



Richard Bray

SMEs struggle with e-procurement

IN SEPTEMBER THE Canadian e-Business Initiative (CeBI) issued its report card on Canada's digital economy. The final grades were somewhere between 'could do more' and an outright 'F'. Worst of all were Canada's small- and medium-sized businesses (SMEs) – particularly significant because 99 out of 100 companies in Canada have under 500 employees but create more than one-third of the net new jobs in this country. If our smaller businesses don't turn to Internet business solutions (IBSs) as quickly as companies in other countries, the report says, there will be a significant impact on Canada's global competitiveness.

Pointing out the value, the CeBI report tells SMEs that investing in e-business can increase profits by 150 percent by boosting sales and cutting costs. It even anticipates the response from smaller businesses: IBSs are expensive; they require highly-trained and scarce people to install and operate them; small businesses have enough to worry about already; and, perhaps most importantly, the online environment is simply not secure enough.

Like most individuals, the typical SME is online, using email and gathering information from the Internet. The more adventurous have websites, but without e-commerce capability. Anything more risky is still on the horizon – and, maybe that is where it should be right now. The CeBI report notes that one-third more Canadians became concerned about online security in a year, while 35 percent believed that their privacy had been violated online. Fewer than one in ten small businesses report feeling 'extremely confident' about their e-security. These concerns cannot be dealt with merely by recommending that the federal government "... continue to aggressively address security issues."

At least in the short-term, there is a simple message for public purchasing organizations that want to do e-business with SMEs – for most of them, the 'e' must all be on the government side, or it won't be anywhere at all. When one side of the transaction is not ready or willing to use anything beyond email and a simple Web browser, it sets a high security standard for the other.

There are a couple of trends that may help SMEs implement e-business solutions without betting their companies on the outcome. The first is that the big companies like PeopleSoft and SAP may have already served the market for their enterprise products, and are now looking to smaller companies for new sales. The second trend, one that depends heavily on secure connections, is to provide solutions online. With an Internet connection, a browser and some training, any small business can use world-class software products without a big financial commitment. (Of course, given concerns about hacking and viruses, asking businesses to run important processes remotely is a lot like asking them to use a rickety bridge to reach an uncertain destination.)

Businesses of every size have demonstrated their willingness to contribute to products where risk and reward are shared more equally. Standardization is one example, and one where government procurement policies can make a difference – the National Product Registry has had tremendous success in standardizing product identification in the food and pharmacy sectors, uniting those industries in a single program that benefits everyone.

The biggest reason to bring Internet business solutions to Canada's SMEs may be the biggest obstacle – once committed to automating business processes, nothing in those businesses will ever be the same again. From the reception desk through to the loading docks, human and business relationships must all be renegotiated. The report looks beyond how technology has transformed the customer experience in travel and entertainment to its real impact: "The real value for firms, however, comes from automating internal business functions and transforming processes to realize efficiencies and reduce administrative costs, as well as cost of goods sold." But people who own SMEs may well know and understand the benefits of e-business but are simply not ready or willing to risk reinventing themselves. Ironically, it may well be that those who can best afford to take the chance – the most successful – will prove the most reluctant.

Big businesses, universities and governments can survive e-business failures. Smaller businesses cannot afford them at all. Public sector e-procurement solutions must take that into account. *///*

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