

# E-Business- Role in the Development of the Economy of Sultanate of Oman

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**Abstract** -Oman has accomplished as much or more than its fellow Gulf monarchies, despite starting from scratch considerably later, having less oil income to utilize, dealing with a larger and more rugged geography, and resolving a bitter civil war along the way. Of course, Oman's progress in the past 30-plus years has not been without problems and missteps, but the balance is squarely on the positive side of the ledger. Oil has been the driving force of the Omani economy since Oman began commercial production in 1967. The oil industry supports the country's high standard of living and is primarily responsible for its modern and expansive infrastructure, including electrical utilities, telephone services, roads, public education and medical services. In addition to extensive oil reserves, Oman also has substantial natural gas reserves, which are expected to play a leading role in the Omani economy in the Twenty-first Century. To reduce the country's dependence on oil revenues, the government is restructuring the economy by directing investment to non-oil activities.

Since the 21<sup>st</sup> century IT has changed the performing tasks. To manage the affairs for the benefits of organizations and economy, the Omani government has adopted E-Business technologies for the development. E-Business is important because it allows

- Transformation of old economy relationships (vertical/linear relationships) to new economy relationships characterized by end-to-end relationship management solutions (integrated or extended relationships)
- Facilitation and organization of networks, small firms depend on 'partner' firms for supplies and product distribution to meet customer demands
- SMEs to outsource back-end process or cost centers enabling the SME to focus on their core competence
- ICT to connect, manage and integrate processes internally and externally
- SMEs to join networks and enter new markets, through shortened supply chains to increase market share, customers and suppliers
- SMEs to take up the benefits of e-business to reduce costs, increase customer satisfaction, improve client referral and attract quality partners
- New business models of collaboration for SMEs to increase their skill base
- SMEs to enter virtual trading arena and increase their market reach

A national strategy for the advancement of information and communication technology (ICT) has been worked out, mainly to introduce e-government, e-commerce, and a digital society. An information technology complex KOM (Knowledge Oasis Muscat) had been established, consisting of section for information technology, incubator services, a shopping center of technology

software and hardware, ICT colleges, E-Government services and other relevant services. So, all these efforts play a vital role in the development of Oman economy.

**Keywords:** ICT, ITA, CRM, SCM, ERP, KOM, SMEs, E-Commerce and E-business

## Definition of E-Business

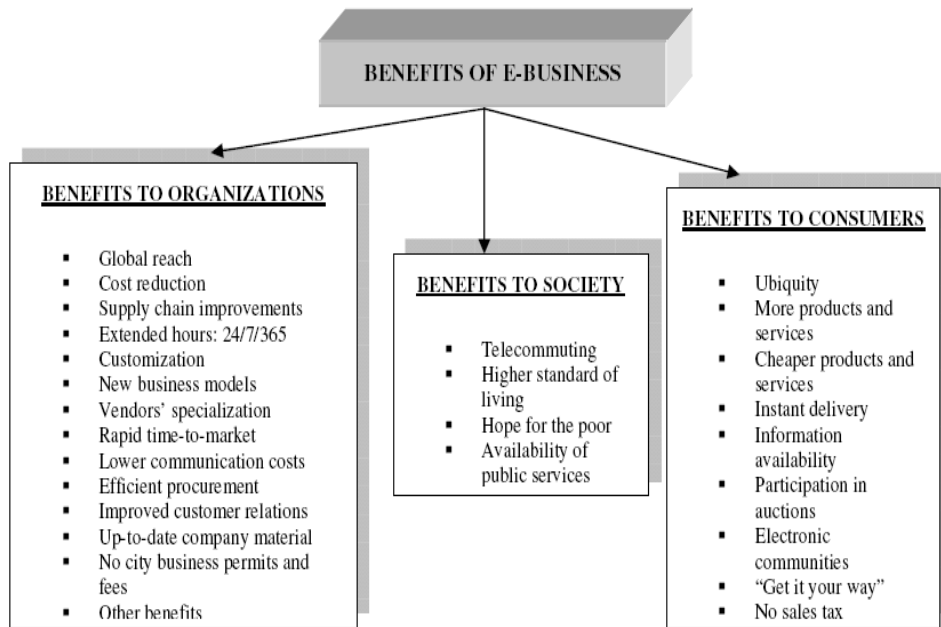
Doing<sup>1</sup> business electronically to transform key business process. Enabling core business processes to be put online to improve services to both customers and collaborating partners, cut costs and sell products.

The transformation of an organization's processes to deliver additional customer value through the application of technologies, philosophies and computing paradigm of the new economy.

