

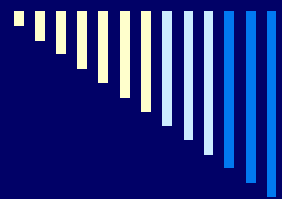
# Increasing Competitiveness of SMEs through ICT



**EUROPEAID**  
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**Dr. Itzhak Shemer**

1<sup>st</sup> EUMEDIS International Conference  
Dead Sea Resort – Jordan / 17-18 April 2005



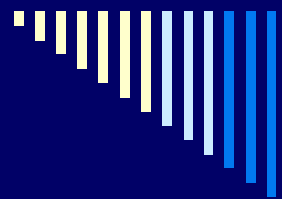
# Small & Mid-Size Enterprise

Most common definition :

- Small enterprise : up to 50 employees
- Mid-size enterprise : 51-500 employees

Typically :

- >95% of enterprises
- >50% of employees.



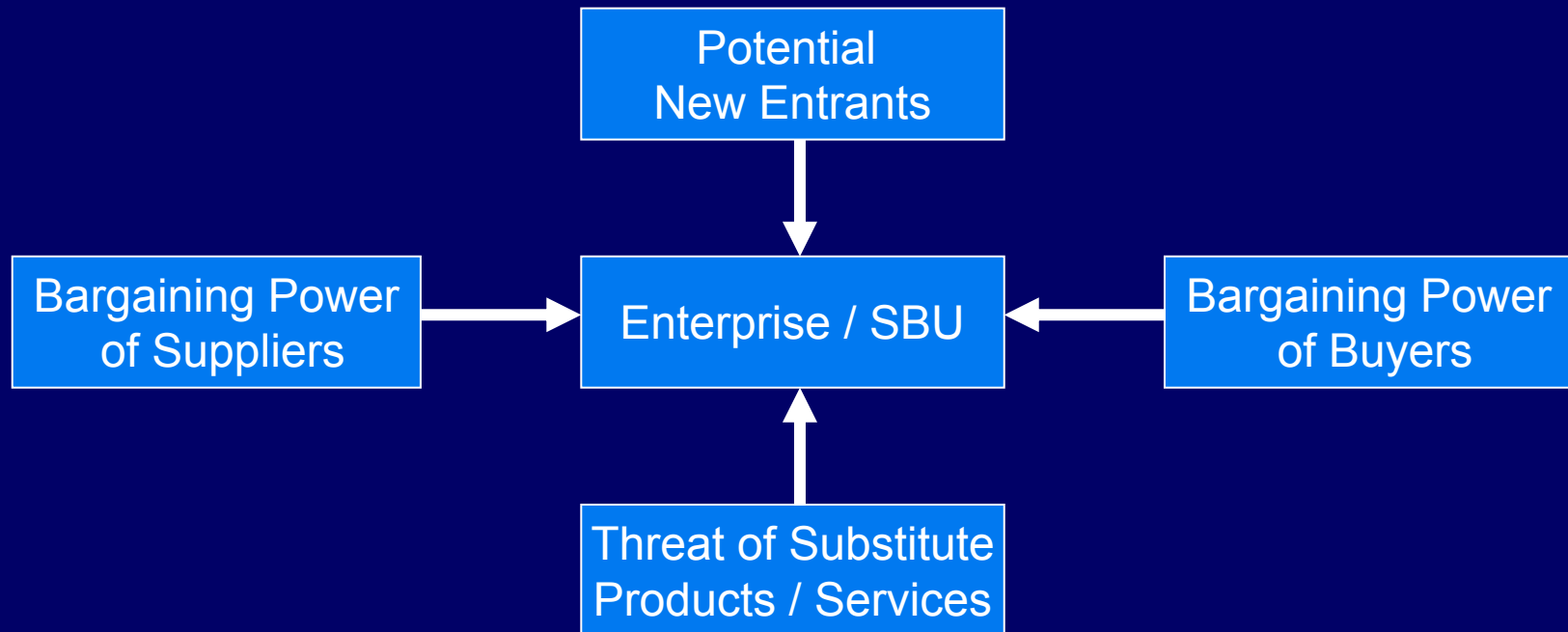
# Why Focus on SMEs ?

