

# Untapped Opportunities: ICT Use by Zanzibar SMEs

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## Abstract

An ICT use has become unavoidable in different aspects of human life; the development of business depends largely on the utilisation of the new technology. However, SMEs in Zanzibar have yet fully utilised the opportunity of ICT. This paper discusses the opportunities that could be grasped by SMEs in Zanzibar by adopting Information and Communication Technology in a wider range. Different literatures have been viewed to show opportunities that Small and Medium Enterprises can have by utilising ICT. Conclusion has been made by showing the importance of ICT use by Zanzibar SMEs.

**Keywords:** SMEs, ICT, Untapped Opportunities

## 1. Introduction

Economic growth depends largely on the development of an energetic SMEs sector in the country. Adekunle and Tella (2008) argue that SMEs play important roles in the industrialisation and economic growth to both developed and developing countries. The immense of the business in Zanzibar are SMEs (RGoZ, 2006); this means that small and medium enterprises have significant roles to the growth and stability of the Zanzibar's economy. Nielinger (2003) highlights that SMEs are habitually taken as a major source of productivity, growth, and job creation. The function of SMEs can be extended further not only in economic development, but it can be deduced even in the promotion of more democratic and pluralist societies as well as poverty reduction (Henriques, n.d).

Information and communication technologies (ICT) are important factor on the transformation of economic system in the today world as well as the smooth running of businesses. However, the adoption of the ICT by SMEs is by far very slow (Zaied, 2012), this circumstance results into slow growth of SMEs. ICT has created new formations and new affiliations in the business world, in that sense any business decisions in any part of the have considerable effects all over the world. ICT is considered as an operator of economic development in most countries (Apulu & Ige, 2011).

## 2. Small and Medium Enterprises (SMEs) in Zanzibar

Promotion of sustainable industrialisation, including the development of SMEs is one among the Zanzibar vision 2020 priorities. One of the steps as mentioned in the vision 2020 is Zanzibar Poverty Reduction Plan (ZPRP) that aims at increasing income and access to social services. The major goal set up by ZPRP is the support for micro, small and medium-sized enterprises (RGoZ, 2006).

SMEs in Zanzibar like in other countries play important roles in the economy of the nation. There are varieties of SMEs in Zanzibar such as handicrafts works, spice processing and packaging, medicine soaps making, cloth making (batik) and other woollen materials. According to the author's knowledge small and medium-sized enterprises in Zanzibar relatively have low sales levels; and this could be due to the fact that the market capacity of Zanzibar relatively is small compared to other countries. Consequently, this situation leads to SMEs in Zanzibar having small workforce and relying on local market rather than looking for outside.

Moreover, most of SMEs in Zanzibar rely on family labour; this is done as a means of reducing labour costs as well as distributing employment opportunities among the family members. Hence, most of the SMEs are owned and operated independently by individuals and families. SMEs in Zanzibar have been classified in three categories, namely; micro enterprise, small enterprise, and medium-sized enterprise (RGoZ, 2006)

## 3. ICT Practice in Zanzibar

Information and Communication Technologies are those technical innovations which represent progressive developments within a field for competitive advantage; in most cases ICT is associated with computer uses. Martin *et al* (n.d) hint that proactive policies that aim to ensure encouraging environment for the sustainable development of information technology and communications in most countries of the world are being adopted.

Generally, the use of ICT in Zanzibar is practiced widely and at good level by most of the people at different ages. The usage of ICT is largely applied through mobile phones, i-pads, laptops, desktops connected with internet services. It is important that the society in which the business operates should be familiar with information and communication technology (Martin *et al*, n.d)

Zanzibar Government has embraced e-government approach to streamline its activities as well for the easy running of business. The practice of e-government is an opportunity to SMEs since they will have easy access of information that will enable them to run their business effectively. In Zanzibar there are about five

mobile phone service providers in which they also provide internet services, again there are two internet providers which operate directly from Zanzibar apart from those which are based in Tanzania Mainland.

