Digital Interactions and Internationalisation of Small, Medium Enterprises

Azlina Mohamad, Adriana Mohd Rizal, Rohaida Basiruddin, Suzilawati Kamarudin

Abstract: Digital interactions of Small Medium Enterprises (SMEs) in developing countries in regards to the internationalisation is not well explored. This research shows how the digital communications amongst service providers and SMEs enable internationalisation among SMEs. The importance of the digital interactions such as social media, online marketing and mobile phone afforded the internationalisation. The results suggest social media, online marketing and mobile phone can speed up the internationalisation when SMEs and service providers utilize the digital interactions. In other words, instead of using conventional interactions as determinant of internationalisation, digital interactions may be an enabler for SMEs in regards towards internationalisation.

Keywords: Digital interactions, SMEs, service providers and internationalisation.

I. INTRODUCTION

Internationalisation has a long history of interest among international business scholars with particular interest in small and medium-sized enterprises (SMEs) [15], [41]. The contribution of SMEs is vital to ensure the stability of the national economy and growth of firms [5]. The activities of SMEs determine the economic capacity and growth of a developing country [5],[47]. Internationalisation creates wealth creation [25], innovation propensity [21] and expansion of firms [12], [25]. It also enhances the economic robustness of all industries, especially in manufacturing and knowledge-intensive industries [33]. From the point of view of economic development, SMEs contribute to the growth of the economy in ensuring stability and trade balance[45],[47]. From the perspective of social development, SMEs provide employment opportunities and increase the standard of living [22],[27],[47]. SMEs are an important group because they represent more than 95% of businesses worldwide and account for at least 60% of the private sector employment in the world [27],[47]. Realising the importance of SMEs to the national economic and social contribution, the governments in developing countries have put in much effort and initiatives to accelerate SME development [9],[18],[45]. The efforts and initiatives have been channelled to supporting agencies to facilitate SMEs in terms of various types of support programmes such as business support, advisory services, financial facilities and entrepreneurship programmes [6],[16],[33]. The utilisation of the entrepreneurship programmes benefit SMEs in terms of survival and growth [4],[27]. In fact, most of SMEs in developing countries gain advantage from the utilisation from various aspects of interaction and the role of supporting agencies [32],[33],[44]. This is indicated as the most significant networking strategy to assist the internationalisation of SMEs [22],[25],[43]. The role of the network between the service providers and SMEs is essential in the internationalisation process [24]. It is viewed as a major resource for SMEs to achieve competitive advantage and rapid internationalisation [8],[49]. However, interaction on the network is limited and there is a need for further exploration of the interaction including its implications for SMEs [49]. Moreover, leveraging the digital interactions such as social media, online marketing and mobile phone fosters internationalisation [31],[35],[48]. Hence, it is essential to understand the digital interactions between SMEs and its network, particularly for the service providers with respect to internationalisation.

The study utilises DART principles as a dimension of the interaction which consists of dialogue, access, risk assessment and transparency [34]-[36]. The use of the ideas is to facilitate the digital interactions via rich and -way dialogue among the actors involved, to offer get entry statistics in addition to the attractiveness and blessings of the dangers and transparency inside the internationalisation actions [1],[48]. The principles also involve the strategy of symbiosis involved in active digital interactions, engagement and the inclination to act [38]-[39]. As such, it appears to provide useful principles to apply in this paper.

A key objective of this paper is to explore how SMEs interact through digital with their internationalisation process in terms of access to and actual use of supporting agency network resources as suggested by Oparaocha [33]. In addition, the paper aims to understand how SMEs derive value from network relationships with supporting agencies. Specifically, this paper focuses on the role of supporting agencies with regard to the internationalisation of SMEs. Thus, this paper attempts to contribute to the current literature concerning institutional networks for the internationalisation process of SMEs.
II. LITERATURE REVIEW

