



## Economic Impact of Digitalization on SME Internationalization

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### Abstract

Rapid advances in digital technology are fundamentally changing the way small and medium-sized enterprises (SMEs) imagine and pursue opportunities overseas. This study assesses the economic impact of this transformation by balancing the advantages and hazards that online tools now present to firms ready to look beyond national markets. A systematic literature review, supplemented with field evidence, identifies factors such as infrastructure quality, managerial outlook, and external alliances that determine the depth and success with which SMEs integrate digital practices into their cross-border plans. The analysis showed that broader market access, faster supply chains, and data-informed choices often follow digital adoption. However, many companies remain hindered by cyber risk, skill shortages, and intensified global competition. Given these mixed results, this study offers actionable recommendations for policymakers and business leaders seeking to leverage digital capabilities to sustain international growth.

**Keywords:** Digitalization, SMEs, internationalization, Economic Impact, E-commerce.

### Introduction

As consumer behavior, trade policy, and logistics increasingly shift online, small and medium-sized enterprises (SMEs) face a global market that is, first and foremost, digital. Digitalization refers to the process by which companies integrate digital technologies into their everyday operations, from e-commerce platforms to cloud-based analytics,

thereby transforming how products are marketed, delivered, and paid for.

For many small and medium-sized enterprises (SMEs) that hope to export, embracing a digital-first approach is no longer optional (Bharadwaj et al., 2013). Accessible online tools and global e-marketplaces enable these firms to avoid costly setup fees and long delays that once confined them to their home markets (Cavusgil et al., 2014).

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Academics have begun to explore this shift, arguing that transitioning to digital technology often requires more than simply adding new apps. This can entail rethinking pricing, production, and delivery in ways that strain already limited staff resources (Kraus et al. 2021). This challenge makes small firms the hardest, as they typically lack the large budgets and bargaining power of market leaders, yet still need to make fast, flexible moves to fend off larger competitors (OECD, 2017).

The COVID-19 pandemic forced even the most traditional businesses to move online almost immediately, demonstrating to owners worldwide that staying afloat hinges on fulfilling orders, engaging with customers, and monitoring markets through screens rather than physical shops (Bennett et al., 2020). As a result, many observers now measure a firm's resilience using its digital tools almost as much as by its balance sheet; a lesson learned the hard way by countless mid-sized manufacturers, retailers, and service providers (Bennett 2018).

In this context, the current study aims to assess the overall economic impact of digitalization on the global growth of SMEs by examining the advantages and obstacles that apps, platforms, and

algorithms present at every stage, from local players to international contenders.

The classic Uppsala internationalization model posits that firms move abroad in stages, accumulating knowledge with each incremental step (Johanson & Vahlne, 1977). Digital tools now shortcut this route, allowing companies to enter foreign markets nearly overnight and sidestep expensive local offices (Knight & Liesch, 2016). By weighing these fast gains against new online dangers, this study aims to chart a more straightforward path for small businesses that are eager to expand beyond their home borders.

Its findings aim to deepen scholarly discussions and provide practical guidance to decision-makers and business owners who want to utilize the internet for sustained, global sales.

## Literature Review

### Definition of SMEs

Small- and medium-sized enterprises (SMEs) are typically distinguished by their number of employees and annual revenue. According to the European Commission's 2020 guidelines, a firm is considered an SME if it has fewer than 250 staff members and an annual turnover of less than € 50 million. SMEs remain vital to contemporary economies, fuelling job growth, sparking innovation,

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and supporting overall expansion (OECD, 2017). Within the European Union, they comprise approximately 99 per cent of all businesses and account for nearly 70 per cent of total employment (European Commission, 2020). Many researchers have highlighted that these firms enhance the resilience and agility of economies when external shocks occur (Beck et al., 2005; Ayyagari et al., 2007).

