

## E-Commerce Adoption among SMEs: A Review of Iraqi Enterprises

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### Abstract

Today the most significant technologies that change the business environment is the Internet that has a great effect on the future of electronic commerce (e-commerce). Currently e-commerce plays a vital role in the development of small and medium enterprises (SME). Therefore, Iraq must involve its SME in this field in order to no longer be separated from the business world and the new economy. The objective of this paper is to identify the factors that adoption e-commerce by SME. The researcher prefers to use qualitative and quantitative approach due to identify these factors. The finding of e-commerce factors help the company to show all product on their page or website by online. The main factors driving the decision to implement e-commerce in SMEs it will help the company to be contacted other globalization companies and also with customer to know the product and background of company, Implications of study. The research has concluded with several recommendations. The most important one is the adopting of e-commerce must have experiences, knowledge and outstanding.

**Keywords:** E-commerce, SMEs, Iraqi enterprises

### .INTRODUCTION

Small and medium-sized enterprises (SMEs) are companies that play a very important role in the economy in many countries, and SMEs are an integral part of the Iraqi economy. In order to be companies have

introduced and are already benefiting from electronic commerce. Many Iraqi SMEs have been unable to solve these problems themselves, which is why government agencies, financial institutions and large corporations have committed to support and

encourage them in their strategies and programs. Support. With a few exceptions, Iraqi companies, like most companies in developing countries, have not yet selected many technological innovations, often because of a lack of resources, but also because of the work habits and culture of those who organize these SMEs. Many cannot or will not accept the risk of changing their business processes and changing their decision-making processes. Successful, it is very important that Iraqi SMEs are open to new technologies, as new technologies are key so that companies can connect with companies from all over the world and participate in the global economy (Rayport & Jaworski, 2003). In the past few years, after 2003, some Iraqi E-Commerce is one of important factor that needs to apply in SMEs, but there is problem in Misan's SMEs. SMEs are regarded as the major source of employment, development, and commercialization of innovation, and improvement of marketing competitiveness in globalised economy in particular in developing countries where poverty, competitiveness of economy, and unemployment are still paralysing the society (Aziz, 2012; Thabit et al., 2016). Thus, It is expected that the adoption of E-commerce systems among SMEs expand rapidly due to various stimulants such as competitive pressure in the local and global market, need for globalization that compel SMEs to adopt E-commerce systems, Iraq's government programs and policies including Ecommerce institutionalization across country to help enterprises in increasing their readiness (Kadhim & Al-Taie, 2013). However, the problem is that the adoption of integrated E-commerce systems among SMEs in Iraq has remained low and they are not willing to adopt integrated E-commerce systems and an absence of online identity verification for example there is no online banking to help customer make payment through online tax regulations indirectly hinder e-commerce in its investigation of e-commerce in China.

application if they want to buy something from any website.

This has been highlighted by (Sultan et al., 2018, Solaymani, 2012). There are still several critical issues and gaps that have not been thoroughly investigated and need to be addressed. Therefore, the objective of this study is to review the effects adopting of E-commerce in Iraqi SMEs.

## 2. THE FACTORS AFFECTING E-COMMERCE ADOPTION IN IRAQI SMEs

There are four significant studies conducted previously that signify the factors Affecting E-Commerce Adoption in SMEs especially on affecting factors that being the main concern of this paper review. The papers are written by Cloete, et al. (2002), Cooray (2003) and Kapurubandara & Lawson (2006), Honghong Sun (2002), and the discussion of findings are stated respectively.

**Cloete et al. (2002)** in their study on the introduction of electronic commerce by SMEs in South Africa, they found that the introduction is strongly influenced by factors within the organization, such as: B. lack of access to computers, software, affordable alternative materials and telecommunications; low use of electronic commerce by competitors and suppliers of distribution chains; Security and legal issues; poor management and employee data; and the blurry benefits of e-commerce were the main factors preventing adoption.

**Cooray (2003)** found that there are some important obstacles to the introduction of electronic commerce, most notably: the limited availability of computers, the high value of web access and the lack of online payment processes. Directly inhibited electronic commerce. Inadequate transport and delivery networks, limited availability of banking services and uncertain

**Kapurubandara and Lawson (2006)** presented a model that discusses obstacles to the introduction of ICT and e-commerce from

the available literature and thus the results of an exploratory pilot study and a subsequent survey. In addition to the obstacles that SMEs face, the analysis identifies the relevant support that SMEs need in a developing country, Sri Lanka. The preliminary study allows some conclusions to be drawn. The introduction of ICT and electronic commerce in SMEs in developing countries is fundamentally different from that in industrialized countries. Another problem that occurred during this study was the number of ICT adoptions.

