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The Impacts of Digital Platforms on SMEs' Digital Resilience: Network Effects Unveiled

Ton Nu Huong Giang Hoang
National University of Singapore, gianghoang@u.nus.edu

Hock-Hai Teo
National University of Singapore, disteohh@nus.edu.sg

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The Impacts of Digital Platforms on SMEs' Digital Resilience: Network Effects Unveiled

TREO Talk Paper

HOANG Ton Nu Huong Giang
National University of Singapore
gianghoang@u.nus.edu

TEO Hock-Hai
National University of Singapore
teohh@comp.nus.edu.sg

Abstract

This study aims to examine the impact of digital platforms on the resilience of small and medium-sized enterprises (SMEs) during crises, specifically in the context of the COVID-19 pandemic. The research is motivated by the urgent need of SMEs to swiftly adapt to the changing customer behavior during the pandemic, while simultaneously facing significant financial constraints and a lack of specialized digital expertise that renders them more vulnerable to the shocks than larger firms. As a result, many SMEs have turned to external digital platform providers as a means of overcoming these limitations. While these platforms offer SMEs a range of all-in-one digital services that have the potential to facilitate rapid adaptation to changing customer needs, they also present SMEs with negative network effects. These effects are a result of the mass participation of SMEs and customers during the pandemic, which strengthens the bargaining power of digital platforms, potentially leaving SMEs in a more vulnerable position.

This study adopts a three-stage multimethod approach to examine the positive and negative impact of digital platforms on the resilience of SMEs during the pandemic. Firstly, we aim to develop a "Platform-enabled Digital Resilience" theoretical model that integrates organizational resilience theory with the digital platform's network perspective. Secondly, we refine this model by conducting a case study with a leading digital marketplace in the region. Finally, we plan to validate the research model through a survey of SMEs.

Preliminary results suggest that SMEs can benefit from positive network effects by adopting network-effect-enabled coordination capabilities and ecosystem-based resources. Concurrently, SMEs can mitigate negative network effects by developing balanced relationship-building capabilities. By considering the distinct impacts of resources and capabilities from negative and positive network effects, SMEs can employ appropriate strategies for their digital transformation process during crises in partnership with digital platform providers.

In conclusion, this study contributes to the limited research on the role of digital platforms in enhancing SMEs' digital resilience during crises. Our findings provide SMEs and policymakers with frameworks and empirical evidence to devise strategies that harness the power of digital platforms for more sustainable communities during crises.

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