## The Difference between E-Commerce and E-Business<sup>2</sup>

E-Commerce - the sale of products and services to customers over the Internet - is now relatively easy to implement. There are many software products and solutions that enable catalogues to be incorporated into web sites for purchase of products over the Internet by consumers. Yet e-Commerce is not e-Business. An e-Business not only sells products online (e-Commerce), but also links those sales tightly to its back-end systems for order processing and delivery fulfillment. If online sales are not seamlessly integrated with the back-end systems of an enterprise, those orders must be separately entered into the normal processing and fulfillment systems. Such enterprises are only doing e-commerce; not e-business. Perhaps the best-known example of e-business is that of Amazon.com, the world's largest online bookstore with over a million titles. Amazon has succeeded by building a closely linked e-business value chain for acceptance of orders online and delivery to its customers wherever they are located, worldwide. As an e-business, it has also added CDs, videos, toys, electronics and auctions.

## Old Economy Relationship<sup>3</sup>



*Producer                      Retailer                      Consumer                      Producer                      Consumer*

**New Economy Relationship**

**Examples of E-Business Services**

<b>E-Business</b>	<b>Activities</b>	<b>Examples</b>
<b>Customer Relationship Management (CRM)</b>	integrated processes to manage customer lifecycle and build relationships	-Electronic address book for customer contact details  -Responding to customer emails within 24 hours  -Database of customer orders and preferences
<b>Selling-Chain Management</b>	transform sales into interactive orders including pricing, quoting and service	-Website with catalogue of products including updated price lists for sales staff and customers  -Online email quote or service request

<b>Enterprise Resource Planning (ERP)</b>	integrated accounting & finance, production planning, human resources, sales & distribution systems	-Accounting system such as Quick Books  -Database that tracks resources for projects  -Simple monitoring system for sales tracking
<b>Supply Chain Management (SCM)</b>	inter-enterprise coordination of material, information and financial flows across all participating enterprises	-Email orders to suppliers  -Automatic transfer of payment via bank accounts  -Website with reports and information
<b>E-procurement</b>	improved purchasing for efficiency, reducing corruption and cost control	-Emailing an order direct to a supplier  -Track invoices through accounting

		packages
<b>Knowledge-tone</b>	decision support, data management, information retrieval and reporting in response to market and customer needs	-Gather customer satisfaction information and use it to develop a new marketing strategy  -Review orders and develop a new inventory list

### Oman – The Economy

Omani<sup>4</sup> economic development may be divided into three phases: a period of rapid expansion between 1970 and 1986; economic retrenchment and rationalization between 1986 and 1989 as a result of the 1985-86 oil price collapse; and a period of stabilized growth since 1990. Economic growth and structural change have proceeded rapidly in Oman during the rule of Sultan Qabus ibn Said. Oman, however, lagged behind such neighboring gulf emirates as Kuwait and the UAE as a result of the late discovery of oil, financial constraints, and political instability in the first half of the 1970s. Nonetheless, increased government expenditure as a result of the commercial production and export of oil transformed the standard of living in Oman.

When Sultan Qabus ibn Said assumed power in 1970, he immediately implemented an economic development and modernization program. Priority was given to expanding the country's almost nonexistent infrastructure. In the early 1970s, substantial progress was made in developing physical and social infrastructure, mainly in the form of roads, a new deepwater port, an international airport, electricity-generating plants, desalination plants, and schools, hospitals, and low-cost housing. Government revenue derived almost exclusively from oil receipts made this possible.

Economic growth was accompanied by uneven structural development, however. In 1960 agriculture accounted for 75 percent of the gross domestic product by Oman's fiscal year 1991, its share had fallen to less than 3 percent. By contrast, industry (including petroleum), which accounted for only 8 percent of GDP in 1960, increased to 59 percent by 1985. Manufacturing increased only from 1 percent to 3 percent and services from 18 percent to 38 percent in the same period.

As a result, in 1993 Oman's economy was dominated by the petroleum sector and the services sector. Aware of the vulnerability produced by dependency on a depletable natural resource, the government has increased funding for sectors based on renewable natural resources that can

provide sustainable economic growth. The government is concentrating on the agriculture and fishing sectors, encouraging tourism, and constructing light industrial parks with the objective of exporting consumer goods to its Gulf Cooperation Council (GCC) partners.

Oman's currency is the Rial, about \$US2.60. The country's main revenue comes from oil and natural gas. According to the Ministry of National Economy – Oman (2003)<sup>5</sup>, Oman's 2002 GDP reached OMR7803 million (provisional), compared to OMR 104 million in 1970. The country's economic status was substantially enhanced by rising oil prices (Ministry of National Economy – Oman, 2003)<sup>6</sup>. Oman's 1970 renaissance was assisted by the 1976 implementation of five year development plans, which aim to enhance the citizens' wellbeing. The earlier five year plans focused on meeting the basic needs of the country as a whole; education, health, transport, and telecommunication. These development plans continue today and they underpin Oman's economy as it progresses smoothly through consecutive and complementary programs. For example, the sixth five-year development plan (2001 – 2005) emphasised the growth of fixed and mobile telecommunications and internet services (OCIPED, 2005a)<sup>7</sup>.