Finally, **Honghong Sun (2002)** in his study; the impact of e-commerce in China has shown that e-commerce has brought about several changes over the period. First, change the way people live and buy. Second, different types of companies are changing, e.g. B. SMEs, retail companies, postal companies and logistics companies. Third, change the methods of advertising and sales promotion. However, there are still some gaps in the development of e-commerce in China, such as the lack of credit systems and banking services, the lack of development of equality in different parts of China and the lack of freedom of the Internet in China and lack of education in e-commerce. If we want to improve the environment for e-commerce, we have to close these gaps.

### 3. E-COMMERCE

E-commerce means that better business communication and information exchange are essential for any company (Turban et al., 2017). The quality and quantity of information that a company provides to its customers or makes decisions based on this information can determine the company's competitiveness (Chaffey et al., 2019). Online shopping can be seen as a sub-category of e-commerce, as it is mainly about transactions between companies and consumers, such as online retail sales or online auctions, which online shopping also refers to for online purchases from brick-and-mortar retailers or Online retail company (Martínez et al., 2019).

Online shopping has increased significantly in recent years, and as a result, many traditional department stores have grown to online sales (Turban et al., 2017). In addition, some new companies have focused on selling only through an online store. E-commerce (e-commerce) is an electronic company (Köksal & Penez, 2015). Use the power of computers, the Internet and shared software to send and receive product specifications and drawings. Offers, orders, invoices, and any other type of information that customers, suppliers, employees, or the public need to know (Watson et al., 2018).

E-commerce is the new cost-effective way of doing business, which goes beyond simply passing on information and extending electronic transactions from the requirements to the point of sale to the definition of production and planning to billing to billing, payment and upon receipt. (Alley & Emery, 2017) Different people use different terms such as e-commerce, e-shopping, e-shopping or e-marketing from the above definition. We can conclude that e-commerce is often used in a much broader sense to mean essentially the same thing as e-commerce (Turban et al., 2018) In other words, e-commerce involves the purchase of goods, services and other financial transactions where the interactive process takes place mediated through information or digital technology at both locations at the end of the exchange (Rutherford et al., 2016). Here, transactions include specifying the required goods and services, and the commitment to the commercial buyer's transaction model can be in business-to-business (B2B), business-to-customer (B2C), or customer terms. to the customer (C2C) (Patel et al., 2018)

E-commerce means doing business transactions over the Internet, including exchanging valuable information in the form of products and services such as payments using web technologies (Fraser et al., 2000). Zwass, 1998, defined it as the distribution of commercial information; Maintain business relationships; and conduct commercial

transactions over telecommunications networks. E-commerce transactions were primarily the exchange of goods and services over the Internet and other digital media (Chaffey et al., 2009). However, Kalakota and Whinston defined electronic commerce based on Kalakota and Whinston (1996):

- From a communicative point of view: E-commerce was the transmission of information; Products / services or payments via landline, mobile phones, computer networks, the Internet or other means.
- From a business process perspective: E-commerce was the application of technology to mechanize business transactions and workflows.
- From a service perspective: Electronic business was an instrument that guided the desire of companies. Consumer; and management to reduce service costs while improving product quality and increasing the speed of service delivery.
- From an online perspective: Electronic commerce has made it possible to buy and sell products and information on the Internet and in

other online services. We can therefore say that electronic commerce is an act of trust between buyers and sellers when buying and selling goods or services and when paying for many types of digital payments.