### Digitalization and Its Importance

Digitalization covers a broad range of new technologies, including the internet, cloud computing, big data, and artificial intelligence. Taken together, these tools allow firms to streamline workflows, deepen customer interaction, and explore new markets (Kraus et al. 2021). For many SMEs, going digital chips away at the old barriers keeps local operations separate from international competition, allowing smaller players to stand toe-to-toe with much larger rivals (Cavusgil et al., 2014).

Research continues to link digital adoption with stronger SME performance. Mazzarol and Soutar (2002) found that firms with digital tools are more willing to pursue overseas opportunities. The International Trade Centre (2019) echoes this by noting that online platforms enable small businesses to cross borders and reach customers worldwide.

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### Theoretical Framework

The Uppsala internationalization model argues that companies move abroad step-by-step, gaining knowledge and confidence in each venture (Johanson & Vahlne, 1977). Although initially aimed at large corporations, this pattern has become a go-to lens for researchers to track how small firms enter foreign markets. Digital technology, however, rewrites the rule book by accelerating market entry and downplaying the need for physical presence overseas (Knight & Liesch, 2016). Scholars have recently added a digital layer to the Uppsala narrative, examining how website clicks, social media posts, and e-marketplaces have replaced plane tickets and costly overseas offices.

Chetty and Campbell-Hunt (2004) argue that the Internet enables small and medium enterprises to bypass the usual expansion phases, allowing some start-ups to begin trading globally, almost from the outset. Rialp et al. (2005) support this claim, noting that online tools provide entrepreneurs with up-to-the-minute market data and customer feedback, which would take years to collect.

### Challenges of Digitalization



However, the same digital gateways that open new markets also present new challenges for small firms. The chief among these is cyber security, as most SMEs lack the personnel or budget for a robust online defense (CISA, 2020). Indeed, Ponemon Institute's 2019 survey showed that two-thirds of small businesses experienced at least one breach in the year prior, underscoring how many smaller players operate under constant digital exposure. Another obstacle is the scarcity of trained staff, which prevents firms from maximizing the value of the technology they have adopted.

Many small- and medium-sized enterprises (SMEs) still struggle to find individuals who can effectively set up and maintain the digital tools they purchase (Bennett et al., 2020). In line with this observation, a World Economic Forum study (2020) reported that 94 per cent of executives expect their staff to acquire new skills as technology advances. This finding highlights the urgent need for targeted training programs.

## **The Role of Policy in Supporting Digitalisation**

Government policies can make or break an SME's digital journey. Well-crafted rules and incentives direct capital, learning, and other key resources towards firms that wish to start or

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accelerate their digital push (OECD, 2019). In this context, the Union's Digital Single Market plan aims to dismantle cross-border red tape and provide SMEs with the digital backbone they need to compete on a global stage (European Commission, 2015).

Research from the International Labor Organization (2019) shows that aligning public support with private investment not only enhances a country's digital skills, but is also associated with higher exports and broader market reach. Therefore, lawmakers and program designers should establish clear, long-term schemes that lower adoption costs, reward innovation, and move the economy closer to comprehensive digital inclusion.

## **Methodology**

In conducting this study, we employ a qualitative approach that combines a systematic literature review with in-depth case studies of small to medium enterprises (SMEs) that have successfully utilized digital channels to enter foreign markets. The two methods are sequenced to balance theoretical insights with real-world examples, enabling a richer assessment of how online technologies shape SME overseas.

## **Systematic Literature Review**



This review employs a transparent and replicable protocol for identifying, evaluating, and synthesizing scholarly work related to the overarching research question. In line with Tranfield et al.'s (2003) guidance, the process unfolds in consecutive digestible stages.

1. Defining the Research Questions: The primary research question asks how digitalization economically affects SMEs when they engage internationally. Beneath it, two sub-questions explore the new global opportunities that digital tools enable and the diffusion barriers that firms face as they attempt to embed those tools.

2. Identifying Relevant Literature: Searches conducted on Google Scholar, JSTOR, and Scopus targeted studies that connect digital technology with exporting or outwards investment. Keywords such as digitalization, SME internationalization, economic impact, e-commerce, and digital transformation were anchored in the queries.