- Contribute significantly to economic growth
- Better balanced :
  - Geographically
  - Socio-economically
- Tend more to preserve “local flavor”
  - Culture
  - Language
  - Heritage
- Have different needs than large enterprises.

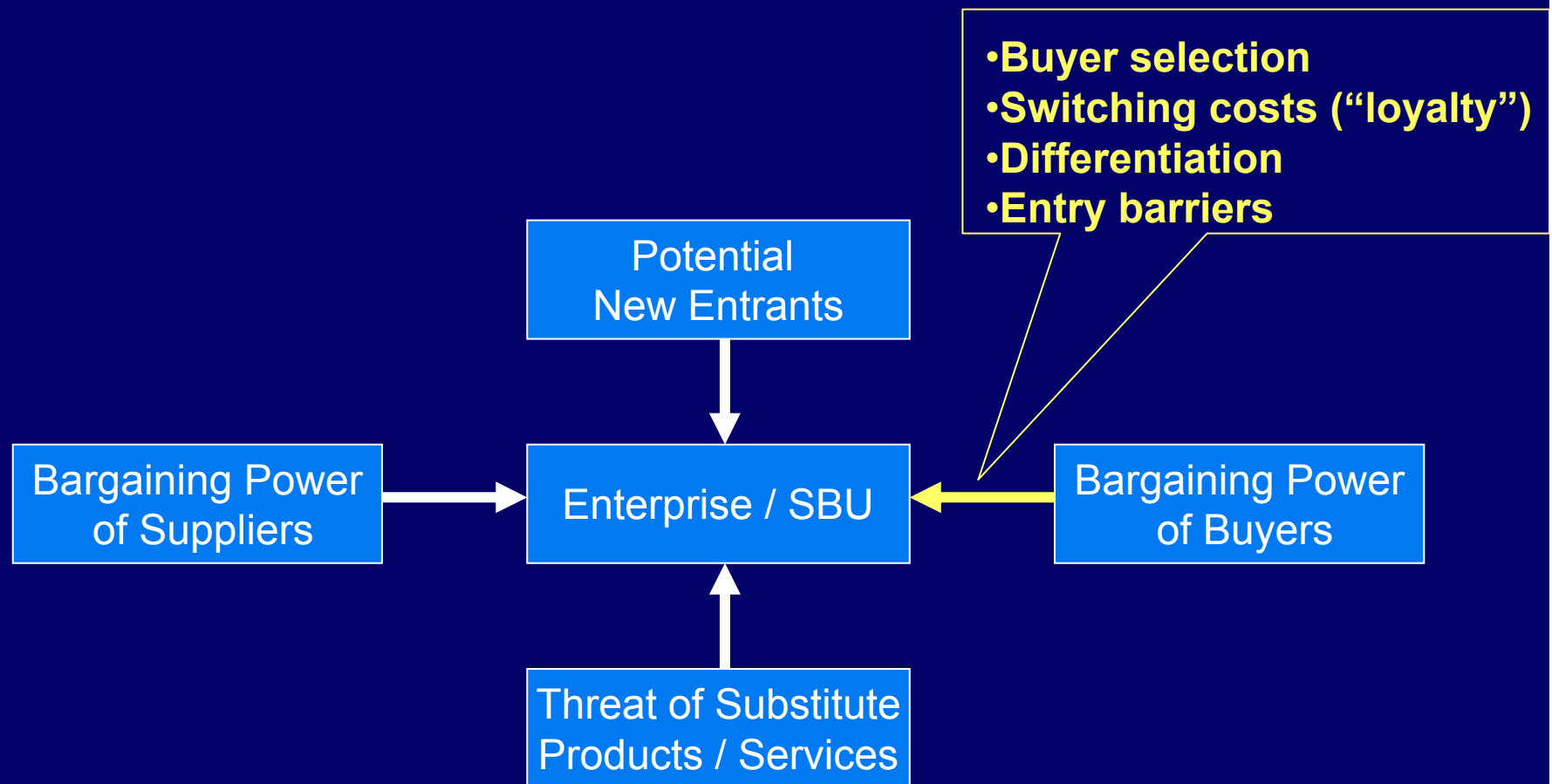


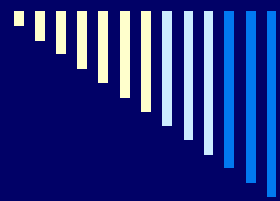
# Competitiveness

A popular framework developed by Prof. Michael Porter (Harvard) :



