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DEVELOPING ETRADING-HOUSE TO FACILITATE SMALL MEDIUM ENTERPRISES IN INDONESIA

Idris Gautama So
Universiti Sains Malaysia

ABSTRACT

Trading-houses are believed to be one of answers to help Small Medium Enterprises (SMEs) in Indonesia to market, develop and expand their businesses (So, 2005). This paper first explains about SMEs’ conditions in Indonesia. This paper also elaborate other roles of trading house besides as the mediator of products offering companies and products seekers to purchase organizations. A research framework is made and explained. Analyses on the needs of a web-based trading house, or often called eTrading-house, through Focus Group Discussions (FGD) of respective respondents are carried out. Afterwards, comparisons with existing web-hosted eTrading-houses are done. All the analyses results than will be used to develop the eTrading-house. The methods of research for this paper will be the combination of literature reviews, FGD and interviews to collect primary data, observation and collection of data through examination of being hosted similar eTrading-house, and also an Object Oriented Analysis and Design (OOAD) method will be used to develop the eTrading-house. Some pages of designed eTrading-house will be showed. Conditions which will be key success factors of eTrading-house will be stated and explained. At the end of this paper, limitations of this paper, discussions and recommendations for potential future research will be elaborated.

Keywords: eTrading-house, SMEs

INTRODUCTION AND BACKGROUND REVIEW

Tambunan and Hillebrand (2001) propose Indonesia to revitalize the SME sector, traditional business partnership and linkage and cluster development concepts being adjusted to reflect new economic realities resulting from increased competition in both the domestic and international markets, and rapid technological advances.

There are some major weaknesses of SMEs which affect their competitiveness, as follow: (Team, 2005)
1. Limitation to information reach
2. Limitation to market access and production factors
3. Limitation in capital structure and access to capital sources
4. Limitation to technology access and ability
5. Weak in management and organization
6. Limitation in networking and cooperation
7. Lack of experience in fulfilling commodities standards
8. Lack of experience in bidding

Nowadays, information and communication technology (ICT) has been an enabler to business, the ICT mentioned includes internet. Contrary to this fact, it is still found that the usage of internet among SMEs in Indonesia is still low, as indicated in Table 1. (Wahid and Indarti, 2007)

<table>
<thead>
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<th>No.</th>
<th>Internet Usage by SME</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Market information search</td>
<td>92.16</td>
</tr>
<tr>
<td>2</td>
<td>Design information search</td>
<td>80.39</td>
</tr>
<tr>
<td>3</td>
<td>Product marketing</td>
<td>50.80</td>
</tr>
<tr>
<td>4</td>
<td>Communication with business partner</td>
<td>58.80</td>
</tr>
<tr>
<td>5</td>
<td>Communication with consumer</td>
<td>45.10</td>
</tr>
<tr>
<td>6</td>
<td>Facilitate online ordering</td>
<td>37.30</td>
</tr>
<tr>
<td>7</td>
<td>Communication with supplier</td>
<td>37.30</td>
</tr>
<tr>
<td>8</td>
<td>Online transaction</td>
<td>29.40</td>
</tr>
</tbody>
</table>

Table 1. Internet usage among SMEs in Indonesia

Source: Wahid and Indarti, 2007

National Development Council (2005) claims that there were 518,996 SMEs in Malaysia which have played an important role in Malaysia’s economics growth. These SMEs comprised around 99 per cent of total enterprise in Malaysia, contributing around 85 per cent of total employment. (Pope and Jabbar, 2006) Table 2 shows numbers and percentage of SMEs in Malaysia.
Table 2. Number of SMEs in Malaysia in 2005

<table>
<thead>
<tr>
<th>Business Size</th>
<th>Number</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Micro</td>
<td>411,849</td>
<td>79.40</td>
</tr>
<tr>
<td>Small</td>
<td>95,490</td>
<td>18.40</td>
</tr>
<tr>
<td>Medium</td>
<td>11,857</td>
<td>2.20</td>
</tr>
<tr>
<td>Total SMEs</td>
<td>518,996</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: National Development Council (2006)

The role of SMEs in contributing to Gross Domestic Product for year 2006-2007 in Indonesia is shown in Table 3. (Anonymous, 2008). Suppose SMEs can upgrade their performance, then it may contribute higher to Indonesia.