Studies of the internationalisation of SMEs are important as the multinational enterprises (MNEs) for both give significant contributions to the country [41]. The existing studies largely emphasise on the MNEs in terms of their resources, technology adaptations, strategies, organisational capacities and capabilities [7],[11],[29]. Much of the internationalisation research relates to MNEs with much less knowledge of how SMEs are engaged through digital interactions to enable internationalisation. Nowadays, information technology is essential to facilitate people as well as for advantage to enable SMEs towards internationalisation [25],[47]. Yet little is known about how SMEs utilising the digital interactions to interact with the service providers to assist them in securing a position in the foreign market [29],[35]. The SMEs differ from MNEs from the point of view of their specific liability of smallness such as limited resources, lack of foreign market knowledge and being sensitive to external challenges [47]. Internationalisation consists of dealing with the challenges and barriers that decelerate the process of internationalisation as SMEs are characterised as having limited resources as well as a lack of capabilities and capacities [40],[47]. Developing internationalisation strategies is relevant for SMEs to prepare, plan and organise their resources to overcome the challenges, to be able to compete and to sustain themselves in the global market [19],[41],[47]. It is essential to increase productivity and maintain activity in the global market in order to contribute towards the economy [19],[21],[40]. Hence, sufficient resources are essential for SMEs to adapt to the foreign market business environment for acquiring competitive advantage and to speed internationalisation [5],[7],[22]. Therefore, SMEs should be able to rely on the supporting agencies to effectively mitigate the liabilities of smallness as well as to help to overcome the challenges and barriers [14],[33].

The supporting agencies in developing countries acting as service providers play a pivotal role to facilitate SMEs for survival and growth [4],[14],[16],[27]. The objectives of the service providers are to provide support functions to encourage cross-border venture and to improve commercial enterprise achievement both regionally and internationally [20],[23],[29]. The service providers are proactive in their efforts to support the involvement of SMEs in international commercial enterprise as a means of now not simplest making sure the survival of local industries, but also promoting economic balance and worldwide competitiveness [18],[27],[29]. The service providers are not driven by profit motives as most of them are funded by the government [4],[6]. Their benefits are contemplated within the common increase of SMEs, the enterprise area, and the local or countrywide economic system [8],[9]. The facilities and programmes offered by most of the developing countries are entrepreneurship programmes, financial support, technological advancement, business contracts and customer service [4]-[7],[17].

A. The dimensions of interactions

The Dimensions of the interactions contains of dialogue, get admission to, threat assessment and transparency which might be together called the DART Principles [1],[34]. These interactions are well known as the marketing actors between firms and customers for the purpose of new product development and new marketing strategies [36]-[39]. The interactions allow the actors to be involved in the engagement platforms through simple principles which focus and share on their experience [50]. The interactions eventually increase knowledge and resource sharing beneficial to the actors involved in the engagement platform [36]-[39].

The first principle of DART is dialogue. Dialogue is set shared verbal exchange and equality getting to know. It entails empathic know-how based on experiencing and recognising the studies of individuals as emotional, social and cultural [23],[36]-[39]. Prahalad & Ramaswamy suggested dialogue as "implies interaction, in depth engagement and the capability of actors’ willingness to act on both sides". It calls for a deep expertise of the perspectives of man or woman experiences that can’t be completed without lively communication and sharing of views on what is meaningful to people [36]-[39],[48]. Engaging individuals on their phrases and gaining knowledge of at the side of them is set nurturing lively conversation as all people evolves in their fee needs and studies [51],[52].

Beyond a willingness to change, meaningful talk additionally requires the actors to have on the spot and timely get entry to to centers and assets that can facilitate extra evocative statistics and trade of ideas with the alternative actors [20],[23]. Thus, get entry to, the second element of the DART precept enables communicate and requires the actors to optimise when, where, and the way they can create cost. Access is about gaining information in the assemblage system about the experiences of others, contextual data, tools, expertise, skills, and creativity of other actors [1],[35],[42]. It allows the actors to guide their own experiences and experience value by means other than ownership [23],[36]-[39]. If the actors were unable to access the critical information needed, the interaction would be ineffective [50].

Risk assessment, the 0.33 DART precept, recognises that talk and open get admission to to hold the actors partly chargeable for the consequences of the system of interaction [1],[37]. Effective chance assessment affords consumers with whole and accurate statistics about the costs and advantages of their contributions, thereby facilitating knowledgeable selections about the dangers related to the service change [37]. The fourth and final component of the DART model is transparency in operations and information exchange. This building block is a compulsory prerequisite for dialogue and information access. Information is the key component of transparency [36]. Transparency implies visibility in the flow of information based on events that underlie interactions in the engagement system [23],[50]. Interactions need to be transparent in order to better access information and knowledge, engage in meaningful conversation, and to be able to assess risks and rewards [42]. In other words transparency means trust-building, openness and communication [1]. Individuals reluctant to disclose vital information without the element of trust and will just maintain their own opinions [1],[2].

