

## Chapter 8

# Digital Marketplaces as a Viable Model for SME Networking

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### ABSTRACT

*In the networked world supply chain, integration and networking is being echoed in various industries as a strategic imperative solution for firms. Firms are recognizing the power of the Internet as a platform for creating different forms of relationships and collaborations aimed to enhance value and achieve a sustainable competitive advantage. Digital Marketplaces represent one of the most powerful solutions adopted by firms to manage their supply chains and to support the networking practices among firms, especially among SMEs. In fact they enable firms to more efficiently buy, sell, and manage their supply chain processes on a global scale. However, SMEs Supply chains may differ in the modalities of coordination and collaboration, in the intensity of relations between actor and more specifically in the technological infrastructure and competencies available. These factors may affect the success of digital marketplaces and their potentialities for firms networking. The authors suggest that digital marketplaces could provide a viable model for SME networking; however, successful path toward networking requires a harmonization of digital marketplace business model with supply chain characteristics.*

### INTRODUCTION

The Internet technology is one of the most characterising features of current socioeconomic scenarios. This technology has been changing the interactions among people as well as the way businesses operate by enlarging the physical

boundaries of the organizations and reconfiguring their structures and strategies. Therefore, we can say that the internet offers new opportunities & perspectives, as well as a great level of interactivity for firms, mainly the small and medium enterprises (SMEs).

Changes in the economic environment have sped up companies' process of focusing their activities on core competencies, outsourcing others

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to partners and therefore increasing the space for inter-organizational relations among firms in order to increase economic benefits, explore and develop new techniques of production and marketing, design, and develop new products and services.

To meet the challenges of the new competitive environments the supply chains integration is being echoed in various industries, and companies are learning that they must collaborate to compete (Bleeke and Ernst, 1993). Accordingly, different forms of relationships, collaborations and networking are being experienced among firms namely suppliers, competitors, customers, and research institutes and universities. Many forms and models of information technology solutions are being adopted by companies to facilitate the process of integration and networking with other actors of the supply chain. In fact, Digital Marketplaces represent one of the most powerful solutions adopted by firms to increase their competitiveness, support the networking practices among firms, reduce the transaction costs, enhance the economy, and perform benefits of the outsourcing. However, many of these digital marketplaces have failed to realize their core objectives because of the lack of a consistent business model that takes into account the peculiarities of small and medium enterprises and the nature of relationships that characterize and monitor their supply chains.

Thus, in this study we aim to demonstrate how the usage of digital marketplaces can build strong relationship and create a network among SME organizations. In this context, we will try to provide a viable digital marketplace model for SME that guides them toward networking approaches. Having said that, with the use of this model, it can be possible to trace the evolutionary path that the firms, participating in a digital marketplace, need to follow in order to develop progressively the necessary resources and capabilities (relational, technical and infrastructural) to enhance their competitiveness in the current digital economic landscape.

## **LITERATURE REVIEW**

### **SME Networks**

SME networks, identified with traditional industrial districts in Italy and clusters in other countries, have been acknowledged as successful models for SMEs. SME networks have been defined as groups of firms that combine forces to achieve competitive advantages that would be difficult to achieve individually (Mezegar, Kovacs, & Paganelli, 2000; Sherer, 2003). They have been considered as a viable model for SME competitive advantage (Hamel, 1991, Nonaka, 1994, Powell et al, 1996) and value creation through interactions that may take place within a firm and between firms. Scholars suggest that networks offer greater potential as they allow firms to access key resources such as industry information, capital, goods and services that have the potential to maintain or enhance a firm's competitive advantage (Gulati, 2000).

It is argued that through networks, SMEs can partly resolve their problems linked to size. Cooperative relationships can help firms gain competence, build resources, share risks, undertake quick market movements, and make solid investments (Malmström, 2002).

According to the social exchange theory no firm can survive by exclusively combining its internal resources, but it is always dependent on other firm's provision of resources, which causes a situation where this latter is exchanging resources with other firms. Accordingly, a network offer greater potential as they allow firms to access key resources from its environment, such as information, capital, goods, services that have the potential to maintain or enhance a firm's competitive advantage (Gulati, 2000). By building relation-specific assets, knowledge-sharing routines, and effective relational governance mechanisms into relationships, firms can leverage networks for knowledge acquisition and exploitation.

The technology enabled landscape offers new opportunities for firms networking. They create

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