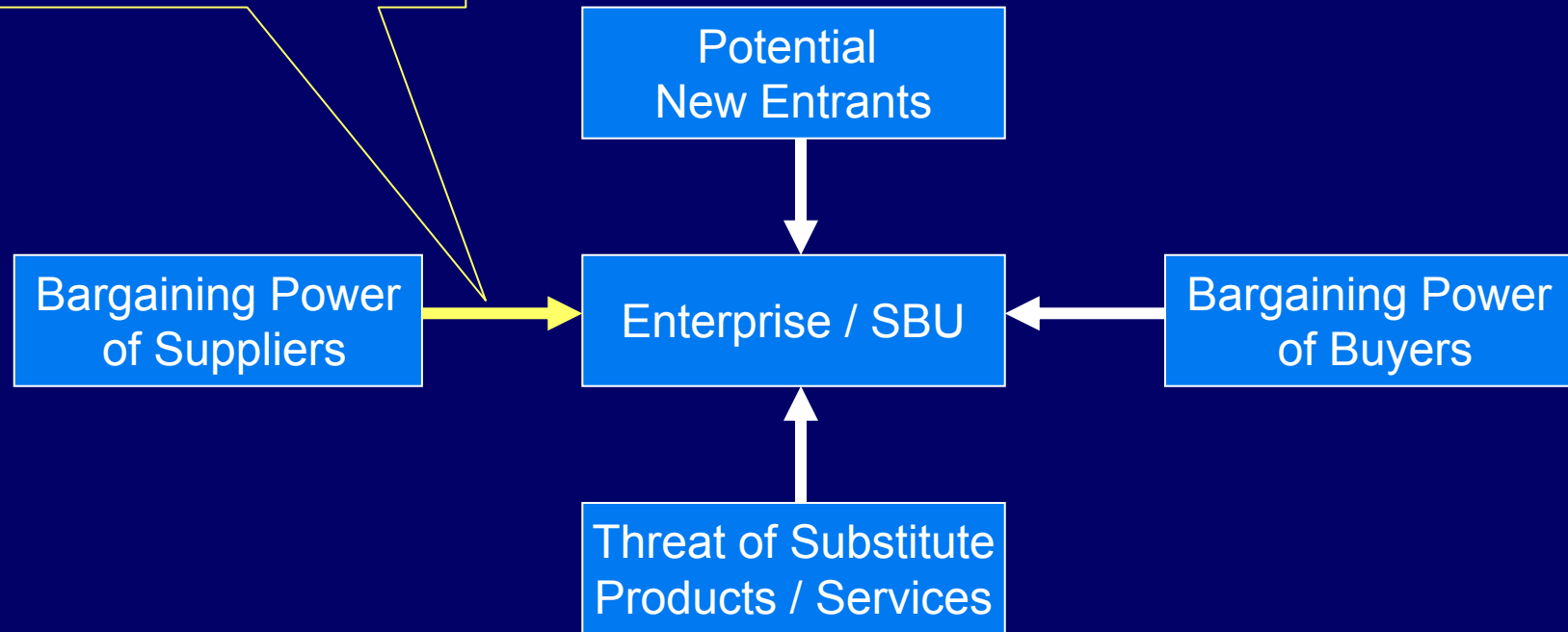
# Buyers' Bargaining Power



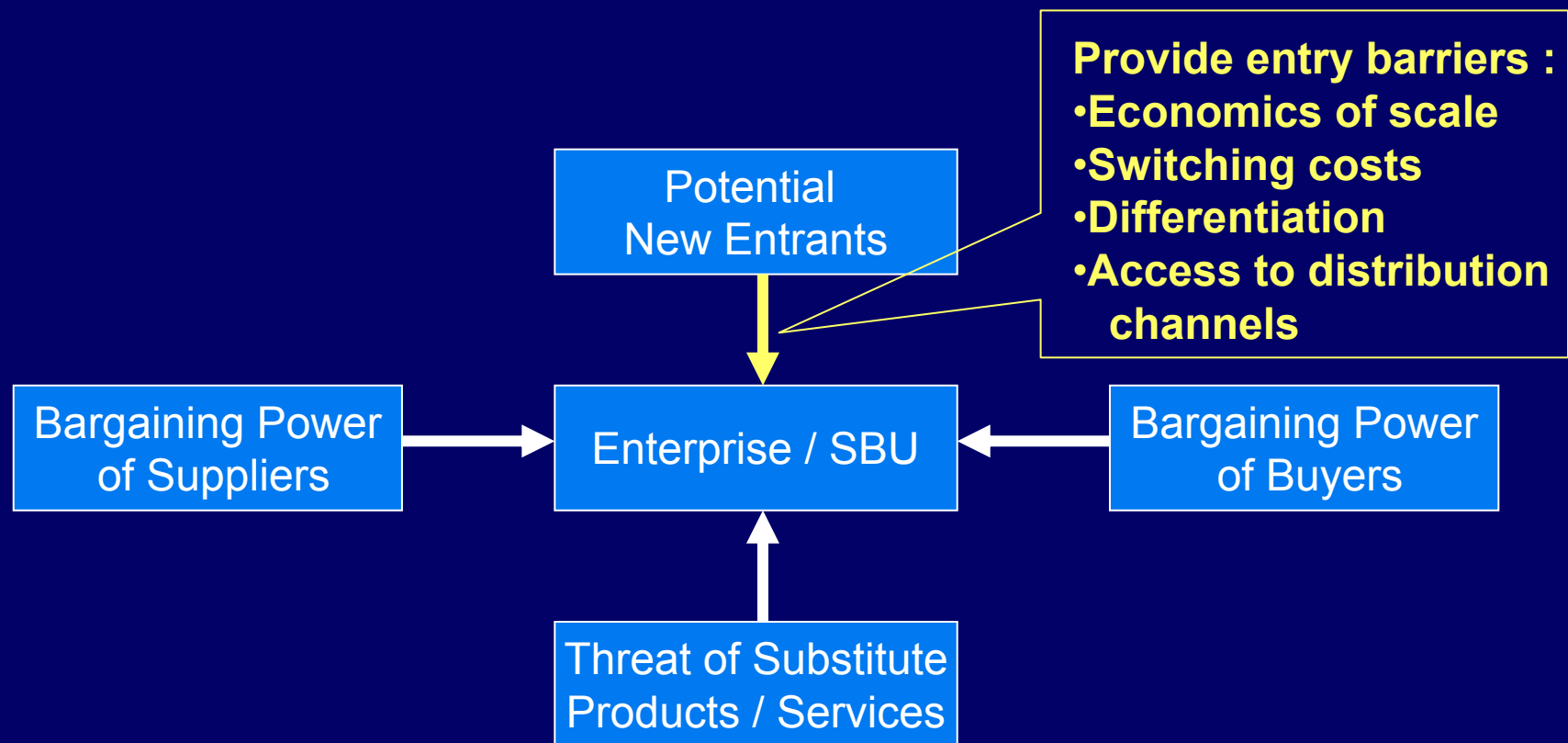