In 1995, the government developed a long term, 25-year development plan, *Vision 2020*. Using this framework, the country started a diversification strategy, aimed at reducing reliance on the oil sector, by replacing oil with natural gas, and identifying and promoting other local industries. ICT was seen as a facilitator for many of the Vision's goals. The focus of Vision 2020 is to develop the economy – promote external economic relationships, diversify Omani industry and develop a robust economy that has professional leadership and a skilled labour force. Privatisation of government-held resources is another aim embedded in Vision 2020. It includes divesting government properties and offering the private sector opportunities to further develop post-public enterprises. OmanTel, the sole provider for ICT services in Oman, is a case in point. Privatisation of this public entity was accelerated when Oman joined the World Trade Organisation (WTO) in 2001, as free trade and liberalising the communications sector was an agreed condition of this step. Oman has also established free trade zones and industrial estates to promote local and foreign investment. These programs offer incentives to investors, such as 100 per cent foreign ownership for any projects established within the free trade zone boundaries. Further incentives include exemption from customs fees for any imported or exported products, and removal of restrictions on company profits or money transfer and investments.

### ITA and ICT in Oman

Information is becoming the main driving force in every sector of human's life. The amount of information and knowledge is considered as the scale of how an economy is

strong. E-Government refers to the use of internet technology as a platform for exchanging information, providing services and transacting with citizens, businesses, and other arms of government. On the 1st June 2006 his Majesty issued his royal decree 52/2006 to set up the Information Technology Authority (ITA). This autonomous legal body affiliated to the Minister of National Economy. ITA is responsible for implementing national IT infrastructure projects and supervising all projects related to implementation of the Digital Oman Strategy while providing professional leadership to various others E-Governance initiatives of the Sultanate. ITA serves as a competency center on best practices in e-Governance and in harnessing Information and Communication Technologies (ICT), thereby offering efficient and timely services, integrating processes and improving efficiency in service delivery. ITA undertakes several projects to increase technology penetration and empower its people with required digital literacy and higher levels of competence through training and innovation centers. Modern Oman is a flourishing modern, industrial state with a firm base for economic growth. In the year 2006, Oman has entered into a new era with the beginning of the 7th Five Year Development Plan (2006-2010) which is the third plan for the Vision for Oman's Economy: Oman 2020. Oman's e-Governance initiative will build a Knowledge-based Economy in Oman by developing world-class e-Government services that will facilitate more streamlined interaction between the corporate sector, the Government and citizens. While making your work more efficient and productive, eOman's business-centric initiatives will ensure that you save valuable time and money. eOman offers you more convenient, cost effective and citizen oriented corporate services that will change the way you do business in Oman. Be a part of eOman today.

### **The Potential Benefits of E-Business in Oman's Economy**

**Reduce the spending:** This can be achieved very easily. Instead of providing hard copies of forms and spend a lot on printing them, government agencies can just upload the form electronically where everyone can access the form and fill the requirements without wasting time on driving to the required location, wasting time on waiting the turn and also it'll be very beneficial for those who are not able to drive. Also lower costs as well as improved efficiency and quality of service beside facilitated transparency and accountability.

• **Reduction in the number of person in contacts:** "Governments are under pressure to meet rising expectations for their service. With the use of the Internet more individuals are able to access the government's services without necessarily going to the government office or contacting by telephone. The use of the Internet will reduce the negative attitude individuals have toward government agencies because not many people enjoy interacting with their government.

• **Delivery of services from any place to citizens 24 hours a day, 7 days a week:** Websites serve as convenient and cost effective platforms for centralized service provision. Businesses, residents, visitors, and intergovernmental agencies can easily access public information related to their specific needs by simply checking on different web links. They can also contact government officers directly though email or online request forms.

• "More effective linkages between citizens and government; People can receive more integrated services because of different government organizations are able to communicate more effectively with each other."

• "People can be better informed because they are able to get up-to date and comprehensive information about the government laws, regulation, policies and services."

• **Another beneficial outcome is the promotion of e-democracy:** "Some examples of digital democracy include voter registration, public opinion polling, and communication among elected representatives and their constituents" (Majles A'Shura). "A good example is the launching of the Ministry of Interior website accessible. The Ministry has provided for facilities to register new voters through online registration. They can download application and voting forms and can also send them by email to this ministry."

• Existing voters can verify their profile online and update their records online as well. For this they have to provide their Identity card numbers. Such a system is available for the first time and it precludes the forthcoming Sixth Shura Council elections. "

#### **eOman services for Businesses**

- E-Tendering
- E-Legislation
- National E-Payment Gateway
- E-Government Services Portal
- International Relations
- Technology Park at Knowledge Oasis Muscat
- One Stop Shop
- National Registration System

A number of projects are in the pipeline involving large investments, which could change the structure of Oman's economy in the long run.

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