



## Achieving High Growth Entrepreneurship through Adoption of E-Commerce Solutions: The Case of Smes in Nairobi

### KEYWORDS

E-Commerce, Entrepreneurship, Small and Medium Enterprises

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**ABSTRACT** *High expectancy entrepreneurship and growth of ventures can be catalyzed by nature of technology adopted. The fields of technology and innovation provide a platform to understand how entrepreneurial ventures are able to achieve high growth and competitiveness. SMEs in Kenya have restricted themselves to traditional modes of doing business due to misconceptions about E-Commerce. This has eliminated the possibility of experiencing benefits which are responsible for tremendous growth. The objectives of the study included identifying solutions and models that can be applied by Kenyan SMEs to achieve high growth entrepreneurship. The research sought to identify benefits and challenges encountered in adoption of E-Commerce as well as establish the rate of adoption among SMEs in Kenya as well as outline determinants to successful implementation of E-Commerce. The target population was identified as SMEs in the Nairobi Central Business District and its environs.*

### INTRODUCTION

The rapid technological boom globally has led to development and adoption of various solutions and models that can be applied by business entities. A couple of years ago, IT and more so the Internet, were a preserve of developed countries of the world. The Economic Survey of 2012 indicates the areas of the Kenyan economy that witnessed comparative growth as transportation with a cumulative contribution of 20%, wholesale and retail trade (18%), manufacturing (10.3%), education (8.5%) and finally financial intermediation (6.8%) (Republic of Kenya, 2012). Benefits of ICT are being tapped into by business entities through the use of radio, television, mobile phones and lately, the Internet. E-Commerce involves the sale or purchase of goods and services over computer networks, including the internet, by businesses, individuals, governments or other organizations (Bhusry, 2005). This can facilitate improvement in operations leading to substantial cost savings as well as increased competitiveness and efficiency through the redesign of traditional business processes by providing buyers with a wide range of choices as they consider different products and services from a wide variety of sellers (Schneider, 2011).

The present Kenyan situation is clear that although some of the enterprises have adopted the use of E-Commerce, they have not fully taken into consideration all the opportunities it presents. The most common and popularized use of E-Commerce is the replacement or enhancement of the traditional market channels by opening Web-based storefronts. There is need to create awareness on the benefits and provide modes of overcoming the challenges to boost the operations of SMEs in Kenya. This paper focuses on achievement of high growth entrepreneurship through adoption of E-Commerce solutions by SMEs in Kenya.

### E-COMMERCE BENEFITS

E-Commerce offers several advantages over traditional commerce. It provides the customer with customized interaction and better choices thereby resulting in improved customer service and improvement of sales. The consumer enjoys a wider choice of products and services at lower prices, as well as a certain level of convenience; which may mean unrestricted business hours and eliminate unnecessary trips to the physical location of the store. E-Commerce decreases the time and cost of shopping and expands the marketplace from local and regional markets to national and international markets hence reaching a global market (Joseph, 2005). Business entities reduce overhead and inventory through

increased automation and reduced processing times that is facilitated by the E-Commerce process.

It facilitates the possibility of just-in-time production which ensures efficiency and effectiveness in productivity. It equally leads to generation of automated information which is achieved through a database containing marketing sales. Automation has also facilitated increased customer responsiveness; including on-demand delivery. Monetary transactions can be processed easily as billing and payments are done instantly by electronic means. Furthermore, E-Commerce leads to the possibility of operating 24/7 and eliminates disintermediation which implies that the retailer can directly reach the customer.

### E-COMMERCE MODELS

The most common and popularized use of E-Commerce is the replacement or enhancement of traditional market channels by opening Web-based storefronts which provide virtual shopping portals to customers globally (Kurtz & Boone, 2011). In this type of E-Commerce, also commonly referred to as Business to Consumer E-Commerce (B2C), organizations offer their products and services and generate revenue from the actual sale of those products and services to their customers. Business to Consumer stresses the direction of delivery founded on intense customer focus in terms of their desires, needs and preferences. However the adoption of Business to Business (B2B) and Business to Government (B2G) is almost a mirage. In B2B, a business is conducted among entities, e.g. suppliers and partners. Business to government refers to transactions undertaken with the government.

Selection of the right model determines the entities success in implementing E-Commerce solutions. In using E-Commerce systems, organizations deliver information about their products and services, their operations, their structure and policies to various stakeholders ranging from staff, members of the value chain, shareholders, regulators, authorized trading partners and prospective visitors (Reiner and Cegielski, 2010). Basically E-Commerce systems respect the age-old rules of the market, that is, supply and demand. It serves as a medium through which business can be taken to a higher level. The models are similar in the sense that a prospective buyer triggers the transaction process by having a need for goods or services. He will then take action by looking for the goods and services to satisfy their need before finally purchasing it after evaluation. This simple process sets off ac-

tivities that E-Commerce systems and E-Commerce models have been developed and applied to provide a platform for customers to access a wide range of merchandise (Menasce and Almeida, 2000).