To ensure that the discussion was both current and credible, only peer-reviewed journal articles, authoritative industry reports, and official agency documents published within the last decade were included (Webster & Watson, 2002).

Screening and Selecting Studies: The initial database search yielded over 500

titles. By cross-checking each source against relevance to the stated questions, date of release, and methodological rigor, the pool was narrowed to approximately 100 works eligible for full-text review.

In the second phase, core themes and main findings were extracted from these texts, with special attention given to the opportunities and risks that digitalization creates for small and medium-sized firms. Braun and Clarke's (2006) thematic analysis framework guided this synthesis, facilitating the identification of recurring patterns and common insights across otherwise disparate studies.

Case Studies: Following the literature review, several case studies have highlighted SMEs that adopt digital tools and subsequently increase their exports. The case study approach is well-suited for addressing complex, real-world questions and provides rich context (Yin, 2018); therefore, the team followed a structured protocol to ensure consistency and reliability.

First, purposive sampling identified businesses from various sectors that could link online activity to cross-border growth. The selection criteria included the quality of digital infrastructure, geographic reach, and documentary evidence of measurable export gains.

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Next, information was gathered through semi-structured interviews with owners and managers as well as by reviewing public documents, including annual reports, official websites, and social media posts. As the research relied on both spoken accounts and published materials, a more comprehensive picture of each firm's digital journey was constructed. The interviews aimed to reveal the precise strategies that small and medium-sized enterprises (SMEs) adopt when going online and to demonstrate how these strategies shape their capacity to trade beyond national borders. By talking directly with key decision makers, the study was able to link technical moves, such as setting up e-commerce sites or using cloud-based accounting, to tangible export outcomes.

**Data Analysis:** The raw transcripts were analyzed through thematic analysis, a step-by-step process that seeks to identify recurring themes connecting digital tools to economic choices abroad. Following Braun and Clarke's guide, the researchers coded passages, sorted codes into clusters, and wrote narratives that mapped how technology influences day-to-day decisions.

**Validation of Findings:** To strengthen the trustworthiness of the study, member checking was conducted, and each participant reviewed an early draft and

identified errors or unclear sections before the final report was prepared (Lincoln & Guba, 1985). This loop ensured that the researchers' interpretations remained as accurate as possible to what interviewees said.

**Limitations:** Even with these careful steps, readers should remain cautious as the conclusions may not apply to every SME worldwide. Qualitative interviews yield deep but context-bound knowledge, so larger quantitative studies are needed to test how widely the observed patterns hold across diverse industries and regions.

Interviews, although applicable, often reflect the subtle bias of respondents, who naturally seek to highlight the more flattering parts of their experience (Creswell & Poth, 2017). Future research could mitigate this bias by pairing these stories with structured survey responses and actual sales records to create a richer and more balanced picture.

## Findings

The analysis suggests a clear connection between digital tools and the success of small firms that trade internationally. For ease of discussion, this section separates the fresh openings that technology brings from persistent barriers that still limit SMEs online.

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## **Opportunities Presented by Digitalisation**

### **Enhanced Market Access**

Web marketplaces and social channels eliminate the heavy costs of physical and high-street shops, allowing small firms to tap into shoppers anywhere (Chaffey, 2015). Sites such as Etsy or Amazon act as budget export wharves, allowing artisans and micro-businesses to display wares well beyond their local streets (Bennett, 2018). Supporting this claim, data from the International Trade Centre (2019) found that online selling SMEs tend to log 20 to 30 per cent higher revenue, indicating that digital gateways can broaden their geographical reach and increase income.

Digital marketing strategies, such as search engine optimization (SEO) and well-targeted social media ads, enable small and medium-sized enterprises (SMEs) to target specific age groups or regions with impressive accuracy (Kumar et al., 2016). By directing budgets only to prospects most likely to purchase, these companies enhance both their profile and sales, thereby narrowing the gap with larger firms that consistently compete on a global level (Morrison et al., 2019).

