Editorial: Digitalization and Internationalization

Christophe Schmitt and Rico Baldegger

Welcome to the April issue of the Technology Innovation Management Review.

Digitalization and Internationalization

The University of Lorraine, France and the School of Management Fribourg (HEG-FR) of the University of Applied Sciences and Arts Western Switzerland (HES-SO) have collaborated on research projects and teaching activities for several years now. The goal of this partnership is to shed light on the challenges for micro, small and medium-size enterprises (MSMEs) in the interrelation between digitalization, internationalization, and entrepreneurship.

In recent years, the internationalization of MSMEs, especially in countries with a small domestic market, has become increasingly more focused on the dimensions of economic policy and has found its way into media coverage. Expansion abroad is also more widely regarded by MSMEs as a fundamental strategic option to gain competitive advantage. However, due to the heterogeneity of the MSME landscape and companies' internationalization behavior, it is difficult to identify the success factors or to measure success. To enable MSME decision-makers to influence their internationalization behavior more specifically and, at the same time, to receive more effective and efficient support from representatives of both public and private internationalization helpers, it is first necessary to take a differentiated look at current circumstances.

On the one hand, it is first necessary to define which different types of internationally active MSMEs actually exist: there are young, globally active MSMEs, for example, which offer highly qualified workers interesting jobs as important innovation carriers and developers. Then there are medium-sized companies, which are present in international markets and function successfully as established suppliers in more traditional sectors. All MSMEs deserve attention, as it is they who, thanks to ongoing innovation, are successfully expanding their global and international orientation and opening up new markets. Like large global businesses, all these small and medium-sized companies also belong to a spectrum of internationally active companies.

On the other hand, the attitudes and views of entrepreneurs regarding internationalization also deserve attention; both can provide insightful indications as to which framework conditions must be created in the future in order to increase success in foreign markets. The question of a successful business model in times of turbulent change and digitalization must be answered with proactive entrepreneurial behavior.

Hence, digitalization is playing an increasingly important role in business and society, and all institutions are facing a fundamental need for radical changes in their strategy, structure, and corporate culture. To succeed in foreign markets, the use of digital infrastructures presents new opportunities for international MSMEs. These companies need to define a new international value proposition, based on an integrated digital strategy with all ecosystem stakeholders in various parts of the world. At the same time, digitalization is an opportunity for MSMEs to "go international" through lower risk export modes, such as direct exports and special offerings, in combination with utilizing machine learning or digital leverage effects in their global value chain. To achieve this, they maximize their entry mode attractiveness by targeting niche markets, along with innovative, high-quality products and services. Digitalization has reduced distances between countries and global cities, shaping international user communities, democratizing around the world consumption, and improving communication. Digital platforms, for example, provide essential databases for companies that bring real opportunities through innovative ways to reach potential customers. Digitalization presents new opportunities in terms of skill sharing, open innovation, and partnership formation between companies. Thus, internationalization and digitalization have become collective activities.

As internationalization and digitalization are becoming increasingly intertwined, the question arises whether digitalization is shifting the borders in such a way that new, borderless, internationalization concepts have to be developed. Similar issues involve whether the focus should be on cities rather than countries, and if or how the speed of learning should be put in the foreground. In this way, digitalization provides companies with new fundamental experiential knowledge, enabling them to conduct faster market experiments in more countries than before.

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This special issue of the TIM Review presents several articles on the fertile interrelation between and multiple challenges of internationalization and digitalization of MSMEs. In light of how the use of digital technologies is creating more fluidity and nonlinearity across time and space in entrepreneurial processes, **Hervé, Schmitt and Baldegger** adopt a conceptual process to investigate how the digital transformation of MSMEs will support decision-makers in international businesses. The article illustrates, based on a quantitative research design, that the greater the extent to which international MSMEs have digitalized their functions, the more they favor entrepreneurial behavior to lead successful strategic decisions in foreign markets. The authors propose several ways to benefit from the opportunities provided by using digital technologies.

Dethine et al. examine the impact of SMEs' digital transformation on their internationalization capability. Relying on an extensive exploratory literature review and SME export practices, the authors highlight that export practices are related to the strategic vision of a firm, the customization of its offer, its network dynamic, and its internal organization.

An empirical analysis featuring the importance of global business hubs for internationalizing SMEs is conducted by **Wild**. This article investigates the influence of psychic and geographic distance, as well as country- and market-related variables, on the preference of high-technology SMEs to connect with, and settle into, major business hubs. The empirical findings suggest that the more internationalizing high technology SMEs tend to connect with, or settle into, foreign market business hubs, the further these focal markets are from their home market.

Westerlund shows in his paper how internationally oriented online SMEs differ in terms of their digitalization from those focused on domestic markets, and how these differences are related to their business model scaling. The study applies a quantitative descriptive analysis of survey data on business adoption of digital technologies by online-based SMEs in Canada. He suggests that online SMEs willing to scale through digital internationalization need to not only develop a set of capabilities in regard to partnering, customer relationships, and business process management, but also must invest in ICT resources and cyber resilience.

Hererra et al. analyze the promotions that institutions give to small and medium international enterprises on the subject of digital marketing. Qualitative research with a descriptive scope was developed for this purpose. The authors draw conclusions regarding the promotion of digital marketing in SMEs by institutions and how these promotions carried out vary between countries. The authors illustrate with examples from Costa Rica and France, with Costa Rica providing more general and structured services, while France offers more customized ones.

Baldegger, Caon, **and Sadiku**, explain the impact of artificial intelligence (AI) on human resource management (HRM) and the moderating effect of entrepreneurial orientation (EO). A quantitative study assesses the perceived value of AI in HRM, including risks and constraints, as well as plans for introducing AI. The results indicate a positive perception of AI adoption in HRM, little fear of job losses, and a generally positive impact expectation for adopting AI in HRM. They also show that the introduction of AI is profoundly dependent on the EO of a company.

This special edition should help to render adequate support for MSMEs and inspire future research to collect quantitative and qualitative data that empirically studies the iterative relation of digitalization and internationalization. Such data would be valuable for better understanding how digitalization will influence internationalization models and strategies, and vice versa.

Guest Editors
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