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Information Technology (IT) and Small and Medium-sized Enterprises (SMEs) Management: The Concept of 'Firm Impact Sphere'

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Globalization and e-globalization are terminologies of high significance when focusing on smaller firm mechanisms of survival and growth. Studying the way firms are using bridging tactics, including strategic alliances, to increase their chance of survival and growth is an important issue. This is certainly true for the smaller enterprises. There are different tools in literature that are used to analyse the strategic partnership within the international context. One of the new approaches to understand the interaction between the firm's activity and its environment is the concept of the 'Firm Impact Sphere'. In this article we have reviewed important existing knowledge about Information Technology's (IT) impact on the management and other functional aspects of Small and Medium-sized Enterprises (SMEs). We have re-introduced the concept of the 'Firm Impact Sphere' and have related that to the structure of strategic alliances, as an example of an effective bridging tactic used by firms to expand into global markets. The 'Firm Impact Sphere' concept was initially proposed by Abouzeedan and Busler (2002). According to this concept, there are three types of Firm Impact Spheres: Localized, Semi-globalized *and* Globalized. *Firm performance has different distinct characteristics in each of these types. Using this differentiation, we have analysed the way the concept of 'Firm Impact Sphere' would be used in understanding bridging tactics between functionality, with a concentration on international strategic alliances structuring and building.*

Introduction

Organizational Performance

Turban et al. (1999: 5), have correctly stressed that Information Technology (IT) has become the major facilitator of business activities in the world today. Other researchers had already pointed to this fact in earlier works (see for example Tapscott and Caston 1993). Turban et al. (1999) inform us that IT is a catalyst of fundamental change in the structure,

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operation and management of firms due to capacity enhancement (see Dertouzos 1997). A literature review conducted by Melville et al. (2004), revealed that studies examining the association between information technology and organizational performance are divergent in how they conceptualize key constructs and their inter-relationships. According to Melville et al. (2004), previous research has shown that information technology may indeed contribute to the improvement of organizational performance (see Brynjolfsson and Hitt 1996; Kohli and Devaraj 2003). Melville et al. (2004), point to the fact that IT business research examines the organizational performance impacts of information technology. The dimensions and extent of IT business value depend on a variety of factors including the type of IT, management practices and organizational structure, as well as the competitive and macro-environment (Cooper et al. 2000; Dewan and Kraemer 2000). Morgan (1994), expressed the point of view that information technology has changed organizations and made them flatter, smaller and faster. Accordingly, bureaucracy is giving way to entrepreneurialism. Hickey (2000: 4), stresses that IT is the bedrock of the Internet.

According to Palvia et al. (2002), interest and research in global information techniques are relatively recent. Nevertheless, the definition of global IT has evolved and expanded. Palvia (1998) identified three components of global (IT): (1) information systems and technology that are global in scope, (2) information systems and technology in different cultures and countries, and (3) IT products and services that are built in one country and used in another. According to Fuller (1996) computers and software programmes (information technology or IT) are, theoretically, business tools which can be used to reduce costs, create stronger linkages with customers, innovate and facilitate niche marketing. In reference to Fuller (1996), studies suggest that computers are used by small businesses for operational or administrative takes, rather than for 'strategic' decision-making applications (see Kench and Evans 1991; Khan and Khan 1992).

A virtual organization is the newest and potentially the most important form of business organization to have emerged in decades. Enabled by new information and communication technologies, most importantly the Internet, the virtual organization model offers businesses a chance to reduce costs, become more flexible and extend their market reach all at once (Warner and Witzel 2004: 1). Dana et al. (2002) introduced the new terminology 'Internetisation' in the emerging IT based economy as the synonym to the word 'Internationalization' in the traditional economy. According to the researchers mentioned earlier, the term 'Internetisation' refers to the process of adoption and diffusion of e-business systems and Internet technologies by innovative entrepreneurs. Referring to the same source, 'Internetisation' shares some core notions with 'Internationalization' in accordance with the Uppsala model. No matter what the model has been named, the objective is to generate information on firm activity that may be used to help management make informed and sensible decisions about its operational and strategic activities. Smith (1999) has confirmed that the development of MIS is now greatly facilitated by the increasing sophistication and affordability of powerful personal computers and various other aspects of IT. Information is improving the speed and reliability with which information is passed not only within the

individual organization but also around the globe. Dramatic reductions in the cost of obtaining, processing and transmitting information are changing the way we do business (Porter and Miller 1991). The Porter value chain (Porter 1980, 1985) was developed as a method for analysing the sources of competitive advantage available to a firm. It assumes that competitive advantages result from a combination of the many different activities a firm pursues during the course of business, rather than coming from one individual source. In her work, Smith (1999) concluded that it is important that new entrepreneurs set up their businesses with a strategy for information technology in mind.

