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EUROPE

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Vol 2 No 3

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code-making

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standards
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PLUS The technology that can keep us all in good health



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© British Publishers Ltd November 2007
ISSN 1747-7972



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Opinion

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Digital Ecosystems Support SMEs in Europe ...

New research on Digital Ecosystems is demonstrating how to promote sustainable eBusiness practices for SMEs in Europe. Digital Ecosystems use an open architecture and open standards for content sharing and business interactions. Current eBusiness practices and technologies do not encourage openness because they promote models of proprietary eBusiness development.

A transformation of the web from a distributed and interconnected information repository to a platform for social networking and content sharing is underway – Web 2.0. This development can be applied to empower firms, no matter how small, to play in the eBusiness market alongside large corporations. Digital Ecosystems demonstrate how innovative business models relying on the value generated by online social relations can be put in place to support Europe's SMEs. This can be achieved by distributing the source of value throughout a network in much the same way as Web 2.0 phenomena such as Facebook and Flickr do this.

To benefit SMEs, barriers created by proprietary standards and high profile brands need to be overcome.

Digital Ecosystems research (www.digital-ecosystems.org) has been funded by the European Commission and is continuing (www.opaals.org). It aims to promote a new mode of economic organisation to leverage loose and dynamic business networks in the online interaction space in a way that is similar to the Web 2.0 content sharing environment. Firm size matters for eBusiness. For business-to-business transactions among Europe's SMEs, only a small number of them are using software solutions or internet-based services for eProcurement. The characteristics of SME business transactions indicate the need for an open infrastructure that is interoperable and allows enterprises to move freely in the market, avoiding lock-in arising from market failure, information asymmetries, uncertainty and high risk.

Digital Ecosystems offer a new approach to modelling business standards.

Rather than assuming services will converge to a common standard or promoting compliance with a centralised data model or architecture,

Digital Ecosystems support an evolutionary

approach. The technical implications of this vision are considerable, but they offer the potential to deliver a disruptive innovation that could challenge the leading players in the market. The approach enables different providers to offer services that can be used, composed and coordinated in a loosely-coupled way. SMEs in

the online transaction space do not need to expose the details of their internal workflows and business models. Current implementations of transaction support in distributed eBusiness environments rely on a centralised transaction server. In contrast, Digital Ecosystems rely on a distributed transaction management system, without a central point of control. Rather than having one service provider (like Google), there are thousands of them. Hence, whilst Digital Ecosystems encourage openness and collaborative practices during the development of business models, they protect the SMEs' data privacy in the execution of online services.

In interactive Web 2.0 developments social networks are enabling trust and reputation mechanisms to support new content sharing spaces. But SMEs are disadvantaged by their small size and the absence of incentives for coordinated action. This means that greater government support for open standards could offer an indirect and light-touch way to strengthen the chances of success of SMEs. In the digital technology sector, there are proprietary platforms through which SMEs must conduct all their online business transactions. Today in Europe this is the only entry point to the knowledge economy for millions of SMEs. Digital Ecosystems research is developing architectural and governance measures that can enable greater participation by SMEs and protect open innovation environments in the knowledge economy. The expected benefit is that these firms will contribute more effectively to a dynamic marketplace and to sustainable economic growth in Europe. ^{e5}

Dr Paolo Dini is Senior Research Fellow, Department of Media and Communications, LSE. He is Coordinator of the OPAALS Project and of several other European Commission funded projects at LSE focusing on network technologies and their theoretical and practical impacts.

Robin Mansell is Professor of New Media and Head, Department of Media and Communications, LSE. Internationally known for her work on the social, economic, and political issues arising from new information and communication technologies, her work examines the integration of new technologies into society and the sources of regulatory effectiveness and failure.

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