

## Chapter 4

# On the Use of Digital Platforms to Support SME Internationalization in the Context of Industrial Business Associations

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### ABSTRACT

*The digital economy is creating disruptions in traditional industries and markets. Industrial business associations (IBAs) may face serious challenges in a near future to meet the needs and requirements of their members, particularly in supporting their growing international trade activities and internationalization processes. Digital platforms are already transforming different types of businesses across all markets. An IBA may use a digital platform, not only to keep up with the current technological trends of markets, but also to improve the internationalization support provided to their associate small and medium enterprises (SMEs). Therefore, the aim of this chapter is to present the view of these potential digital platforms' managers, by presenting the results of an exploratory field research based on 24 interviews with IBAs from Portugal, France, and the UK. Another goal is to identify current digital platforms that are being used by IBAs and to critically evaluate their potential for supporting internationalization processes of SMEs. By using these findings, a set of requirements and features for digital platforms supporting SME internationalization in the context of IBAs are derived in this chapter. These results can be used by platform designers and by IBAs for designing and developing more effective digital platforms that can meet the specific internationalization needs of their users and managers.*

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## INTRODUCTION

Today, we live in a world with constant developments in technology and with a society increasingly connected. In a rising generation of micro-entrepreneurs, freelancers working anyplace at any time, and new business models, we are witnessing to at least three important changes in the business world: (1) a more shared economy, where collaboration is the emerging paradigm; (2) the use of digital information and communication, social media and new technology platforms to improve businesses and management processes; and (3) an increasing competition environment for all types of companies and organizations. This can also be a challenge for industrial business associations (IBAs).

Globalization and the development of the European Union (EU) have put pressure on traditional business associations to re-invent themselves for remaining relevant institutional actors in representing the interests of companies and organizations (Streeck, Grote, Schneider, & Visser, 2006). IBAs are characterized by their collective and member-based nature, where membership is most of the times voluntary, and members have a common interest (Bennett, 1998; Traxler & Huemer, 2007). These institutional entities will need to adapt to the new requirements of their members, in order to remain an active support for their activities. This can specifically occur in the case of satisfying the needs of small and medium enterprises (SMEs).

SMEs have been gaining more power and representativeness in international markets by assuming different manifestations as international new ventures and born-global firms, meaning that many of them now start their international operations right from inception or soon thereafter (Knight & Liesch, 2016). According to Giudici and Blackburn (Giudici & Blackburn, 2013):

*It is often asserted that the advent of the digital economy has substantially reshaped how SMEs conduct their sensing and seizing activities across international markets.* Therefore, new requirements are needed by IBAs to keep up with the evolution and changes that might occur with their associate SMEs.

In fact, IBAs have been already facing increasing difficulties, mainly related with problems of low membership and high opting out, instability over time, and inequalities due to the existence of associations of different types or sizes of businesses (Bennett, 1998; Traxler & Huemer, 2007). In addition to that, many companies have multiple association memberships, both at the individual/staff and business levels (Bol  at, 2003), which naturally creates some sort of competition environment among the different types of associations. Other potential challenges faced by IBAs are related with limited revenue channels, limited audience, declining trade show attendance, not demonstrating value and benefits of membership, not aligning industry issues with member needs (Schutzius, 2016).

Notwithstanding the challenges and the wide variety and number of organizations that make up the business associative system, the common denominators for these institutional entities is the fact that most of them are surviving through membership fees (increasingly smaller due to the high number of competing associations), are dependents on communitarian funds and provide services and training (Bennett, 1998; Bol  at, 2003; Fries, 2008; Mikamo, 2013).

Internationalization processes require accessing, processing and organizing large amounts of information (Xie & Amine, 2009). However, the lack of information and the lack of suitable tools for managing information and knowledge are identified as the main obstacles for SME internationalization (Costa, Soares, & Sousa, 2016a; Hsu, Chen, & Cheng, 2013; Rodriguez, Barcos, &   lvarez, 2010; Sommer & Haug, 2011). Given their limited resources and difficulties in reaching markets, SMEs tend to rely more extensively on external networks to operate in international markets than large enterprises (Hessels & Terjesen, 2010). SMEs and large enterprises also differ in their need for services from the IBAs. In the

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