Brown and Pattinson (1995) have explored some of the issues for strategic management of alliances resulting from the impact of information technology and telecommunications. Lei and Slocum define alliance as 'co alignments between two or more firms in which the partners hope to learn and acquire from each other the technologies, products, skills, and acknowledge that are not otherwise available to their competitor' (1992: 81–83). Moore (1993) pointed to the fact that despite protectionist and other trading-limiting measures and political constraints in some countries, the globalization of business is increasing rapidly and the information revolution is playing an important part in that process. Ngai and Wat (2002) argue that globalization and IT are radically changing the face of business and organization. IT is being adopted and incorporated into nearly all organizations that have invested heavily in IT infrastructure for the overall success of their business. The concept of the 'Firm Impact Sphere' was introduced by Abouzeedan and Busler (2002) to account for the impact of IT on the business reach of SMEs. Pudney (2001: 163) looked at how organizations are achieving a competitive advantage from partnering. He studied many forms of collaborations of firms: with or without equity involvement, based on local regional or global geographical spread, with a single partner or many partners in the network.

Strategic Alliances across Borders

Background

Cooperation between different entities to achieve common goals is a well-known behaviour within the domain of human activities. Historically, this is more obvious in the area of commerce. According to Kanter (1994), alliances between companies, whether they are from different parts of the world or different ends of the supply chain, are a fact of life in business today. As he correctly points out in the global economy a well-developed ability to create and sustain fruitful collaboration gives companies a significant competitive advantage. Globalization is a phenomenon that has also left an impact on the different regions of the world (see Abouzeedan 2004). Globalization is creating the possibility of vital bridging tactics including alliances. The work of Kanter and his research group uncovered three fundamental aspects of business alliances. The first aspect confirms that alliances must yield benefits for all partners. The second aspect is that for alliances to be deemed successful they must involve both *collaboration* (creating new value by a combined effort of the partners) and *exchange* (getting something back for the effort involved). Thirdly, alliances require a dense web of inter-personal connections and internal

infrastructures that enhance learning (Kanter, 1994). Kanter found that North American companies, when compared to other firms, take a narrow, opportunistic view of relationships based solely on the financial terms of the alliance relationship. Asian companies, on the other hand, place more emphasis on the human quality of the relationship. The European enterprises have a middle of the road approach where both components are present in a reasonable mix. Referring to Kanter (1994), cooperative arrangements between companies range along a continuum from weak and distant to strong and close. The one extreme of such an arrangement is embedded in the *mutual service consortia*. In this form of cooperation similar companies in similar industries combine their resources to gain a benefit that is too expensive to acquire alone. The other extreme form of cooperation is the *value chain partnership* such as supplier-customer relationships. At the mid-range of the spectrum, there is the *joint venture*. According to this form of cooperation, companies pursue an opportunity that needs capability from each of the two partners. Companies in different industries with different but complementary skills, link their capabilities to create value for ultimate users (Kanter, 1994).