# Suppliers' Bargaining Power

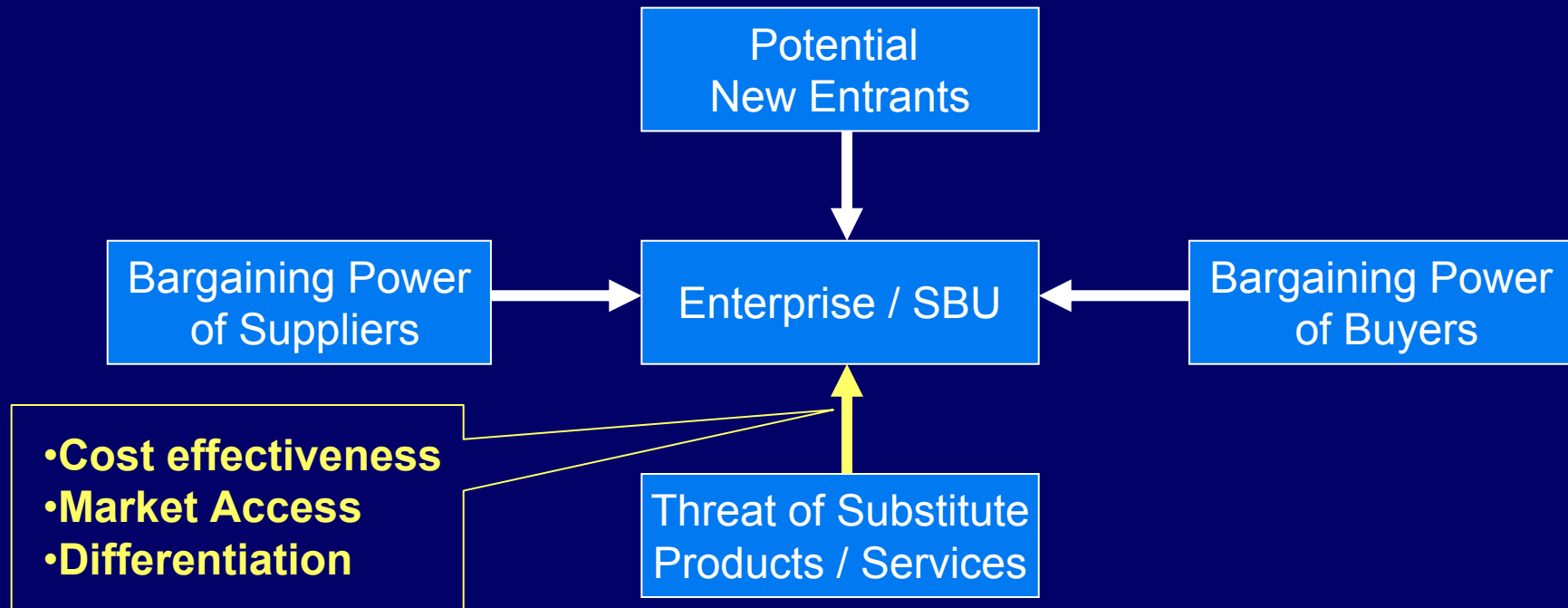
- Supplier selection
- Switching costs
- Quality monitoring