### **Cost Efficiency**

Online tools generally reduce the overhead by automating repetitive tasks and streamlining supply chain operations. Cloud platforms are particularly notable because they provide precise processing power, storage, and specialized software when required, relieving smaller firms from the burden of high upfront costs (Mithas et al., 2011). The McKinsey Global Institute (2016) supports this claim: organizations that transition to the cloud often experience a reduction in their IT costs of 20 to 30 per cent, which can subsequently support export marketing and other global objectives.

Real-time analytics and tracking now enhances everything from inventory management to delivery (Wang et al., 2016). Faster decisions reduce holding costs, and timely dispatch improves customer satisfaction—a dual strategy that protects profits and market share, even in competitive international markets (Harrison & van Hoek, 2011).

### **Improved Customer Engagement**

Digital channels now enable brands to engage in more profound, two-way conversations with consumers, including live social media posts, targeted email campaigns, and machine learning algorithms that provide personalized offers in real time.

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As a result, small and medium-sized enterprises (SMEs) can collect detailed information about consumer preferences and launch targeted campaigns that speak directly to each customer. This shift often enhances loyalty (Kumar et al. 2016). Chaffey (2015) observed that companies that promptly respond to enquiries on social channels typically have higher retention and broader satisfaction scores. Digital tools also enable SMEs to create personalized buying journeys, ranging from instant product recommendations to flash discounts targeting specific segments. Customization often increases engagement (Lemon & Verhoef, 2016). Supporting this, an Accenture survey (2018) reveals that three out of four shoppers prefer brands that address them by name and suggest relevant ideas, providing a compelling reason for growth-oriented SMEs to seek global presence.

## Challenges of Digitalization

### Cyber security Risks

However, going online also unintentionally broadens the attack surface, presenting hackers with new entry points to sensitive data. The Cyber security and Infrastructure Security Agency (CISA, 2020) notes that many

criminals target SMEs precisely, because these firms still rely on basic and sometimes outdated security measures.

Corroborating this observation, research by the Ponemon Institute (2019) reveals that approximately two-thirds of small and medium-sized enterprises examined experienced at least one cyber incident in the previous year, underscoring the persistent threat that smaller firms face in a primarily online economy.

Cyber-attacks can leave small and medium-sized enterprises (SMEs) with devastating costs; IBM estimated the average cost of a single breach to be around \$200,000. Such a financial setback can impede product development and international expansion, making robust cyber security not merely an IT issue, but a crucial survival strategy for SMEs operating online (Bennett et al., 2020).

Implementing new digital tools is beneficial only when staffs are proficient in their use. However, many SMEs report difficulties hiring individuals with the appropriate skill set, which hampers innovation (Bennett et al., 2020). The World Economic Forum (2020) corroborates this assertion, as its survey found that 94 per cent of executives expect their employees to need new training as technology becomes increasingly integrated into daily

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operations. These data emphasize the urgent need for job-specific up skilling programs.

Without a solid understanding of digital tools, small and medium-sized enterprises (SMEs) struggle to adapt quickly when conditions change, and this delay often results in lost sales overseas (Bharadwaj et al., 2013). A 2019 study by the European Commission demonstrated a clear connection between higher digital skills and increased cross-border revenues, reinforcing the urgent need for businesses aiming for global expansion to improve their workforce.

### **Increasing Competition**

Technology may give established companies new power, but it also opens the door for start-ups, crowding international channels with new contenders. To defend market share against this surge, SMEs must work harder than ever to build an identity that customers recognize as valuable (Porter, 2001). Evidence gathered by the International Trade Centre in 2019 indicates that 60 per cent of these businesses reported facing stiffer competition at home and abroad, a trend primarily driven by rivals gaining easy access to online tools.