Organizational Environment

Dill (1958) and Scott (2003: 197) define the task environment as those features of the environment relevant to the organization when viewed as a production system. These include, in particular, the sources of inputs, markets for outputs, competitors and regulators. Several theoretical frameworks provide guidance to empirical studies of how an organization relates to the task environment. These include the *contingency* (Donaldson 2001; Thompson 1967), *strategic choice* (Baum 1998; Child 1972), *competitive strategy* (Porter 1980), *resource dependence* (Pfeffer and Salancik 1978), *transaction cost* (Williamson, 1981), and *knowledge base* (Nonaka and Takeuchi 1995). Porter (1980) regards decisions concerning *product differentiation* and *focus* to be among the most significant made by organizations when determining their *comparative advantage strategies*. Since no organization generates all of the resources necessary for its goal attainment or survival, organizations are forced to enter into exchanges, becoming inter-dependent with other environmental groups, typically other organizations (Scott 2003: 197). James D. Thompson (1967), an early contingency theorist, argues that organizations seek to manage their input and output boundaries, employing varying tactics to manage these exchanges. Unequal exchange relations can generate power and dependency differences among organizations. As a result, organizations are expected to enter into exchange relations cautiously and to pursue strategies that will enhance their own bargaining position (Scott 2003: 197). This inter-dependence between organizations, which Scott (2003), has labelled the *Resource Dependence Approach*, has given rise to considerable theoretical and empirical work since the early 1970s. Porter (1980) conducted an analysis dealing with competitive strategies appropriate for firms confronting varying market configurations. This level of analysis views the environment as it relates to, and impinges on, a particular organization that provides the primary focus of the analysis. Using a different set of assumptions, transaction cost theorists and population ecologists have also examined the

relation between task environments and organizational forms.

The nature and scope of the organization's *domain* is a critical concern for all organizations. Domain definition concerns not simply the general area of activity, but the particular roles or functions that the organization will perform (Scott 2003: 198). One topic of importance is the way that the firm business domain has been altered by progress in information technology tools. Abouzeedan and Busler (2002) argue that information technology is having a clear and profound effect on small firm management. Management activities, which were time-consuming as well as labour intensive, are taking far less time and effort to be performed using the new IT tools. The managers of SMEs are becoming aware of this and SMEs are catching up by adapting new IT technologies. IT is used today in all aspects of business activities including sales and marketing, purchasing, financial transaction, administration, accounting and communicating etc. These advances in information technology also facilitate a healthier environment to practice bridging techniques such as strategic alliances. Utilizing such partnership structures would have required significant effort and was historically beyond the limited resources of the smaller firms. Within the context of the new realities of e-globalization and the IT economy, building a functioning partnership structure is far easier than it was before this advancement. This is more true for the smaller enterprises. The terminology 'e-globalization' first appeared in Abouzeedan (2005). It refers to the differences between globalization processes that are IT-driven and the processes of globalization induced through traditional methods.

Bridging Tactics

Referring to Scott (2003: 203), while *buffering tactics* are primarily associated with protecting the technical core of the firm, *bridging tactics* are oriented towards the security of the entire organization with regard to its environment. Bridging tactics address, in particular, the power position of an organization versus its exchange partners. Virtually all of the formulations of power and exchange relations among organizations are built on the conception of power developed by Richard Emerson (1962). Emerson's formulation is useful for several reasons when applied to a given organization and the set of organizations to which it relates. In Emerson's view, power is not viewed as some generalized capacity but as a function of specific needs and resources that can vary from one exchange partner to another. Thus, it is possible for an organization to have relatively little power in relation to its suppliers, but considerable power in relation to its buyers. Further, we would expect each supplier's power to vary with the importance of the resources it supplies and the extent to which alternative suppliers are available. Scott (2003: 203), argues that the most complete analysis of bridging tactics to date is provided by Pfeffer and Salancik (1978) who conclude: 'The typical solution to the problem of interdependence and uncertainty involves increasing coordination, which means increasing the mutual control over each other's activities (1978: 43).

Bridging tactics include: *Bargaining*, *Contracting*, *Cooperation*, *Hierarchical Contracts*, *Venture Capital*, *Joint Ventures*, *Strategic Alliances*, *Mergers*, *Associations*, and *Government*

Connections (Scott 2003: 204–211). Pudney (2001: 165) claims that the key to high performance and the creation of genuinely innovative methods for working together lies in the understanding and management of five categories of inter-linked factors. Together these make what he calls the SCOPE model for a successful partnership. The SCOPE model is an acronym for a combination of these sets of factors, where inadequate performance on one or more of the categories may severely inhibit the formation of a high-performing partnership. The factors incorporated in the SCOPE model are categorized into five groups: *strategic factors*; *cultural and chemistry factors*; *organizational and operational factors*; *performance review factors*; and *equity factors* (see Pudney 2001: 166–180).