B. Digital Interactions and Internationalisation of SMEs

Networks have a significant impact on SMEs, such as reducing information asymmetries, accessing opportunities and resources, advising and offering learning experiences. SMEs develop networking

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through which they get admission to various resources of knowledge including internationalisation that is frequently related to precise advantages including get right of entry to global networks and the potential to leverage those benefits to expand possibilities [7],[32],[43],[44]. SMEs might also make the most their networks and their companies tend to behavior their commercial enterprise in networks, as having the functionality to act in a network is critical [14],[16]. Through network, SMEs may have comprehensive interactions particularly with the supporting agencies to leverage internationalisation [32],[33].

The success of the digital interactions in the marketing field is adopted in this study for the internationalisation of SMEs. The utilisation of information technology and digital is important for service and delivery system [13],[46]. The digital interactions allows the service providers to understand the limitations of SMEs with respect to internationalisation and in exchange SMEs can benefit from the facilities and programmes provided [3],[45]. By identifying interactions between the supporting agencies as service providers and SMEs as the service recipients, the services contain all the data that is required by both parties to play a role in building trust and to facilitate interactions [48]. SMEs gain resources in the service exchange in terms of the necessary programmes and initiatives from the service providers [6],[25]. Hence, the interactions allow SMEs to gain resources from the aspect of knowledge and financial requirements for internationalisation [16],[17].

First, the interaction initially starts with the dialogue dimension [1],[37],[42]. In this study, the need for communication and interaction between the service providers and SMEs is critical to establish successful and meaningful dialogue. The dialogue occurs in two-way and open interactions which allow SMEs and service providers to openly share information about the nature of each organisation and to exchange ideas. The second dimension gives both actors access to inside information and encourages them to express their impressions. The information given includes the source of tools, expertise, infrastructure, knowledge and skills. Third, the effectiveness of risk assessment allows SMEs to have a clearer understanding of the facilities and programmes provided by the service providers. Thus, SMEs will therefore be able to better assess the potential risks and benefits of the facilities and programmes. Lastly, transparency demonstrates the integrity and commitment of SMEs to open-mindedness, yet leaves open the possibility of further opportunities for internationalisation.

III. METHODOLOGY

The pilot study is conducted to be qualitative, with the aim to explore the effects of digital interactions between SMEs and service providers on internationalisation among SMEs. The methodological design and procedures were based on Merriam proposals, emphasizing on constructing a conceptual framework about the studied phenomenon based on the multiple case qualitative study [22].

Three criteria of the SMEs were set. First the selection of SMEs manufacturing as defined by Malaysian National SME Development Council (NSDC) based on the annual sales turnover of between RM250,000 to RM25 million and number of employees of between 5 to 150. Second, SMEs engaged in internationalisation are at least exporting. On the other hand, to get in-depth understanding on the internationalisation in the developing country context, it is important to include the level of relationship with the service providers in providing the facilities to the SMEs. Thus, third criteria aim for SMEs to have at least utilized single facility from the service provider. Dyadic interviews were conducted with two structures of SMEs owner and the service providers as showed in the Figure I. Two sets of dyadic interview were conducted which contain two SME owners and two officers from service providers to see whether digital interactions will enable internationalisation among SMEs.

![Figure I: The structures of dyadic interview](image-url)

This study introduces two structures to illustrate the nature of dyadic interview [10],[30]. Firstly, obtain responses from the SMEs to examine experiences pertaining to the internationalisation. Secondly, in order to capture full understanding, the exploration is also held from the service providers who provide facilities to the SMEs. Table I illustrated the aspects of the semi-structure questions for SMEs and the service providers which are based on the internationalisation among SMEs.

<table>
<thead>
<tr>
<th>Participant</th>
<th>Aspects of semi-structure questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>The utilization from the facilities provided by the service providers</td>
</tr>
<tr>
<td>Service Providers</td>
<td>The role of service providers</td>
</tr>
<tr>
<td></td>
<td>The facilities offered to the SMEs specifically for internationalisation</td>
</tr>
<tr>
<td></td>
<td>The digital interactions involved</td>
</tr>
</tbody>
</table>

The secondary data such as company annual report, website, newspaper column, Facebook, blog, Instagram and relevant photos were also used for the data collection. Finally, data analysis was made in two stages. First, within case where each case was analysed separately and secondly, cross case where comparison of similarities and differences were analysed between the cases [28].