In this climate, SMEs cannot see innovation as a nice-to-have option; they

must weave new, compelling features into their products or services or risk fading into obscurity (Morrison et al., 2019). A failure to scan the horizon regularly allows faster competitors to seize customers and squeeze margins; thus, keeping the company's digital strategy current has passed the point of debate and has become an essential practice (Kraus et al., 2021).

### **Case Studies**

This section presents two representative case studies of small and medium-sized enterprises (SMEs) that have adopted digitalization as a means of accessing foreign markets. Each example provides practical evidence of how specific tools and approaches function in everyday business situations, as well as the gains and setbacks firms encounter along the way.

#### **Case Study 1: A Local Artisan's Global Reach**

**Background:** An Italian artisan who created handcrafted ceramics lost overseas buyers because of a small marketing budget and remote village location. To overcome these barriers, she designed an e-commerce site and used social media for greater visibility.

**Digitalization Strategy:** Selling on Shopify lets her track sales and inventory without advanced technical training. On

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Instagram and Facebook, she shares product images, narrates the story behind each piece, and responds promptly to the questions. Targeted ads then place their work in front of users who follow hashtags for handmade craft (Bennett, 2018).

**Outcomes:** In the first year, online sales increased by 150%, with the majority of new orders originating in the United States and Germany. The digital push not only enlarged the customer pool, but also strengthened brand loyalty, as buyers felt personally connected to the artisan's story.

The artisan story illustrates how digital tools can break down traditional barriers, enabling micro-enterprises to tap into global demand and support the International Trade Centre's assertion that e-commerce accelerates SME growth (2019).

## **Case Study 2: Tech Start-up Expansion.**

**Background:** A New Delhi-based start-up created a cloud-based project management app for small firms, but discovered that concentrating only on the Indian market kept growth modest; shifting to online channels became the quickest way to reach clients overseas.

**Digitalization Strategy:** The founder introduced a premium model, offering

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basic functions at no charge while charging businesses that require advanced features. This pricing structure complements a digital marketing push that combines search engine optimization, instructional articles, and finely targeted pay-per-click ads. LinkedIn has become the principal outreach for B2B connections (Kraus et al., 2021).

**Outcomes:** Three years later, the app served more than 100,000 users in 50 countries and revenue increased by 200%. Cloud architecture enables immediate software upgrades and responsive technical support, which enhances user satisfaction and fosters loyalty.

This situation echoes Mazzarol and Soutar's (2002) remarks that digital platforms now give tech start-ups power to court foreign markets nearly overnight.

## **Case Study 3: European fashion brands reinvent themselves online.**

**Background:** A small Spanish label celebrated for its eco-conscious garments sets out to take its collections beyond Europe's shores, aiming to build a more diverse customer base.

Facing pressure from large multinational chains, the brand recognized the need for



a distinctive global identity that could cut through noise.

**Digitalization Strategy:** The Company implemented a comprehensive online marketing framework that integrated influencer partnerships, precision social media targeting, and a revamped e-commerce site. Instagram stories and Pinterest boards spotlighted striking products alongside sustainability pledges, reaching audiences well beyond Iberia (Lemon & Verhoef, 2016). Meanwhile, a live analytics dashboard monitored clicks and conversions, enabling near-real-time reallocation of advertising funds.

**Outcomes:** In less than twenty-four months, online sales surged by 300%, with North America and Asia registering the steepest growth curves. Expanded visibility fostered repeat buying and a mobilized community that actively promoted the brand's green mission. These trends echo Kumar's finding that digital channels strengthen customer bonds while widening the geographic frontiers.

#### **Case Study 4: A Food Exporter's Digital Journey**

**Background:** A small Brazilian exporter of organic food struggled to enter foreign markets because of its limited marketing reach and fierce competition.

**Digitalization Strategy:** To overcome these limitations, the company developed a user-friendly website and listed its products on global marketplaces, including Amazon and Alibaba.