## METHODOLOGY

A research design is a framework that guides the collection and analysis of data (Mugenda & Mugenda, 2003). It is also a detailed plan of how the research was conducted according to the data required in order to investigate the research hypotheses or questions in an economic manner (Kothari, 2007). For the purposes of accuracy, speed, depth of information and costs involved, a sample was drawn from the population which in this study was identified as enterprises operating within the Central Business District (CBD) and its environs and the sample size were 100 enterprises drawn from the sample frame. Random sampling was used for this particular study. Secondary data was collected from online journals, magazines, newspapers and books that relate specifically to SMEs in Kenya. Primary data was collected using a structured questionnaire and interviews. Data was cleaned, coded and analyzed. Items were grouped together in the expected dimension constructs. These were then keyed in and analyzed using computer aided packages such as SPSS (Statistical Package for Social Sciences) and Microsoft excel.

## FINDINGS

The findings were grouped based on initial objectives outlined for the research.

- Ascertaining Extent of Adoption of E-Commerce by SMEs in Kenya
- The study sought to classify adoption levels to provide a more detailed understanding of how well these SMEs have embraced E-Commerce in their operations. They were classified as either fully adopted, semi-adopted, considering investment or none.

**Table 1.1 Adoption Categories**

| Extent of Adoption    | Frequency | %     |
|-----------------------|-----------|-------|
| Fully Adopted         | 8         | 10.25 |
| Semi-Adopted          | 22        | 28.21 |
| Considering Investing | 45        | 57.69 |
| None                  | 3         | 3.86  |
| Totals                | 78        | 100%  |

28.21% of the entities were ranked as semi-adopted. Entities that fell under this category came out as proponents of E-Commerce. They had automated some of their transactions online despite failure to facilitate the entire E-Commerce process over a web platform. In this case, the customers selected items they needed to purchase and placed an order. Thereafter, payment and delivery were not supported online. They also expressed that they largely owned Websites with shopping carts but did not incorporate fully the functionalities (mainly payment, order fulfillment and delivery) into the system. They opted to undertake these other operations manually. 57.69% of the entities considered investing in E-Commerce solutions. This is due to the fact that they had been influenced by the influx of technological activities and the increasing awareness.

## Determining Benefits that E-Commerce Presents to SMEs

The respondents provided perceived benefits that would be achieved by business entities upon implementation of E-Commerce solutions. The responses are indicated below.

**Table 1.2 Ranking of Benefits**

| Benefits                    | Responses | %     |
|-----------------------------|-----------|-------|
| Increased sales and profits | 65        | 83.33 |
| Increased market size       | 61        | 78.21 |
| Global reach                | 57        | 73.08 |
| Improved customer service   | 55        | 70.51 |
| Increased convenience       | 48        | 61.54 |
| 24/7 operation              | 39        | 43.58 |
| Multiple revenue streams    | 34        | 43.59 |
| Reduced Inventory           | 26        | 33.33 |
| Offers variety              | 26        | 33.33 |

An increase in sales and profits was identified with the highest responses at 83.3%. This reinforced the entities reasons for being in business. Closely following was an increased market size, at 78.21% responses, in terms of reaching a greater audience. This in turn translates to acquisition of market share. Global reach in terms of presence in external markets was also identified as one of the key potential benefits that SMEs would gain from. Reduced inventory which facilitated Just in Time production as well as offering variety to customers were 33.33%.

## Challenges and Opportunities in E-Commerce Adoption

The challenge that was raised by most of the business entities was the investment cost registering at 91.01%. This challenge was echoed among most of the entities as they cited that the return on investment was uncertain hence they were unwilling to adopt these solutions. Closely following cost, was the issue of security which was identified as a challenge especially when the customer requires to provide critical information on banking details. The recent wave of account hacking and ATM theft contributed to the security concerns of these business entities. Data integrity in terms of information provision to third parties also posed as a challenge. Other challenges raised included lack of skilled staff, preference of personal touch, network reliabilities, maintenance and support costs and insufficient regulations in the industry.

## CONCLUSIONS

E-commerce success is dependent on system attributes and level of understanding of the end user. Delivering quality system attributes calls for successful innovations and development of quality systems upon careful consideration of the desired impacts and end results to be attained upon implementation of the E-Commerce system by the business entity. E-Commerce provides favorable opportunities for business entities to compete on a global platform hence enhancing market linkages and encouraging penetration in foreign markets.

The data analysis indicated that very few firms have incorporated the use of E-Commerce solutions within their business entities. This may be attributed to the fact that the challenges that have been outlined above act as a major drawback towards the adoption. Furthermore, training levels are favorable meaning that management and business owners support innovation, especially for the firms that have already incorporated ICT and E-Commerce solutions within their business entities. However, much still needs to be done to boost E-Commerce literacy levels. The government has a major role to play in order to stimulate the activities of the SMEs in Kenya. Investments, through the newly created ministry of ICT, must be made in terms of creation of hubs and incubation centers to facilitate training and boot-camps which should cover all the relevant areas of IT to ensure that they create awareness.

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