#### 4. THE DIFFERENCES BETWEEN TRADITIONAL AND ELECTRONIC COMMERCE:

##### 4.1 Traditional Commerce:

This part of the trade was characterized by many channels through which the products / services went before reaching the end customer. As shown in Figure 1, the products / services are passed on from the manufacturer or supplier to the retailer who sold them to the wholesaler or retailer and then sold to the end customer. During these processes, each broker added the cost and profit margin to the price of the product / service, and ultimately the price was higher than the original price given by the manufacturer / supplier. In addition, it took some time due to transportation and distribution from one channel to another (Korper et al., 2000):

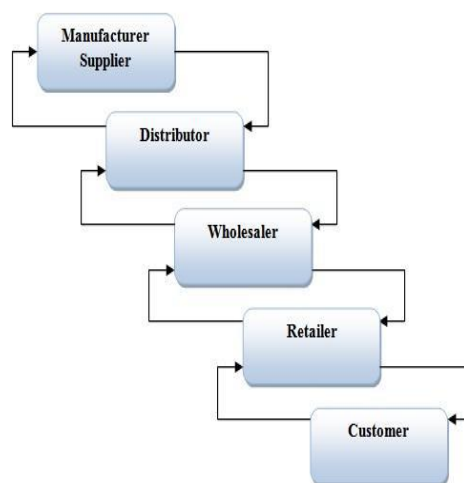


Fig. 1. The channels of traditional trading

##### 4.2 Electronic Commerce:

E-commerce has driven direct marketing sales as the channels through which products / services are passed on from the manufacturer / supplier to the end customer have been reduced. As shown figure 2, the use of electronic

commerce in sales meant that the product / service could go directly from the manufacturer / supplier to the end customer without contacting other brokers. Electronic commerce has saved time between the production and consumption of products / services. Savings

were also made as they reduced transportation / sales processes among brokers. As a result, electronic commerce has lowered the price of

the product / service and improved its distribution through direct communication with the end customer (Iddris and Faisal, 2012):

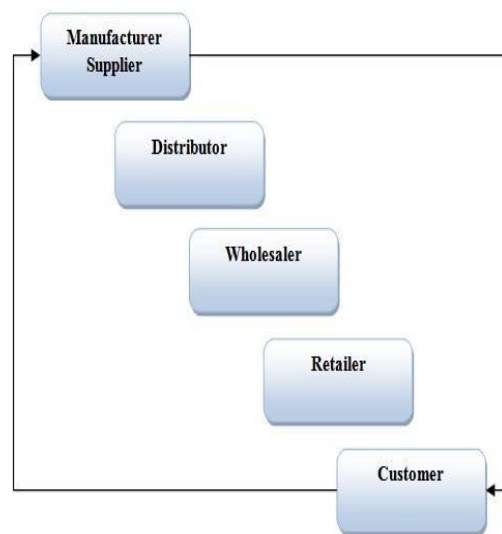


Fig. 2. The channels of electronic commerce

## 5. THE TYPES OF E-COMMERCE:

E-commerce can be divided into different types of applications and uses. Many scientists have classified various models of electronic commerce in (Huy et al., 2006):

- (C2C) client to client, in which consumers carry out transactions directly with other consumers in cyberspace. The C2C interaction can be identified as an important model for internet transactions and indicates that companies need to take this into account in their market planning efforts. His statement is illustrated by the recent growth in the social networking site.
- (B2C) Business to Customer is the place where customers discover products or services through electronic publishing, buy with electronic cash and secure payment systems, and deliver electronically or through a physical channel.
- (B2B) Business to Business is an electronic market transaction in which companies, governments and other organizations rely on

computer-to-computer communication as a fast, economical and reliable method of carrying out business transactions.

- (C2B) Customer to Business is a type of online transaction where consumers start negotiating with companies.
- (C2G) Client to Government is a type of online interaction in which comments are sent to the government via lobbyists or individual websites.
- (B2G) Business to Government is a type of online interaction in which governmental and non-governmental organizations receive business feedback
- (G2C) Government to Citizen is a type of online interaction through which the government offers national transactions such as local government services, national government information and tax information.

## 6. Small and Medium Enterprise (SME)

There are many different definitions for SMEs. According to some research, small and

medium-sized enterprises (SMEs) can be described as an aggregate group of companies that operate in many sectors such as services, trade, agriculture and manufacturing. This includes a large number of companies, such as manufacturers of craft businesses in villages, small workshops and software companies that have a wide range of sophistication and skills. Some are dynamic, innovative, growth-oriented and fast-growing companies, while others are content to remain small and maybe family-owned for decades. Size-wise, SME may range from They range from SME which are inextricably part of an international subcontracting network, or to those with technology and investment partners based abroad, or to those which are part of a family-

based society or cluster Harvie and Lee. 2002; Kapurubandara and Lawson, 2006).