The Realities of the New Economy

The New Economy of Information Technology

Information technology tools are dramatically transforming today's economy at different levels and with variable dimensions. Some researchers have already started speaking about new type of economies such as the 'Spatial' versus 'Scale' economy, the latter being the older, more traditional one (Polenske 2001, 2002). Abouzeedan (2005) and Abouzeedan and Leijon (2004) differentiate between the traditional form of globalization, which was powered by non-IT methods and the globalization that is facilitated by the new information technology tools. The two researchers have called the latter 'e-globalization'. Milmo (2000), attributes the fact that European SMEs have thus far shunned e-commerce due to the lack of awareness about e-business technologies, the cost of setting up in-house online systems and shortages of properly qualified IT staff. Trade associations are also finding that small companies are reluctant because of fears that e-business will expose them to unfair competition. Many analysts believe that for the near future most electronic commerce will be business-to-business, with business-to-consumer commerce growing in volume later. Prior to 1996, and in reference to Norton (1996), most business-to-business electronic commerce was online advertising as well as product and service information. Norton (1996) projects that this type of activity will continue to be useful and fairly creative, with more and more companies coming online to supplement other types of market communications. Another type of Web commerce is product-problem resolution, particularly in high-tech areas where people are already inclined to communicate online. More and more billing inquiry capabilities and process tracking will occur online (such as tracking packages) (Norton 1996). Wreden (1998) has suggested a method to avoid some of the problems related to functioning in the new global market. One way is to enter a partnership with companies based in other countries/regions. These strategic partnerships lower the economic risk and increase the probability for success outside the domestic home base, thereby providing a more efficient entrance strategy.

McFarlan's (1984) theme of IT for competitive advantage has been built on by a number of researchers in relation to smaller business, (e.g., Porter and Miller 1985). Principally, the arguments have been that IT is a resource that small firms can utilize to behave like bigger firms. Borch and Hartvigen (1991), Fuller (1992), Fuller and Heslop (1990), Herbet and Bradley (1993) and McMahon (1990) cite expert systems as providing

know-how for the inexperienced small business. As pointed by Fuller (1996), several researchers have identified management areas for the application of IT. Such areas include: production management (Sharp et al. 1990); marketing (Lincoln and Warberg 1987; Nobble and Clarke 1989; Alpar and Reeves 1990) and management decision-making (Gupta and Harris 1989). As noted by Holzinger (1995), the consolidation of the entertainment, communications and information industries are helping small businesses to improve management and sales. Increasingly, this consolidation will provide customers and entrepreneurs with an inexpensive access to an immense amount of information. The dimensions and extent of the IT business value depends on a variety of factors including the type of IT, management practices, organizational structure, the competitiveness of the firm and the macro-environment (Cooper et al. 2000; Dewan and Kraemer 2000). Research also suggests that firms do not appreciate all of the value they generate from IT and thus business value may be captured by end-customers in the form of lower prices and better quality (Bresnahan 1986; Hitt and Brynjolfsson 1996). As argued by Melville et al. (2004), in the network era, electronic linkages within and among organizations are proliferating, thus altering the methods in which firms acquire factor inputs, convert them into products and services and distribute them (see for example, Hammer 2001). The term IT business value is commonly used to refer to the organizational performance impacts of IT including productivity enhancement, cost reduction and other measures of performance (Hitt and Brynjolfsson 1996; Kohli and Devaraj 2003). Melville et al. have defined IT business value as 'the organizational performance impacts of information technology at both the intermediate process level and the organization-wide level, and compromising both efficiency impacts and competitive impacts' (2004: 283–322).

Impact of Information Technology on an Organization

Referring to Fink and Kazakoff (1997), the potential benefits that an organization can obtain when it utilizes IT are extensive and include efficiency gains (e.g., the automation of clerical procedures), increased management effectiveness (e.g., in decision-making) and improved business performance (e.g., by entering into strategic alliances with other firms). The last aspect of potential benefit is of specific importance to the topic of this paper. Technological developments present potential adapters with the means to solve problems and create opportunities. The falling costs of computer hardware, software and telecommunications and associated performance improvements have enabled organizations to re-examine the way that they conduct business and come up with more cost-effective practices. An evaluation should therefore be made of IT that is available to a firm by considering its features, benefits and cost. As pointed out by Fink and Kazakoff (1997), in the small business domain, IT systems would prove to be invaluable in tracking customer orders, correspondence, delivery and payments. Bonk (1996) has correctly pointed out that in today's global economy even the larger high-technology companies are finding that technical leadership, by itself, is not enough to meet global competition. The most important factor seems to be the ability to deliver a quality product, on time, at a competitive