The speed and cost of the internet in Zanzibar varies from one provider to the other, but generally they are at a good speed as well cost effective. This is mostly due to the competition among the internet providers; each provider tries to attract customers in its business. The importance of ICT can be viewed in different angles, if it used strategically and properly an ICT can contribute to reduce poverty and improve communication among the people by intensifying and consolidating social networks. More importantly, an ICT use can enhance and increase people's capability to deal with different difficulties that may hamper their endeavour to success including cutting down some costs as well strengthening efficiency in activities.

#### **4. Opportunities of adopting ICT in SMEs Zanzibar**

Love et al. (2004) as cited by Ion and Andreea (2008) ICT provides many benefits at different levels operational level, tactical level and strategic level. Each of these levels have much impacts on the development of the SMEs and their operations. SMEs in Zanzibar need reliable communication to enhance their operations, good and reliable communication is an asset that can generate profit to an organisation. It has been suggested that the use of ICT can improve communication, ability to exchange data, teamwork, customer relations, visibility of services, market share, and competitive advantage (Ion and Andreea, 2008).

ICT use offers auspicious opportunities to SMEs through meeting their challenges in the mutable environment. The potential of using ICTs by SMEs is significant to the extent that the technology contributes to continued competitive advantage for businesses (Ion and Andreea, 2008) they further argue that in Small and Medium Sized Enterprises (SMEs), ICT can be used as a business tool to improve data management, improve communication, improve decision making, reduce paper work, reduce labour costs, improve ability to exchange data, improve response time to queries, and improve control of cash-flow. All these aspects are significant for the growth of SMEs if exercised appropriately.

At the planning level ICT is very important as it improves response to changes, service quality, decision making, teamwork, pro-active culture, improve planning times, reduce time to compile tenders, integration with other business functions, reduce time to prepare cost plans, and improve effectiveness and efficiency. Development of SMEs largely depends on the quality of management hence, utilisation of ICT at this level could improve planning and integration of business activities within enterprises. Ion and Andreea (2008) argue that in order to obtain benefits from using ICT, both ICT technical skills and managerial skills related to ICT are needed. Managerial skills involve management's ability to develop ICT applications to support and contribute to other business functions.

Strategically ICT use by SMEs in Zanzibar would improve growth and success while reducing marketing cost and improve market share. Unless the managers have affirmative insights and pledge to the quest of competitiveness and growth in the e-business environment than e-business strategies of SMEs could not be developed (Ion and Andreea, 2008). SMEs in Zanzibar can improve their competitive advantages, organisational and process flexibility that would help them to win market leadership. However, successful implementation of e-business strategies depends on the capacity of SMEs to generate combined effect between technology, organisational goals and strategies, and people's abilities and skills (Ion and Andreea, 2008).

#### **5. Conclusion**

Generally, the use of ICT is very important to any business entity. SMEs in Zanzibar could yield much and they can compete with other SMEs in the world. The role of SMEs in contributing to the national economy could be realised if much efforts will be geared toward the adoption of ICT. The importance of SMEs is seen on their major source of employment, technological advancements, and competitive advantages for both developed and developing countries (Ghobakhloo et al., 2011). Conducting business in this technological era has no boundaries one can transact anywhere in the world at any time, hence, SMEs need to strengthen themselves in the use of ICT to make sure that they concomitant with outside world. Ghobakhloo et al. (2011) argue that due to the fact that there is an increasing competitive pressure and the essential for entering to global market undergone by SMEs, these businesses are incrementally employing Information Technology (IT) to take advantage of its substantial benefits.

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**SMEs Size Classified by Employment**

Description	Number of Employees	% of total establishments
Micro enterprise	1-4	90.0%
Small enterprise	5-19	06.5%
Medium-sized enterprise	20-99	03.55%

Source: The Zanzibar SMEs Development Policy, 2006

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