Chapter 16

Globalisation of the Digital Economy

INTRODUCTION

Data transmitted over the Internet does not recognize national borders. It is this factor that has led information technology to open up new avenues in global commerce. People in separate countries can work on the same project without having to physically relocate. Organizations can now deploy their resources and operations anywhere around the world. Information about new products, corporate earnings, etc; can be shared simultaneously in a networked economy via corporate e-mail systems, value-added networks or over the Internet. In an increasingly globalized business world, for which the Internet is partly responsible, countries are likely to experience the migration of skilled workers to higher paying economies or jobs. Therefore, as the globalization of the world’s economy takes shape, concerted efforts must be
made by national governments and states to train enough students and workers to meet the new challenges brought about by the digital economy (Selhofer, 2003).

As a construct, globalization has made it possible for business enterprises to conduct business operations that extend beyond their areas of fixed abode. It has become increasingly easy for an SME to participate in the world market because of IT, which virtually any business can access. Enhanced access to information by business enterprises implies the ability to reach a greater market audience. This is necessitated even more by the globalization of human capital, characterized by the easy migration of skills between countries. These factors make transacting business in a virtual set-up a profitable reality (Tetuji, 2001). Because of the opportunities offered by information and communication technologies, the vision of perfect competition is also becoming a reality. Competition is fostered by the increasing size of the market opened up through globalization. Consumers can now find out what prices are offered by all the vendors for any product; and new markets and businesses can deliver their products down a phone line anywhere in the world, twenty-four hours a day (Romer, 1990). In the globalized business environment, knowledge spreads fast, and for a firm to be competitive it must be able to innovate more quickly than its competitors. Brands, as products of globalisation, are becoming critical in the global marketplace because they strengthen consumer trust in nations and their products. This is especially true in the current marketplace where consumers are overwhelmed by choice. Like intellectual capital, a brand accounts for a significant proportion of a company’s value (Ministry of Economic Development-Canada, 2003).

By leveraging ICTs, SMEs are able to enter global markets that were once only the preserve of large scale companies. However, this also means that the world is growing increasingly competitive, and SMEs have to struggle to survive in an environment where they are surrounded by well resourced enterprises. In such an environment, the Internet offers the potential for improved marketing and benefits from lowered production costs. The Internet can be used by SMEs as a boundless, up-to-the-minute source of information about markets, especially on pricing, overseas trends, products and research. The Net also enables SMEs to actively identify customers and suppliers, and facilitates selling directly to the customer, thus removing the middleman and reducing costs through savings on commission. ICTs in general and the Internet in particular also impact positively on purchasing and production because of how they improve the capacity to purchase goods and services, banking and investment, and access to expert assistance. These benefits, coupled with improved access to information on the latest developments, allow for an increase in the efficiency of production. The Internet further enables the automated tracking of deliveries and provides sophisticated customer relationship management software which is able to capture transaction data and create a database containing informa-
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