A. Conceptual Framework

The conceptual framework is proposed as Figure II. The digital interaction involved in this study is between the service providers and SMEs with respect to internationalisation. The digital interactions are facilitated by four dimensions of interaction which consist of dialogue, access, risk benefit and transparency [36]-[39]. These four dimensions occur in the interactions platform which means both actors need to engage actively to generate outcome geared towards internationalisation.
IV. RESULT AND DISCUSSION

A. Within case analysis

Company A is a Malaysian manufacturing industry producing jelly drink and operating in Selangor. It was founded in 2008 and currently employs 30 people. The company obtains numerous support and facilities from various service providers such as Majlis Amanah Rakyat (MARA), SME Bank, SME Corporation Berhad, Credit Guarantee Corporation (CGC), Malaysian Agricultural Research and Development Institute (MARDI), Tekun Nasional and Malaysia External Trade Development Corporation (MATRADE) since its inception. The support and facilities received are in the form of financial and credit assistance, business grant, marketing and market research and advisory services. The company initially exported in 2017 when the owner decided to serve foreign market after participating in the export promotion programme organized by MATRADE. According to the owner, the decision to export offered some opportunity and greater profitability for the company. To date, company A has exported to three foreign markets. With regard to the internationalisation, the owner acknowledged the support and facilities that enabled the company to internationalise. The interactions allow the dialogue, assessing the information and determining the risk and benefit while being transparent in digital interactions, eg, WhatsApp, Facebook and emails which facilitated the SMEs in making fast decision by reducing bureaucracy and barriers. The executives of service providers confirmed the usage of digital interactions to communicate with the SMEs in making the facilities. The digital interactions also contribute significantly to the effectiveness and efficiency of communication as compared to the conventional interactions.

Company B is also a Malaysian manufacturing industry and located in Selangor producing spices product. The company was founded in 2006 and had only received e-Trade facility from MATRADE in 2018. Currently, company B consists of 10 employees in sales and marketing, and 10 in administration and production. According to the owner, the exporting activity began in 2018, stimulated by e-Trade facility. According to the MATRADE executive, e-Trade is the international e-marketplace facility that assists SMEs to market their product. According to the owner, the decision for her to export by using online marketing was strongly influenced by its network. To date, company B has successfully export to ten foreign markets through e-Trade. The digital interactions involved between company B and service provider are through WhatsApp, company website interactive forum, Facebook and Messenger. The interactions involved for company B are dialogue, access the information and benefit in utilizing the e-marketplace and transparency in marketing the spices product to the customers.

B. Cross case analysis

Table II presents a summary of data collection and main findings of the case studies which shows how SMEs in Malaysia interact with the service providers on getting facilities afforded by the digital interactions on internationalisation.

![Digital Interactions and Internationalisation of Small, Medium Enterprises](image)

Table II: Cross case analysis

<table>
<thead>
<tr>
<th>Company</th>
<th>Company A</th>
<th>Company B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business activity</td>
<td>Jelly drink</td>
<td>Spices</td>
</tr>
<tr>
<td>Number of employees</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Motivation internationalise to</td>
<td>Generate profitability</td>
<td>Influence by network</td>
</tr>
<tr>
<td>Stage of internationalisation</td>
<td>Export</td>
<td>Export</td>
</tr>
<tr>
<td>Number of foreign market entry</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Facilities received</td>
<td>Financial and credit assistance, business grant, marketing and market research and advisory services</td>
<td>e-Trade</td>
</tr>
<tr>
<td>Digital interactions</td>
<td>WhatsApp, Facebook and emails</td>
<td>WhatsApp, company website interactive forum, Facebook and Messenger</td>
</tr>
</tbody>
</table>

V. CONCLUSION

This study discusses the digital interactions between service providers and SMEs with respect to internationalisation. The digital interactions utilise the four dimensions of interactions which represent dialogue, access, risk benefit and transparency. In summary, dialogue occurs between both actors to exchange data and information. Then SMEs allow the service providers to access further knowledge at the individual and the level of the firm. Both actors are further cleared to assess the risk gaining through dialogue and access while transparency refers to information sharing which is compulsory for both actors to be open and trustful in the exchange of information. The service providers and SMEs are engaged in an interactive platform and this produces implications for internationalisation. The digital interactions assist SMEs to gain resources from the facilities and programmes provided by the service providers for rapid internationalisation. On the other hand, the service providers gain a better understanding of the barriers and challenges faced by SMEs to provide appropriate and comprehensive programmes for the survival and growth of SMEs for internationalisation. Future studies can expand this research to test empirically the conceptual framework to gain insight as to how the digital interactions are formed in structured and comprehensive networks between the service providers and SMEs.

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