price, anywhere in the world. According to Bonk (1996), in this electronic arena, small and large companies alike can combine appropriate resources from anywhere in the world to reach target markets anywhere. These shared resources may include products, marketing, sales, distribution, research engineering, technology transfer, finance and various mutual support services. This ability to share resources is especially important to SMEs that previously lacked the complementary resources to participate in global markets. Bhattacherjee (2001), has raised the point that the nature of online firms' interaction with customers is also transforming business techniques from traditional communication channels such as telephone and mail to electronic mail and web-based forms, from full-service to self-service and from mass marketing to personalized marketing. In reference to Globerman et al. (2001), the Internet has dramatically reduced the costs of 'point to multipoint' communication, making it easier for brokers and other information providers to supply information to their customers. In addition, the relatively low cost of opening a website has made it easier and less costly for those in possession of information to make that information accessible to all, in one well-known (electronic) location.

Internationalization and Information Technology

Referring to Gabrielsson and Kirpalani (2004), traditionally internationalization and global research approaches have evolved around two schools of thought: *the process school* and *the economic school*. The former assumes that the firm follows a behavioural approach (see Cyert and March 1963). The latter relies on the rationale that focuses on the question of how internationalization happens. Referring to Smith (1999), the founding directors of new businesses may find themselves thrown onto a steep learning curve which they must begin to climb if the firm is to succeed (see Frank 1988; Jovanovic 1982). It is important that the directors approach the new venture with an open and receptive mind, keen to learn both about their own business and the environment in which it operates. Katz (2002), has brought to our attention the fact that the advent of the Internet has brought about a new form of business organization, called the Virtual Instant Global Entrepreneurship (VIGE). VIGE builds on the existence of particular structures and structured processes on the Internet which when utilized result in the creation of a firm in the virtual world. The resulting firm is global from its inception, offering sales worldwide with structures or structured processes often facilitating global financial exchanges (e.g. currency movements and conversions). Referring to Dana and Wright (2002), the profound change occurring at the micro-economic level is the demise of the company as the primary unit of competition. Referring to the two researchers, management has long viewed the company as a 'black box,' a self-contained unit with clearly defined parameters within which the various management functions take place. Emphasis has been on 'internationalizing' value-added functions, to bring them more fully within the control of the firm's management and on building walls around the firm to help secure the retention of its internal proprietary advantages from competitors.

The New Small Enterprises

There are a number of established models for evaluating a firm's performance which can be of value in relation to the SCOPE model mentioned earlier in this paper. One of the most recent small firm performance models is the SIV® model. The SIV® model was developed by Adli Abouzeedan as his doctoral thesis at the Washington International University. The model evaluates SMEs performance using survivability as an indicator (Abouzeedan 2001). He accounted indirectly for the IT impact on firm performance by introducing the expenditure on new technologies as one of the factors enhancing survivability. Referring to Gabrielsson and Kirpalani (2004), born global enterprises from small and open economies (SMOPEC) such as Finland, Sweden, Denmark, Israel and Taiwan are facing a tremendous challenge given their origin, resource constraints and vision. Enormous amounts have been spent to establish subsidiaries and build marketing channels. Born globals lack such resources, and therefore it has been suggested that these firms utilize a 'alternative governance structure' (Oviatt and McDougall 1994) and more often rely on hybrid structures in their distribution channels (close relationships and network partners etc). (See Madsen and Servais 1997).

The Concept of the Firm Impact Sphere and its Significance

Information technology is having a tremendous impact on the Small and Medium-sized Enterprises (SMEs). As a result, the physical space upon which the firms have an impact has changed drastically in the last decade. A recent attempt to account for that phenomenon was proposed by Abouzeedan and Busler (2002). The two researchers introduced a new concept which would help us to propose a new perspective when it comes to managing strategic alliances and other partnership structures. They named it the 'Firm Impact Sphere' and defined the 'Firm Impact Sphere' as 'the geographical area, within which the business activity is conducted, encompassing all forms of functional, operational and strategic processes performed by the firm' (Abouzeedan and Busler 2002: 127–156). In this section, we are reintroducing the concept of the 'Firm Impact Sphere' presented in that work. In reference to Abouzeedan and Busler (2002), the firm is located within the central point of a geographical area extending its activities in all directions and thus creating a 'Firm Impact Sphere'. The two researchers hypothesized that they are three theoretically possible types of such spheres. These are: The 'Localized' Firm Impact Sphere, the 'Semi-globalized' Firm Impact Sphere, and the 'Globalized' Firm Impact Sphere. For the convenience of the readers, we will use the abbreviation FIP, for Firm Impact Sphere. As such the 'Localized' Firm Impact Sphere, will be called 'Localized' FIP and so forth.