Table 3. The role of SMEs (in %) in contributing to Gross Domestic Product for year 2006-2007

<table>
<thead>
<tr>
<th>No</th>
<th>Business Category</th>
<th>Enterprise Size</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Small</td>
<td>Medium</td>
</tr>
<tr>
<td>1</td>
<td>Agriculture, Plantation, Poultry, Forestry and Fishery</td>
<td>86.90</td>
<td>8.85</td>
</tr>
<tr>
<td>2</td>
<td>Mining and Excavation</td>
<td>8.15</td>
<td>3.26</td>
</tr>
<tr>
<td>3</td>
<td>Manufacturing</td>
<td>12.55</td>
<td>11.35</td>
</tr>
<tr>
<td>4</td>
<td>Electricity, Gas and Clean Water</td>
<td>0.53</td>
<td>7.58</td>
</tr>
<tr>
<td>5</td>
<td>Building</td>
<td>44.94</td>
<td>21.12</td>
</tr>
<tr>
<td>6</td>
<td>Trading, Hotel and Restaurant</td>
<td>74.19</td>
<td>22.26</td>
</tr>
<tr>
<td>7</td>
<td>Transportation and communication</td>
<td>27.93</td>
<td>25.03</td>
</tr>
<tr>
<td>8</td>
<td>Financial, Rental, and Company Service</td>
<td>16.56</td>
<td>47.16</td>
</tr>
<tr>
<td>9</td>
<td>Other services</td>
<td>39.24</td>
<td>7.94</td>
</tr>
<tr>
<td></td>
<td>Gross Domestic Product (GDP)</td>
<td>37.67</td>
<td>15.88</td>
</tr>
<tr>
<td></td>
<td>Gross Domestic Product (GDP) exclude Oil and Gas</td>
<td>42.25</td>
<td>17.70</td>
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Table 3 shows that when the business is capital intensive, which means need big capital to be invested, then the big enterprises’ contribution are bigger compare to SMEs, and if non-capital intensive then the SMEs’ contribution are bigger than the big enterprises. However SMEs’ contribution to GDP with or without oil and gas are still above contribution of big enterprises. Some notes must also be taken into considerations, such as since big enterprises are strong in capital, they can provide themselves with necessary technology, knowledge and capabilities that at the end can rise their competitiveness. On the other hand, limitation or weaknesses of SMEs as stated above indicates that SMEs need more support, e.g. facility to enable them to develop and compete in domestic and international market.

There are eight strategies for going Global (Zimmerer and Scarborough, 2002):

1. Creating a website
2. Relying on trade intermediaries; trade intermediaries are domestic agencies that serve as distributors in foreign countries for domestic companies, one of the intermediaries is export trading companies. Export trading companies are businesses that buy and sell products in a number of countries and offer a wide variety of services to their clients
3. Creating joint venture; alliances between domestic-domestic or domestic-foreign companies. In this case since the issue is going global then the joint venture is domestic-foreign companies.
4. Foreign licensing
5. International franchising
6. Counter-trading and bartering; Counter-trade is a transaction in which a company selling goods in a foreign country agrees to promote investment and trade in that country and bartering is the exchange of goods and services for other goods and services.
7. Exporting
8. Establishing international locations

Creating a website may need development and maintenance of the websites, which may be a beneficial if the SMEs have the competence to dot it. Relying on trade intermediaries is very similar to one of the roles of trading house. Joint venture may need long-time collaboration between SMEs and foreign counterpart. Foreign
licensing and international franchising are good alternatives after being proven for quite sometimes, since
destination countries may apply strict regulations to protect their business persons. Counter-trading, bartering,
Exporting and Establishing international locations actually can be substituted with website and or trading house,
in this case eTrading house.

From all the facts above, it is needed to provide an eTrading House to facilitate SMEs, especially in
Indonesia.

RESEARCH OBJECTIVES
This paper is an exploratory study follows the assumption that SMEs will be helpful should they can
learn, transact, and update information from an eTrading House.

This paper aims at examining the needs of stakeholders while an eTrading House is developed. In
particular, the paper sought to:
• Identify needs of stakeholders to be included in the website of eTrading House
• Investigate success factors and pitfalls in running eTrading House
• Examine enabling factors of Trading House

METHOD
The methods of research for this paper is the combination of literature reviews, Focus Group
Discussion (FGD) and interviews to collect primary data, observation and collection of data through examination
of being hosted similar eTrading-house, and also an Object Oriented Analysis and Design (OOAD) method will
be used to develop the eTrading-house. FGDs are used since it can provide insight into issues that cannot be
covered in a survey (Anonymous1, 2007).

Literature study is carried out to collect information on SMEs in Indonesia and also in other countries,
besides as preliminary preparation on methods combination by studying research process, starting from problem
encounter / research purpose, research objective, research question, hypothesis, data collection methods,
research tactics and implementation, research findings and report. Literature study and observation are also
carried out by browsing the internet especially trading house sites.

