1. INTRODUCTION

1.1 The Use of Internet for Business

The emergence of the Internet as a world-wide commercial medium vehicle, provides an opportunity for organisations to conduct business in the cyberspace. Organisations are finding it more and more important to have a presence in the Internet - to get more customers, to increase public awareness of the companies and their product/services, and to sell more of their products (Alicia, et. al 1997).

Many businesses, regardless of their size and sectors, ventured into Internet trying to cash in the benefits that Internet brings. The benefits are obvious, the Internet is a cost effective medium for communicating with current and potential customers - local and abroad, and for conducting daily business. Business can advertise in the Internet and anybody with a computer equipped with appropriate software can access the advertisement from anywhere in the world. Such convenience and marketing efficiency, for both the advertisers and consumers, are making the web popular for marketing practices all over the world (Kiani, 1998).

Today, the Internet, whose latest manifestation is the World Wide Web (WWW), is full of web sites trying to sell goods and services to the world. However, many of them were unable to understand this new medium, and even less able to utilise it effectively (Janet, 1996). With new technologies emerging almost daily, and old technologies becoming obsolete just as quickly, the question of how to effectively utilise this new medium is of interest to everyone, especially for those that intend to take advantage of this new medium. In addition, there are confusions concerning the Internet - exactly what is happening, the potential for business, and what business should be doing to take advantage of it (Alicia, et. al 1997).

Although the potential for profitability is evident, the use of Internet are not without obstacles. Issues such as security and cost are of great concerns to both the

business and the consumers. Apart from this, the question of whether anyone is making money on the Internet remains largely premature (Hoffman et al, 1996; Alicia et al 1997). Any company eager to take advantage of the Internet must select a business model and develop strategies designed specifically for its Internet venture in order to be successful. Towards this end, the company must access the impact to the existing business model and distribution channel; decide on how to identify the Internet audiences and their needs; and to response to the competition pressure (Alicia et al, 1998; John et al, 1996).

Nevertheless, the Internet offers opportunities for those with a sound business plan. And for those who are having second thought, the pressure from both competition and consumers may be too great to resist (Shikhar, 1998).

1.2 Research Questions

From the literature review and pilot work carried out by visiting some of the web site hosted by the Malaysian business, it is evident that although the number of web sites has been increasing and the extent of Internet usage has been expanding, Malaysian business are not using the Internet to its full potential. In particular, the use of Internet is only limited merely to create a presence in the Internet and no real effort being put to improve its content and to attract more visits.

With this in mind, the main objective of this paper is therefore to answer the following three related but distinct questions:

1) In which areas of business functions, do the organisations in Malaysia use Internet?

2) What are the factors and barriers that influence the decisions of the organisations in Malaysia, in regards to whether to adopt or reject Internet for their business?

3) What are the problems experienced by those current Internet users (organisations) in Malaysia?

1.2.1 Research Objectives

With reference to the above key research questions, the objectives of this research were designed as follows:-

1) To identify the business functions in which the organisations in Malaysia use Internet.

2) To analyse the factors and barriers which influence the decisions of the organisations in the adoption and usage of Internet in their business functions.

3) To analyse the problems which are currently experienced by the organisations and to discuss ways of resolving these problems and enhancing the use of Internet.

1.3 Significance of the Study

They are four primary contributions of this study:

Firstly, this research intends to extend the previous works done on the use of Internet for business. In review of the literature, there are not many researches done in this area, partly because Internet is generally considered new to the majority of the business in Malaysia. Therefore, this study could also serve as a basis for future research on Internet.

Secondly, there is a current interest and strategic implications from the perspectives of the Malaysian Government and the local businesses. The government is trying to use Information technology (IT) to improve the competitiveness of the local businesses. This is evident with the establishment of (1) Ministry of Multimedia - to

draw up standards, rule and regulations for the use of Internet and Information Technology, (2) Multimedia Super Corridor (MSC) - an initiative by Malaysian Government to encourage the world best IT companies to come to Malaysia and set-up their Research and Development centres, with a hope to develop the local technology and IT applications talent. The two main projects, e-government and e-purse will pave the way for the use of internet for commercial purposes - E-commerce.

