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Chapter IV

Recommendations

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Abstract

After looking at a few concerns we have about Web services, this chapter suggests a number of ways to approach the Web services business model. It reminds strategists to consider a more holistic approach to IT management rather than supporting their decisions with economies of scale or cost displacement alone. The chapter uses Porter's classic theories of competitive advantage to review Web services adoption process within organizations.

Blurring In-House IT and ASP Services

One impact of the ASP industry on business is the blurring of the old boundaries in IT services between in-house and ASP vendors. In the traditional view, services are merely an add-on to the in-house sector—they are by definition at least, “nonproductive.” In ASP, services either support the growth and survival

of the in-house IT department, or they are perceived as socially desirable but not economically essential. Thus, IT consultancy services are important support services for short-term strategies, while “pay as you go” is perhaps nice for business but not essential to the survival of the ASP industry. At the centre of the ASP industry and critical to its wealth-producing capacity is the need for partnership, around which ancillary services revolve.

What is commonly overlooked in this view is, first, the notion that the relationship between in-house and ASP is one of interdependence, not dependence. And, second, that the categories of ASP and in-house are not distinct and isolated domains, but represent two sides of a continuum. Thus, contrary to the traditional view, in ASP the growth of services helps support the growth of in-house. As the industry evolves and becomes more complex, the need for new services and specialization in the division of labor continues to increase. In-house migrates into strategic management and monitoring of IT standard while ASP migrates into value-added services so that “business IT becomes a service in a package form.” As the boundaries between in-house and ASP become more blurred through the use of improved communications technologies, the opportunities for entrepreneurs continue to increase.

Entrepreneurial Opportunities

As the ASP industry matures, a premium is placed on ideas and the strategic use of data flow technology for new business development, rather than on economies of scale or cost displacement alone. The entrepreneur, therefore, becomes the primary user of new technology and ideas for strategic advantage. As a premium is placed on innovative ideas, small businesses acquire an advantage in being flexible enough to evolve new products and services. Moreover, as such innovation proceeds, the role of small business as source of employment continues to increase in significance, particularly in the ASP-like partnerships. Inevitably, even large corporations (such as IBM and most major players) in the ASP industry, are providing opportunities for corporate entrepreneurs to test new ideas under conditions where “normal” corporate constraints on risk-taking and new investments in internal ideas are relaxed. Corporations as large as IBM are providing opportunities for entrepreneurs to flourish internally. The term “intrapreneur” has been coined to describe this internal entrepreneur.

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