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VIRTUALITY AS A STRATEGIC APPROACH FOR SMALL AND MEDIUM SIZED IT COMPANIES TO STAY COMPETITIVE IN A GLOBAL MARKET

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Change has been a feature of the IT industry right from the outset. This change comes primarily from advances in technology and these are continuing today. Many “core technologies” are still undergoing a transformation which makes clear positioning of companies in the marketplace difficult. One of the most dramatic changes in recent years has, without doubt, been the global availability of public networks. The Internet can be regarded as the precursor of such networks. Research material on the impact of this technology on business organization and strategy contains a large number of exploratory works (see Cronin 1996; Angell and Heslop 1995; Barnatt 1995). Conceptual works are still rare and their praxeological content is often unclear (see Quelch and Klein 1996; Bradesko 1995).

Therefore, a quantitative study was conducted at the beginning of 1996 to investigate Swiss and German IT companies on the Internet. The explorative work shows that the technology is applied widely in this industry and that the Internet is used, among other purposes, for communication to coordinate interorganizational partnerships. The suspicion, therefore, is that the change processes lead IT companies to develop virtual structures. In the second and qualitative part of this work, eleven IT companies out of the sample have been selected for case studies. The following research questions have been formulated:

1. Are SMEs in the IT industry able to use the Internet for rapid, cost-effective coordination of internal and external functions and thus to achieve location-independence or are the entry costs still high even though the Internet is widely available?
2. Are SMEs in the IT industry choosing to enter into strategic and operational alliances in order to enhance their competitive position or are they maintaining chiefly personal relationships which are not always consistent with their strategy?
3. By virtualizing their organization are SMEs in the IT industry able to assert their position in global competition or are they withdrawing to local markets in spite of the opportunities offered by technology?

First results show that, depending on the intensity of competition, virtual organizing is a strategy that many IT companies choose. The Internet is, in conjunction with lower telecommunication costs, one of the drivers of restructuring. Besides serving as a platform for communication, the Internet is used primarily as a medium for the data exchange of Internet independent applications. Increasingly, these older applications are being replaced or modified so that they can be delivered via the World Wide Web. This brings about a centralization of applications and massive potential for cost reduction as well as an intensification of the interaction between customers, suppliers and business partners. Besides these effects there are also clear barriers to the broad adoption of both the technology and the virtual practices.

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