IT INDUSTRY SUCCESS IN SMALL DEVELOPED COUNTRIES

Phillip Ein-Dor
Tel Aviv University

Michael D. Myers
University of Auckland

K. S. Raman
National University of Singapore

ABSTRACT

While much research has focused on the reasons for information systems success, little research has focused on reasons for the success of IT industries. This study investigates IT industry success in three small developed countries: Israel, New Zealand and Singapore. All three countries have seen the rapid development of their IT industries in recent years. This is despite the fact that they are considerably different in many geographic, cultural, and political aspects and are widely dispersed around the globe.

Neumann has suggested that it is the highly developed but small countries that can realize the payoff from using IT for globalization. These countries, with no inherent advantages in raw materials and only small domestic markets, have the IT infrastructure and the human skills needed. They are nimble and flexible, and can find niche markets in which to specialize (Neumann 1992).

In this paper we take Neumann’s work further and hypothesize that there are factors specific to small developed countries which facilitate not only the employment of IT globally but also the development of indigenous IT industries. Not all small developed countries have developed IT industries to the same extent; in this paper we attempt to explain why this is the case.

Preliminary findings suggest that factors such as geographical location, availability of raw materials, national culture, local IT use and firm strategies do not seem to explain differential developments in IT industries. The dominant factor which does seem to provide some explanation is government policy in promoting IT industries directly, supporting IT industry R&D, and in education policies to provide appropriately trained labor pools. This is consistent with the macro-economic theory of Grossman and Helpman (1991) on the relationship between technology development, trade, and growth as applied to small open economies.

REFERENCES
