy implementation;
- leading by example through the development of online government services for business registration, tax compliance, customs services, and public procurement, etc.;
- outreach programs to promote awareness of ebusiness benefits, skills development programs, and pre-competitive matching support for ebusiness startups; and
- a monitoring and evaluation system which ensures that ebusiness strategies and programs are measured, analyzed and improved.

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Eleadership: Governmental Strategies to accelerate SME eBusiness adoption

January 20, 2004 – The eBusiness for Small Business Competitiveness Initiative in LAC in conjunction with the Knowledge Management Unit in Latin America and the Caribbean held an event via the Global Development Learning Network (GDLN) in January to highlight leadership and best practices on the part of national governments in the pursuit of accelerating eBusiness adoption by micro and small businesses.

The information economy is fast becoming rooted into firms and governments business processes. In addition, micro and small enterprises represented the bulk of business in most economies and contribute significantly to a country’s GDP. Adoption of e-business is a stream of work that aims to accelerate the uptake of electronic-business tools and practices that will lift the productivity and productive capacity of SMEs. One of the fundamentals needed in order to make progress in this sector is leadership on the part of national governments and understand various practices in e-leadership by governments in the pursuit of accelerating e-business adoption by SMEs. Topics are the following: (1) Organization, Staffing, Partners at the national and local level, Program Structure, Objectives (2) Monitoring & Evaluation methods, Benchmarking.

To search out and discuss progress in this area in Latin America, the e-Business for Small Business Competitiveness Initiative (sponsored by the LAC Knowledge Management Unit held its first dialogue of 2004 on eLeadership. The specific focus was on (1) organization, staffing, partners at the national and local level, program structure, and objectives; (2) monitoring and evaluation methods and benchmarking.

Presentations were made on Australia’s eBusiness initiative by the National Office for the Information Economy (NOIE) (now, the Australian Government Information Management Office) by Ashley Cross, General Manager of the eBusiness initiative, and on Mexico’s Project e-Mexico by Julio Cesar Margain, former General Manager of e-Mexico at the Ministry of Communication and Transportation in Mexico. Further commentary and discussion were provided by digital program government leaders in Brazil, Canada, Chile, Colombia, and Peru. Participants urged the Bank to initiate a regional dialogue to encourage national government to take the lead to design and support eBusiness programs and facilitate a leapfrogging process, in particular by (1) benchmarking good practices and standards in eBusiness for small business programs in leading countries, (2) design pilot programs to diffuse technologies among micro and small businesses, (3) enable the business environment, policy and regulatory framework that would facilitate e-commerce, and (4) support and create incentives for the IT industry to develop applications and services that target small businesses.

The presentations, key video clips of the dialogue, and a variety of background documents may be found on the eBusiness Initiative’s web site, www.worldbank.org/ebusinesslac.

For more information about the Global Development Learning Network (GDLN), visit http://www.gdln.org.

Notes

1This article is based upon the first dialogue held by the eBusiness for Small Business Competitiveness Initiative of the LAC Knowledge Management Unit in conjunction with the Bank’s Global Development Learning Network. In Latin America, Brazil, Colombia, Costa Rica, Mexico and Peru participated. They were joined by two global leaders in e-business, Australia and Canada.

Examples of excellence in the provision of government services to business are:

Canada: http://www.cebi.ca/ and http://www.eleadership.ca
Australia: http://www.noie.gov.au
Chile: http://www.agendadigital.cl
Ireland: http://www.irlgov.ie

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For more information on this Initiative, please visit www.worldbank.org/ebusinesslac

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