Chapter VIII

Virtualization as a Process of Transformation of Small and Medium Enterprises (SMEs) in the Global Virtual Organization

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Abstract

The chapter is devoted to the subject the transformation of SMEs due to the application of Information Technology (IT). These enterprises, despite their significant position in local economies, had limited possibilities while competing with large-scale enterprises (LSE) on the global market. Consequently, their role more and more often was reduced to the role of satellites. The use of IT has allowed SMEs to transform into virtual
organizations and in this form succeed in the global market. The author has focused on the analysis of the following problems: virtualization as a direction of the development of SME, analysis of its strengths and weaknesses, and new opportunities and risks face medium-scale small construction enterprise that, by using information technology and creating a virtual organization, was able to defeat a large-scale enterprise (LSE) in an international tender for construction of a hotel complex.

Introduction

The development of IT has caused significant change in the functioning of individual organizations; it allows them to succeed in the emerging global market.

The author presents the view of Small and Medium Enterprises (SMEs) through the use of virtualization and IT services as a process. Virtualization changes dramatically the image of SMEs. Those enterprises that use new trends of IT development for their own development become fully competitive for large organizations, and transform to a new type of organization - the Global Virtual Organization. Virtualization has been analyzed from a theoretical and practical point of view.

Why SMEs?

According to the principles adopted within the European Union (SMEs in Europe-2002), the notion of SMEs comprises three types of organizations:

1. Micro enterprises; employing up to 10 people
2. Small enterprises; employing from 10 to 49 people.
3. Medium-sized enterprises; employing from 50 to 249 people.

Large-scale enterprises are those employing more than 250 people.
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