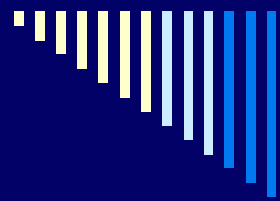


# Threat of New Entrants

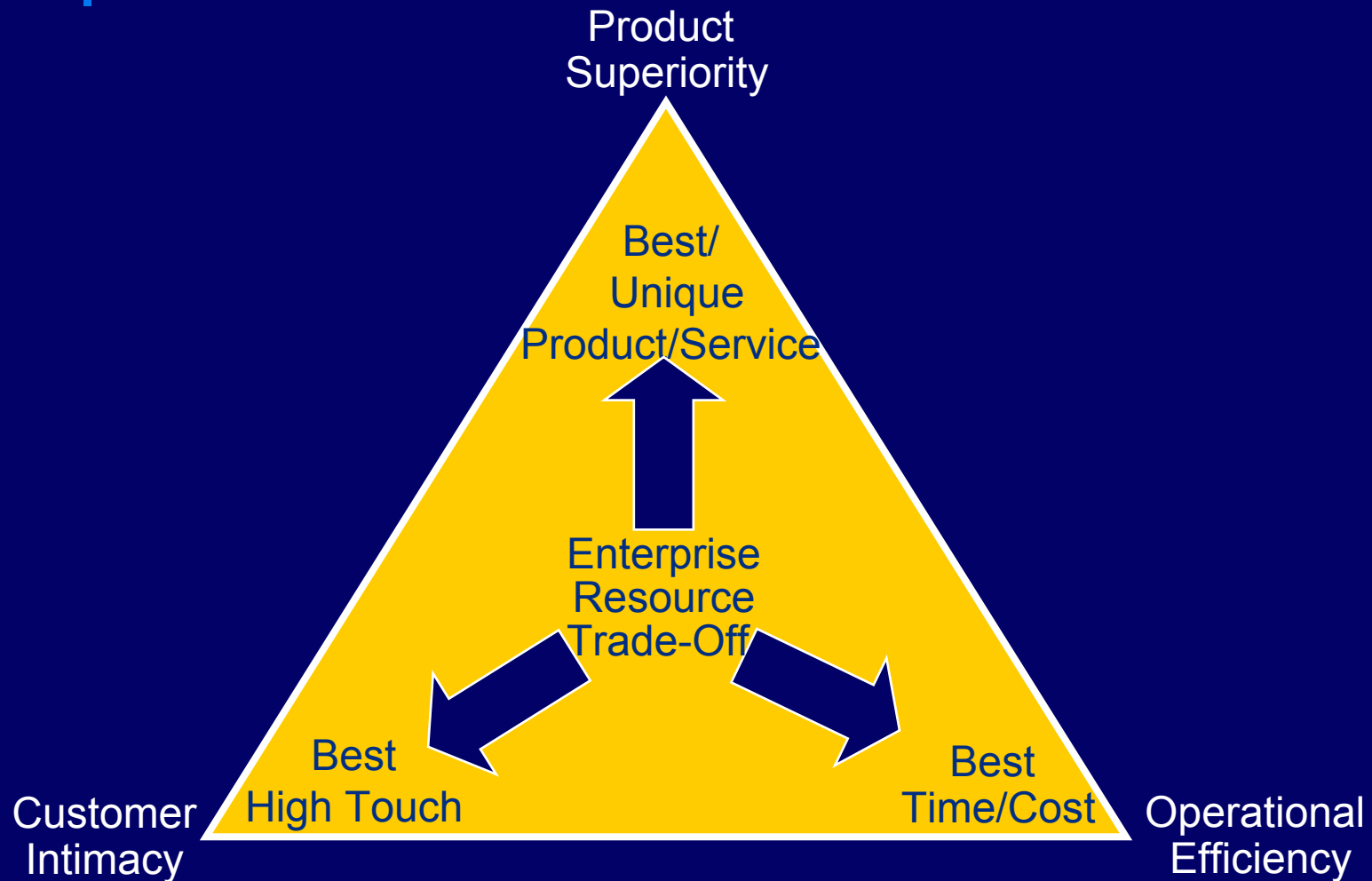


# Rivals / Substitutes

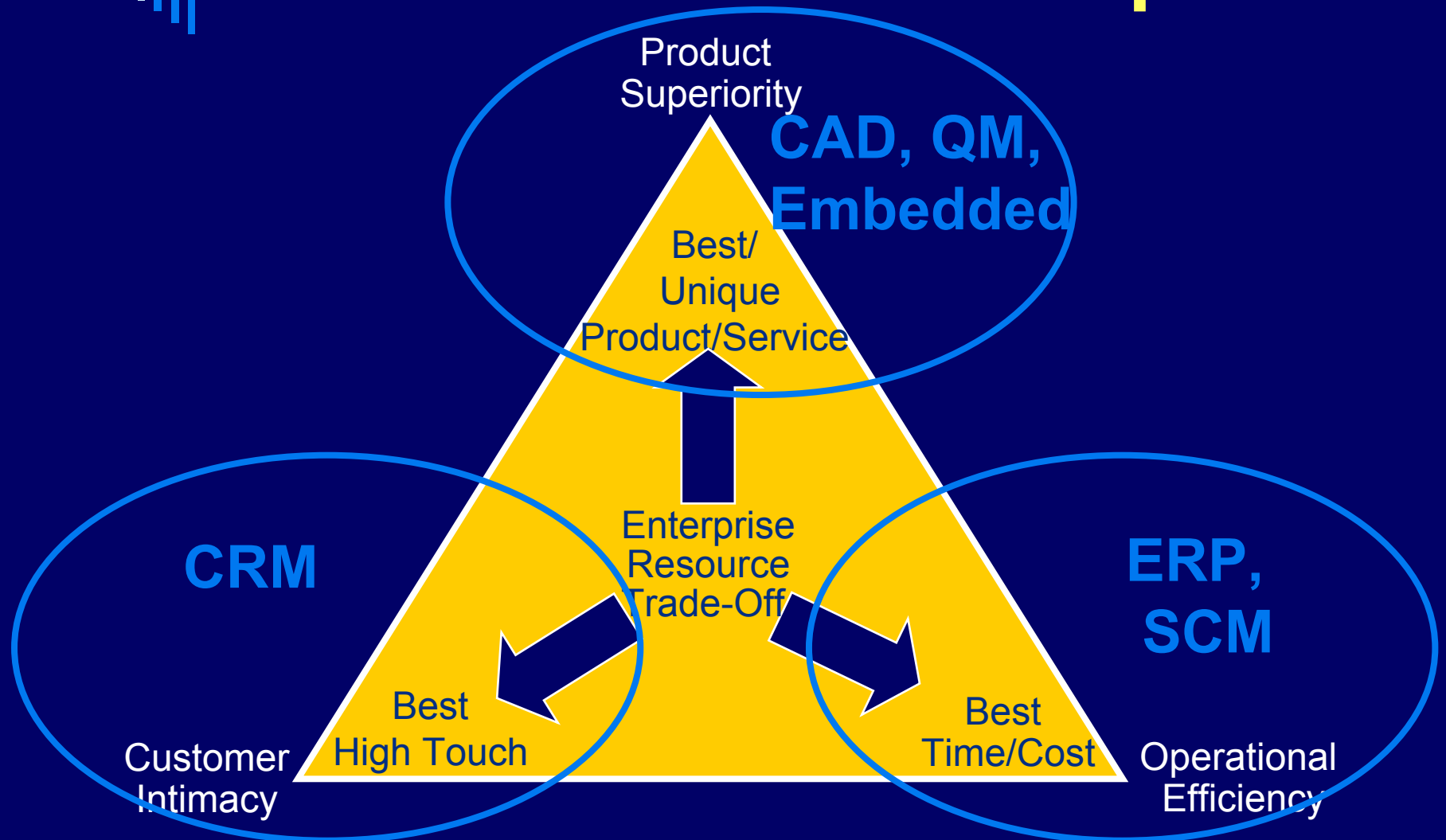


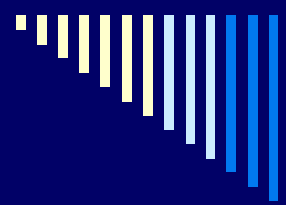


# Value Proposition



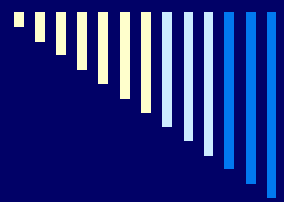
# CIT Enabled Value Proposition





# The (Alleged) Promise of ICT for SMEs ...

- Increase market visibility - extend the geographical reach for customers and suppliers
- Enable a more complex (and profitable) value chain
- Lower operating costs
