

With A. Segars. (1999) "Electronic Commerce and Market Transformation," *International Journal of Electronic Commerce*, Vol.3(4), 3-10.

The inter-organizational systems prominently discussed in the 1980s under the banner of "strategic information systems" often used proprietary protocols to lock-in their customers by creating switching costs. Many of these original systems have now evolved to non-proprietary architectures that facilitate multiple sellers and buyers to transact on a common platform. For instance, American Airline's SABRE system, once a source of monopolistic rents for the provider, is now an independent profit center that facilitates an unbiased electronic market [1].

The rationale behind these consistent patterns can be found in the increased industry competition, reduced technology costs, and increased interconnectivity of technology through open architectures. If we complement these trends with the recent explosion of almost ubiquitous infrastructures like the Internet, it is possible to argue for distributed market structures, less intermediation, and consequently more effective markets.

While hard evidence a definitive trend toward markets has been limited at best, some longitudinal observations indicate survival of monopolistic positions, despite significant infusion of information technology [2, 3]. However, no study to our knowledge has had the luxury of observing patterns of evolution on the Internet, a technology that involves a quantum leap in its reach, openness, and impact [5, 6]. And the gestation period for evolution of pure market structures is unknown, while the arguments for these structures remain strong and reasonable.

This Special Issue examines the transformation of market structures through electronic commerce technologies. In their own way, each paper in this issue challenges the proposition that open architectures will necessarily (and seamlessly) lead to market governance as opposed to hierarchies, where free information flow causes all benefits to accrue to the buyer. In this introductory article, we briefly discuss the classical arguments for market governance, hierarchical governance, followed by the arguments that epitomize the papers represented in this issue.