Thirdly, the benefits of the Internet is evident. An organisation can use Internet for many purposes and the associated benefits are limited only by the innovativeness and the imagination of the adopters. In addition, the implication could be great if the organisations ignore the importance of Internet. These organisations would be at a competitive disadvantage and be eventually phased out by more aggressive players who adopted Internet to create competitive advantage (Shikhar, 1998).

A *fourth* contribution of the research is to provide valuable insights into the factors that influence the adoption decision and the extent of Internet usage. In addition, the problems or concerns that faced by the current adopters and the non-adopters will also be identified and analysed so that steps can be taken to resolve and overcome these problems for the sake of Internet development in Malaysia. The insights will help the government and system providers to find ways to provide conducive environment and develop relevant applications for the use of Internet in the Malaysia business community.

1.4 Scope of the Study

The scope of study was limited to the followings -

1) As there are many factors that can influence the decisions of using Internet, it is not possible to investigate all the factors and barriers in one study. Therefore, organisational factors which were considered relevant and appeared to have great influence to the use of Internet were selected.

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In terms of barriers to the use of Internet, the areas covered were restricted to those discussed in chapter two - the literature review.

2) For the sample selection and data collection method, there were two surveys to solicit response from both Internet users and non-Internet users: one via the Internet and another one via traditional method.

For the Internet survey, the sample were restricted to those listed on the selected directory malls. On the other hand, for the survey via traditional method, due to time and resources constraints, the scope of sample was restricted to three main business areas - Northen (Penang, Perak), Klang Valley (KL, Selangor) and Southern (Johor, Melaka, Negeri Sembilan).

The sample were also restricted to private businesses from major industries such as manufacturing, trading/services, computer/IT, banking/finance, hospitality, and property Only one response from each organisation would be solicited. The respondent could be anyone working in the executive and manager level, as well as the top management. In addition, professionals such as IT staff, engineers were allowed as they may be the one who were maintaining the Internet applications and their views were important to the study as well.

1.5 Research Approach

This research is of exploratory type which intends to identify the type of applications, the influencing factors and problems experienced in regards to the adoption and usage of Internet by the organisations in Malaysia

The research objectives will be addressed using primary data. The primary data were collected by conducting surveys using self administered questionnaires. Two types of data collection methods were used (1) traditional method (by mail) and (2) a

combination of e-mail and web based fill-in form survey. The web-based survey was preferred as it showed a major advantage over the traditional method in terms of both speed and cost of data collection, with no downgrade in response rate (Pete, SGA 1996). However, as the audience of web based survey was restricted only to those Internet users, a second survey (by traditional method) was used to solicit responses from the non-Internet users in order to meet the research objectives.

The responses were then combined for further analysis using statistical program - SPSS version 7.5.

1.6 Limitations of the study

1.6.1 Survey

Self selection could be a concern as there were more respondents who used Internet than those did not. Self-selection occurs when the entities in the sample are given a choice to participate. The self selection problems was also experienced by other surveys such as the GVU User surveys. Therefore, the findings of this research only represented a small group of business in Malaysia and any generalisation should be made with cautions.

1.6.2 Other Important Factors

This paper focused mainly on the organisational factors in relations to the use of Internet. There are of course many other factors which could be significant as well, for example, the influence of suppliers (change agent) was not investigated and this was considered a significant factors in affecting the adoption of the innovation (Rogers, 1995)

1.7 Organisation of the Study

Chapter one intends to introduce the concept of using Internet for business and the research questions of the study. Also discussed are issues related to the research - the significance; the scope; the approach and the limitation of the study.

Chapter two provides review of literatures in relations to Internet - characteristics and services offered; and how Internet can be used as commercial medium for the business. In addition, the factors which motivate the business to adopt Internet and the barriers which hinder the use of Internet for business were also discussed.

Chapter three discusses the research methodology which includes the research model and hypothesis, measurements, research sample, data collection methods and the data analysis techniques.

Chapter four provides analysis of the research findings which includes the validation and reliability tests, the characteristics of the respondents, the findings of the hypothesis testing and the factors which act as the barriers to the use of Internet.

Chapter five provides a summary of the research findings and conclusions. In addition, recommendation for future research and implication of the study were also discussed.