The 'Localized' Firm Impact Sphere or 'Localized' FIP

In this type of impact sphere, the firm's business activities are conducted within a limited geographical region within the immediate area of the company. In the past, almost all

SMEs had an 'Impact Sphere' of this sort. Communication and transportation possibilities were very limited. The firm purchased its raw material, semi-products or complete products within close proximity of its location and sold it's products and services to the local population. According to Abouzeedan and Busler (2002) this situation lasted until the 1980s. Although there were tremendous advances in one of the two main barriers of commerce during the last decades of the eighteenth century and the early decades of the nineteenth century, namely transportation, still communication was the hardest of the barriers to break for SMEs. 'Transportation' is concerned with the physical movement of raw materials and goods, while 'communication' is concerned with the movement of information.

The 'Semi-globalized' Firm Impact Sphere or 'Semi-globalized' FIP

The 'Semi-globalized' FIP started, as Abouzeedan and Busler (2002) note, to be a reality as a result of the introduction of smaller, relatively cheaper, personal computers in the market. The personal computer brought a real breakthrough in the administrative capacities of SMEs. Fax-machines, modems and e-mail possibilities enhanced communications between firms. Then the Internet was introduced to the business communities in the early 1990s. The communication barrier started to collapse. The impact sphere of the firm thus expanded beyond its immediate geographic area. Suddenly small firms could reach larger areas with the enhanced communication capacity. The impact of their business activities began to reach a far wider region. The status of a 'Semi-global' impact started to materialize. This is the situation in which we currently find ourselves. Abouzeedan and Busler (2002) are expecting this to extend further in the next few years and maybe the next few decades until we get to the next stage. The two researchers anticipate that the process of getting to the next stage will be slower in countries where the IT infrastructure is expanding at a slower rate.

The 'Globalized' Firm Impact Sphere or 'Globalized' FIP

As Abouzeedan and Busler (2002) indicated, the communication barriers in the new area of IT are collapsing quickly. However, other barriers remain that tend to hinder the total impact of SMEs without any geographical limitations and with almost immediate delivery of that impact. The first, of course, is the transportation and the time attached to those activities. Other factors are also hindering the expansion of the impact sphere of a firm to extend to the entire globe. Barriers of a cultural, social and political nature will exist for at least the foreseeable future. However, ultimately these barriers, though not completely eliminated, should be significantly reduced to the point where the impact sphere of the individual SME will reach a global level, as Abouzeedan and Busler (2002) have anticipated. Thus a 'Globalized' Impact Sphere is attained. The outer borders of the 'Globalized' FIP represent the entire globe and not just a larger limited geographical region.

Within the context of each type of Firm Impact Spheres, there are distinct characteristics related to firm performance. In Table 1 we clarify what these characteristics mean. They include: *firm impact*, *firm-size growth mechanism*, *firm resources abundance*, *firm growth potential*, *firm internationalization possibilities*,

firm management flexibility and *firm operative thinking*. These characteristics do obtain a different nature as the Firm Impact Sphere proceeds from being 'Localized', to 'Semi-globalized' and then 'Globalized' FIP. That progression is explained in Table 2.

