

“IT is changing the way SMEs do business”

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IT is changing the way of doing business

1.- INTRODUCTION

This paper focuses on the ways IT can be used to help SMEs and ways Governments can assist in this process. However it must be recognized that IT cannot solve all SME's problems and a holistic approach to SME development is needed.

IT has changed the way business are run, production processes and the way trade is done across the world. Since SMEs are so important to the economy it is in nations interest to ensure they can use IT to fully participate in the new economy.

IT is not only for big companies. Small business will benefit from improving IT but there is a lack of ERP (Entrepreneurial Resource Planning) in SMEs and their management skills are not very sophisticated.

Our goal is that SME's embrace IT to take advantage of the opportunities for development it offers. IT will help competitiveness, productivity and Governments and other key players have a key role in encouraging SMEs to embrace and use IT.

At a macro level the infrastructure (NAP, broadband, Telecommunications, power) is very important. Government action is needed to provide basic infrastructure for SMEs to take advantage of new IT.

SMEs must shift their behavior, look to improve their management skills, and also have more access to information to do business including about markets, government regulations and non tariff barriers.

2.- KEY PROMOTORS (GOVERNMENT/NGO/ STAKEHOLDERS)

At the macro level, there are several key actions that need to be taken by Government, NGOs and other stakeholders to assist SMEs use IT:

- Improve infrastructure through communications, power, broadband, software platforms
- Take a cooperative approach to addressing SME and IT issues and
- Encourage SMEs to think about new ways of operating their business systems through business skills.

3.- COMMON NEEDS OF SME'S: Management Skills

Some of the most common needs of SMES can be addressed using IT. SME's access to management skills, Information, access to financial products, ability to increase productivity and access to new markets and export opportunities can all be improved using IT.

A.- INFORMATION

The lack of information leads to missed opportunities to expand and export. A key problem that needs to be addressed is that SME's do not know where to get the information.

IT can help provide accessible statistics and market information to SME's through internet and other technologies. The Government has a role in collecting value added information on interest for SME's and making it accessible. For example: In Australia there is a network and database of business information that matches supply and demand of SME's, saving them a lot of time and effort and lowering costs.

It is important for governments to provide information on regulations, on how to start a business, licenses, taxes and property rights. There are a lot of direct costs to SMEs related to complying with government regulations as well as indirect costs such as transaction costs, time and paperwork. If governments provide more information and simplify their procedures SME's will have more time to do business and be more profitable.

Governments and other key player such as NGO's, Small Business Unions, local governments, need to work together to create a one stop internet portal, promote e.commerce and reduce the time spent in searching information. To reduce the paperwork burden on SMEs, Governments should develop standardized forms and applications for all their agencies, and create a data base where SMEs are registered so they only have to register information once.

Governments must simplify the procurement procedures and standardized the requirements in a portal that will help SMEs to do business with them and also reduce the time Governments spent in paying their receivables to SMEs

B.- FINANCE

A common problem for SMEs is they do not have a broad access to financial products, mainly because they do not have accurate financial information, collateral, business experience (start ups) and a long term business plan.

From the banks point of view banking regulations are strengthen mainly the capital adequacy and reserves when granting loans to SMEs (Basel II Committee Regulations for International Banks). From the SMEs point of view the requirements, such as cash flow, financial reports, financial indicators, detailed business plan, break even point etc are too complicated.

Governments have a role in assisting SMEs improve their business management to meet these challenges. For example, vouchers for SMEs to purchase IT based ERP (enterprise resources planning), or provide assistance to NGOs to assist their SME members. For example: in Korea the Government subsidizes the IT companies to implement the ERP to SMEs.

4.- CONCLUSION

IT is necessary to improve SME's access to information, improve management skills and financial products that are vital to their development and success.

Governments must play an active role ensuring adequate infrastructure exists, and to help SME's to adopt IT and become more competitive in a globalized economy.

5.- RECOMMENDATIONS

- CREATE A FEALAC COUNTRY MEMBERS PORTAL WHERE ALL SMEs MAY ACCESS INFORMATION ABOUT ITC AND MARKETS AND ALL THEIR BASIC NEEDS TO PROMOTE.
- FEALAC COUNTRY MEMBERS MUST PROVIDE BASIC INFRASTRUCTURE, REGULATIONS, FINANCIAL SUPPORT AND SERVICES FOR SME'S
- FOCUS ON SMEs NEEDS AND VALUE ADDED INFORMATION
- FEALAC MEMBERS MUST HELP WITH E-GOVERNMENT TOOLS AND EASY APPLICATIONS FOR SMEs.
- PROMOTE IT TRAINING FOR SMEs INCLUDING BOTH ONLINE AND FACE TO FACE TRAINING PROGRAMS.