The official definition of SME in Iraq by the Central Organization for Statistic and Information Technology (COSIT), the Iraqi government agency is a small company with fewer than 10 employees and medium business which has less than 30 employees (See the table 1). Due to this definition used by Iraqi Government and most of the NGOs in Iraq, this definition will be admitted for the purposes of this research. Part-time business with one employee to a business employing hundreds of people.

**Table 1: The Definitions of Small and Medium Enterprise.**

Small enterprise	Employee 1-9 people
Medium	Employee 10-29 people

## 7. BENEFITS DERIVED FROM ADOPTING E-COMMERCE WITHIN SMEs.

E-commerce brings numerous benefits to those SMEs that adopt e-commerce (Thomas and Simmons, 2012; MacGregor and Vrazalic, 2004). According to Payne (2005) the e-commerce won't benefit all the commercial segments in the same way, this indicates that sectors with information-intensive activities and products or services that can be used or provided electronically are more likely to benefit from electronic commerce. In this section, the researcher will examine some of the plausible benefits reported in the literature research. The researcher summarizes the benefits from e-commerce to SMEs as follows:

- Cost saving: e-commerce works on reducing transactional and communicative cost, inexpensive advertisement, offer provide active ways to marketing (Cloete and Courtney, 2002; Bolongkikit et al., 2006; Turbanet al., 2006).
- Time-saving: shortening the development cycle of new products, reducing the search information time; in addition reducing stock lead times (Iqbal, 2007; Quayle, 2002; MacGregor and Vrazalic, 2004).
- Enhancing ability for competition it enables SME to overcome limitation and to maximize using information and network technology hence it provides the efficiency for SME to compete with large companies as well as the another SMEs (XiaoHui and Long, 2010; Stockdale and Standing, 2006; Simmons et al., 2008).
- Reaching new local and global markets that means new supplier and customers and enhance the profitability (XiaoHui and Long, 2010; Stockdale and Standing, 2006; Simpson and Docherty2004).
- Improving communication to use internet by SMEs will enhance internal and external communication, and achieve two-ways of communication, provide support to customer's services (Iqbal, 2007; Stockdale and Standing 2006).

## 8. Conclusion

This research paper aimed at examining the impact of the implementation of E-commerce in SMEs Iraq. The paper first listed an amount of previous readings that discussed e-commerce, with the presentation of their most significant results and recommendations. It was following by the problem statement, which demonstrated the most prominent obstacles then barricades to effective the implementation of e-commerce in small and medium enterprise Iraq, benefits derived from adopting E-Commerce within SMEs. The literature review discussed a number of main topics, which first included the meaning of e-commerce and SMEs, the differences among traditional and e-commerce. Another critically important topic discussed in the literature review is the principles of Adopting E-Commerce in SMEs Iraq.

The paper also discussed the effect of the adoption of E-commerce in SMEs Iraq, with an explanation of the most important factors resulting in the occurrence of that impact. Finally, the paper briefly demonstrated the current status of the factors affecting E-Commerce Adoption in iraqian SMEs,, in the light of what is demonstrated by available recent studies. It has been found that, E-commerce facilitate to communicate well about their products and services in their web pages. Besides that, Iraqi SMEs are still lacking in digital marketing thus require further development on these factors. Recent studies show that its implementation is associated with improved E-commerce of firm performance. In the light of what the research paper demonstrated, a number of research and practical recommendations are suggested. First, with regards to research recommendations, the researcher recommends the conduction of further, future studies discussing the concept of adopting of E-commerce more extensively and comprehensively. This necessities paying adequate attention to addressing the differences in the nature and impact of E-commerce on performance of SMEs in Iraq. The researcher

also stresses the importance of conducting studies in that regard targeting the Iraqi context, in specific.

Second, with regards to practical recommendations, the researcher recommends that public and private sector organizations in Iraq pay more attention towards implementing E-commerce in order to ensure more effective management and higher levels of firm performance in SMEs. However, such initiatives cannot be introduced without adequate preparation and training. Therefore, the researcher also suggests the introduction of training programs on focusing on E-commerce in Iraqi SMEs, with focus on targeting all managerial levels in order to ensure preparedness for implementing E-commerce in Iraqi SMEs.

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