Success of Strategic Alliances and the Firm Impact Sphere

The probability of successful strategic alliances can be visualized outside the context of the environment within which the enterprises are operating. That is where the importance of the 'Firm Impact Sphere' concept is most realized. In this section we discuss the Firm Impact Sphere in relation to bridging tactics and their capacity to help smaller firms to expand and grow. As mentioned above, Abouzeedan and Busler (2002), theorized that the 'Localized' Firm Impact Sphere lasted until the late 1970s. Prior to that time, using bridging teachings was very difficult. Building strategic alliances would not have been possible even for the larger firms since they need excessive availability of resources. In the 'Semi-globalized' Firm Impact Sphere analogy, the smaller enterprises found some success in breaking

Table 1
Clarification of the Distinct Characters of Firm Performance in the Firm Impact Sphere

Distinct Character	*Explanation*
Firm impact	What is the extent to which firm activities are felt by the external environment?
Firm-size growth mechanism	What is the mechanism by which the firm grows?
Firm resources abundance	What is the extent to which the firm enjoys resource availability?
Firm growth potential	What is the extent of the firm growth ability?
Firm internationalization possibilities	What are the possibilities that a firm would choose to internationalize?
Firm management flexibility	What is the extent to which the firm managerial decisions are based on alternative solutions?
Firm operative thinking	What kind of approach does the firm management use to tackle operational questions?

Table 2
The 'Firm Impact Sphere': Distinct Characters of Firm Performance and their Significance for Successful Strategic Alliances Requirement in Relation to Firm Performance Characteristics

	Type of Firm Impact Sphere			*Significance degree,*
Distinct Character	*Localized*	*Semi-globalized*	*Globalized*	*in the 'Globalized' FIP*
Firm impact	Localized	Semi-globalized	Globalized	Very significant
Firm-size growth mechanism	Organic	Semi-organic	Networking	Very significant
Firm resources abundance	Limited	Limited	Limited	Non significant
Firm growth potential	Limited	Less limited	Unlimited	Significant
Firm internationalization possibilities	Restricted	Somewhat restricted	Unrestricted	Very significant
Firm management flexibility	Inflexible	Somewhat flexible	Very flexible	Very significant
Firm operative thinking	Traditional	Semi-traditional	Untraditional	Very significant

the barriers that slowed down cooperation and expansion in the international arena. Advances in communication, and to a lesser extent in transportation, have facilitated that internationalization. However, networking is demanding resources that were still be beyond the smaller firm's capacities. Eventually, as we are proceeding toward this 'Semi-globalized' stage of Firm Impact Sphere realities, the smaller firms have gained much of the capacities in relation to their strategic alliance build-up capacities compared to the era of the 'Localized' Firm Impact Sphere. Still many smaller firms have not been able to benefit from the new situation. This is more true in developing countries when IT possibilities are limited. In the 'Globalized' Firm Impact Sphere analogy, the smaller firms are supposed to gain an unprecedented competitive advantage and they could engage themselves easily in partnership structures. Smaller firms can utilize the whole range of the bridging tactics, including strategic alliances, in their outward expansion.

The distinct characteristics of firm performance in each of the 'Firm Impact Sphere' categories are of varying significance in relation to the success of the strategic alliance. We are more concerned with the significance of the distinct characteristics of 'Firm Impact Sphere', in this article, with ultimate FIP type in mind. The distinct characterizations range from non-significant to very significant (Table 2). We claim that we are heading rapidly into that era. The only distinct character of FIP of no significance is firm resources abundance. The firm growth potential has some significance. However, the rest of the distinct characteristics have a 'very significance level'. These are characteristics that are more related to the firm's management paradigm. Extending this simply means that in a globalized world the only factor restricting phenomenal and rapid internationalization and strategic expansion is the mindset of the managers.

Concluding Remarks

In this article, we re-introduced a new concept, first proposed by Abouzeedan and Busler (2002). The 'Firm Impact Sphere' concept is attempts to look at how information technologies have augmented the ability of the small firm to expand its commercial activities and operations. Abouzeedan and Busler (2002) hypothesized that the firm operation has been transformed from being limited geographically, to starting to cover large geographical areas ending up with the globe as the marketplace of the firm. The two researchers name these forms of 'Firm Impact Sphere' as 'Localized', 'Semi-globalized' and 'Globalized', respectively. Using the 'Firm Impact Sphere' concept we tried to show how internationalization, using bridging tactics is facilitated as we proceed from 'Localized' to the 'Semi-globalized' and then to the 'Globalized' Firm Sphere Impact. To do this, we proposed that there is a group of distinct characteristic, in relation to the firm, which vary among these three types of the 'Firm Impact Sphere'. We then looked at the significance of these distinct characteristics in the 'Globalized' FIP. We found the firm's resource abundance to be the only factor which is of no significance. The factor that governs firm expansion, in the new globalized economy, is the mindset of the management.

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