- Increase agility.

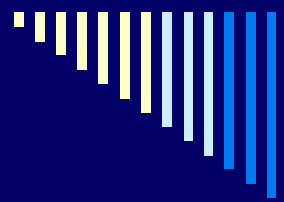


## ... But Tough Reality for Many SMEs (1)

- Most SMEs lack the operational “critical mass” (resources, know-how).

Implementing an ICT-based system requires high level of availability & responsiveness (7\*24).

Large (global ?) enterprises compete better, leveraging their economics of scale..

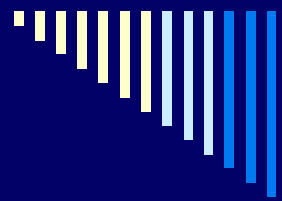


## ... But Tough Reality for Many SMEs (2)

- SMEs used to “own” the customer (high-touch relationship).

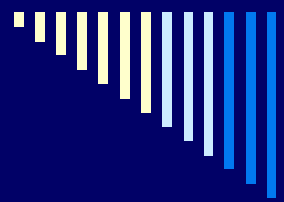
Relying on ICT for growth led SMEs to lose their high-touch advantage, while large (global ?) enterprises deploy ICT (CRM applications) to bridge the gap.

- The impact of a BRAND is huge !



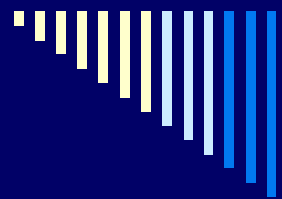
# Conclusions (1)

- Most SMEs should rely on ICT service providers
- Hence there should be a mature ICT service providers industry
  
- Paradox : many SMEs prefer a large (global) ICT service provider, rather than an small or mid-size local player.