The discussions in FGD were made in 3 rounds, the first round was ice-breaking session and discusses
the experience of FGD members in dealing with trading, training and import/export. The FGD members are
alumni of Indonesian Export Training Center (IETC), and bound in Alumni Union of IETC, they are highly
qualified in training, coaching, consulting SMEs. The next rounds discussed intensively how to assist SMEs in
overcoming their weaknesses through applications requirements in the eTrading House. Each round took not
more than 3 hours for discussions. Limited meetings with business and information technology lecturers were
made to gain inputs and for purpose of feedback.

The analysis and development of the eTrading House, will use the Object Oriented Analysis and Design
(OOAD). This concept is different from the previous method which uses to-down approach, which means one
action in single phase. In OOAD concept, each phase can be run which each action because of the object
concept which once defined can be reused. Figure 1 shows the Use-case driven, architecture-centric, and
incremental approach which incorporated in OOAD method (Mathiassen, 2000)
Problem domain is part of a context that is administrated, monitored, or controlled by a system, while Application domain is the organization that administers, monitors, or controls a problem domain. Figure 2 shows these context are modeled (Mathiassen, 2000).

Figure 2. The Problem and Application Domain Modeled

Figure 3 shows the model methodology to be tailored with any application to be developed (Mathiassen, 2000).

Figure 3. Method that ready to be tailored

The whole methodology can be extracted as in Table 4. (Mathiassen, 2000)

Table 4. Methodology of OOAD
### Purpose
- To determine system requirements.
- To make a system design without significant uncertainties.
- To understand a system, its context, and the conditions for its implementation.

### Concepts
- **Object**: An entity comes with identity, state, and behavior.
- **Class**: A description of a collection of objects sharing same structure, behavioral pattern, and attributes.
- **Problem domain**: Part of a context that is administrated, monitored, or controlled by a system.
- **Application domain**: The organization that administrates, monitors, or controls a problem domain.
- **System**: A collection of components that implements modeling requirement functions, and interfaces.

### Principles
- Model the context.
- Emphasize on the architecture.
- Reuse patterns build.
- Tailor the method to suit the respective projects.

### Results
- An analysis document and a design document.

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**RESULT**

The requirements show that there are some facilities needed for eTrading House:

1. Sellers which offer products, which are classified in business sectors to ease the finding of product.
2. Buyers which seek products, which are classified in business sectors to ease the finding of product.
3. Frequently Asked Questions, consist of questions that are frequently asked by SMEs.
4. News, which are related news to trading and economic situations.
5. Contact Us, which provide contact person, address, phone number and email address enable parties who want to contact the site administrator for reasons.
6. Information on Trading Regulation, which hopefully can help visitors who need information in trading regulation.
7. Searching facilities, which enable visitor to easily find products, buyers, or sellers.
8. Sitemap, a map which help visitors not get lost in the site.

The parties related to the eTrading House are categorized as:

1. General/public visitors who can only browse the sites to find their needs, and sent message when needed to the companies of SMEs listed in the sites.
2. Members who are registered SMEs equipped with password and have facilities to update their respective information. Members have the privileges of general / public visitors.
3. Premium members who are members and at the same time advertise in the sites.
4. Administrators, who have the privileges to add, update and delete members and premium members. Administrators also able to change the look of eTrading House sites.

Factors that may enable eTrading House to be implemented:

1. Reputable party who has competences both business and technology to run the eTrading House.
2. Commitment of SMEs bounded as members in eTrading House to maintain quality and satisfying products and services.
3. Regulation literate and perceptional synchronized by both SMEs and eTrading House to avoid misconduct of law.

Designs of the eTrading House may vary, but to give clear picture some pages are presented. Trade Portal is used to give generic name for eTrading House.
DISCUSSION, LIMITATION, AND RECOMMENDATION

There are some factors to make eTrading House to be succeeded:

1. Widely known domestic and international wide
2. Persistence with the core business competence of related SMEs, as eTrading House is a facility to trade, not substitute to the business. Fail to maintain the core business competencies may cause eTrading House to be not trusted.
3. Finding clever ways to appropriate more of value they create as market maker, as stated by Eisenmann (2002)
4. Quality evaluations are made not only on the outcome of a service, but also on the process of service delivery (Parasuraman et al. 1985)

There are some limitations and recommendations to this paper:
1. It assumes that discussions inside and outside FGDs conclude all the things needed to develop and run eTrading House, while due to limited time, experience and no perfection, there may be things left behind.
2. Assumptions that SMEs may join eTrading House still need further research
3. Technical aspects of eTrading House may be topics for future research

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