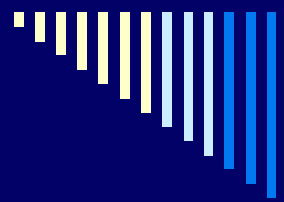
# Hardware & Software Only - Lead Nowhere

- The direct cost of software is 10%-30% of the total budget.
- Hardware & Communication might add another 5%-15% of the total budget.
- Most of the budget should be spent on :
  - BPR – Business Process Re-engineering
  - Creating the right metric(s) for assessing the impact, and the on-going measurement process
  - Users' training.



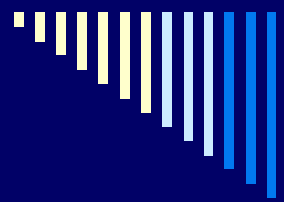
## Conclusions (2)

- Management commitment is crucial  
("Put your money where your mouth is")
- Metrics & measurement are also crucial  
(One achieves what is inspected,  
rather than what is expected)
- Users' training cannot be bypassed.



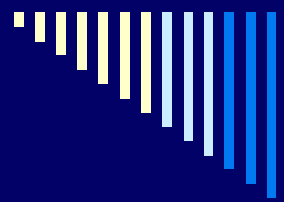
# Case Studies (1) – Travel Agency

- A family-owned travel agency, located in a distant small town
- Problem : small market, no growth potential
- Approach (since 1990's) :
  - Focus on business travelers
  - Set a sophisticated call-center (1-800), based on proprietary reservation system
  - Value proposition : better schedules, faster service, ticket delivered by courier, 7\*24 crisis center
- Later :
  - Vacation packages
  - 3 global subsidiaries
  - e-service
- Outcome : A dominant player in the corporate market, 140 employees.



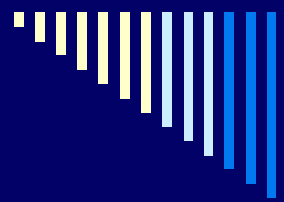
## Case Studies (2) – Car Fuel

- A leading domestic energy company
- Problem : tough competition, low customers' loyalty
- Approach (since 1986) :
  - Introduce a device for identifying a car and controlling automatic fueling process. Integrate with a billing system
- Later :
  - Developed a rich set of fleet management tools
  - Added more services : car-wash, etc.
- Outcome :
  - Reduce operating cost
  - Captured a significant share of the corporate market.



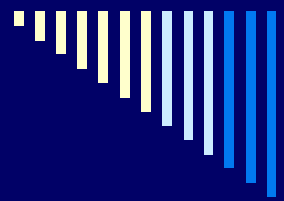
## Case Studies (3) – Paint Manufacture

- A domestic paint manufacture
- Problem : tough competition against global brands, low customers' loyalty
- Approach :
  - Introduce thorough guidance for consumers and for professionals, utilizing a call-center (1-800) and a web-site
- Outcome : maintained the No.1 position in the domestic market.



# Case Studies (4) – Irrigation Products & Solutions

- A leading global company
- Problem : scarce know-how, wide geographical spread, diversity of cultures
- Approach :
  - Set a Knowledge Management system – capturing the experience and know-how of the best experts, and make it available to the technical staff anywhere
- Outcome :
  - The first (internal) phase has been successfully completed
  - The system will eventually be directly accessible by customers.

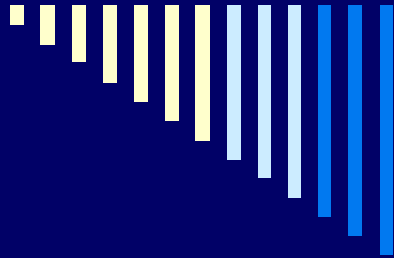


## Case Studies (5) – High-Tech Start-Up

- A start-up developed an innovative middleware product
- Problem : although technical superiority has been proven, prospect customers were reluctant to rely on a start-up for a critical product
- Approach :
  - Publish the product under “open-source” terms
- Outcome (in less than 3 months, no advertisement) :
  - 3 ISVs initiated negotiations for integrating the product in their offerings
  - Dozens of contracts for support services.

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# Thank You



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