The company then launched email newsletters and paid social media ads that featured its products and highlighted the health benefits of organic food (Morrison et al., 2019).

**Outcomes:** Within 18 months, international sales more than tripled due to the online campaign. The brand has expanded into Europe and North America, simultaneously boosting revenue and enhancing visibility. This result aligns with evidence from the International Trade Center (2019), which indicates that digital tools enable small firms to reach new customers across borders.

#### **Discussion**

Taken together, the evidence suggests a clear conclusion: firms that adopt digitalization tend to grow faster on a global stage. The four examples, along with the broader literature, demonstrate that online tools open up new routes yet require new skills, investment, and ongoing adjustments. Companies willing to learn, experiment, and adopt a global mindset can capitalize on these

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opportunities to create long-lasting competitive advantages.

## **Opportunities for SMEs**

### **Market Access and Growth**

Digitalization has transformed how small- and medium-sized enterprises (SMEs) discover and serve customers globally.

By listing products on e-commerce platforms and running targeted online ads, smaller firms can reach customers in distant regions without the high costs associated with physical warehouses or brick-and-mortar stores (Bennett 2018). Research from the International Trade Centre supports this claim by showing that digitally enabled SMEs close sales more quickly and taps into a larger pool of shoppers (2019). The various case studies discussed in this chapter highlight how websites, mobile apps, and social media enable these businesses to bypass traditional geographic barriers and compete on an equal footing with much larger competitors.

However, the biggest win often comes when a brand responds to a comment, sends a tailored email, or deploys a friendly chatbot, turning a bland promotion into a conversation that feels tailored to the customer (Kumar et al., 2016). In an online world overflowing with choices, shoppers are more likely to

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stick to labels that reflect their values. This kind of real-time engagement builds loyalty that money cannot easily buy (Lemon & Verhoef, 2016). Stories from craft chocolate makers and indie sneaker brands prove the following: Polish your digital presence, and casual window shoppers can evolve into repeat buyers from every corner of the globe.

### **Cost Efficiency and Operational Improvements**

Trading online does more than expand reach; it gives SMEs sharper control over spending and saves them valuable time.

Cloud computing platforms and data analytics services now enable small and medium-sized enterprises (SMEs) to streamline workflows, reduce wasteful costs, and make faster, better-informed decisions (Mithas and others, 2011). Related research by the McKinsey Global Institute shows that firms willing to adopt these digital options can reduce their operating expenses by double-digit percentages, freeing up cash that owners can invest in marketing, talent, and other growth initiatives.

Sectorial case studies underscore this point: when SMEs plug data dashboards into cloud-based supply chains, they refine procurement and tighten inventory controls. An upshot has fewer stock outs, less surplus stock, and



quicker shipping, all of which enhance customer satisfaction and encourage repeat orders (Harrison & van Hoek, 2011). For smaller exporters keen to enter or defend new overseas markets, the level of operational agility is almost mandatory, because shoppers expect speed, accuracy, and real-time reliability.

## Challenges Faced by SMEs

### Cyber security Risks

However, the drive toward digitalization has not been risk-free, and in fact, it has delivered some of the biggest headaches that managers must now tackle.

As more business operations shift to online platforms, the number of entry points for cybercriminals increases correspondingly; a single breach can trigger hefty financial costs, expose confidential data, and tarnish a company's reputation for years (CISA, 2020). A Ponemon Institute survey found that more than half of small and medium enterprises experienced at least one such incident in the past 12 months, underscoring the fact that robust firewalls, regular staff training, and clear incident-response protocols can no longer be seen as optional extras (Bennett et al., 2020).

In practice, these attacks can be so expensive that otherwise promising firms delay hiring, pause product development, and put international ventures on indefinite hold, hampering long-term growth plans and the economies that depend on them (CISA al., 2020; Bennett et, 2020). For small and medium-sized enterprises to navigate the digital landscape with confidence, regulators, industry associations, and technology providers must collaborate to raise the baseline level of cyber protection across the sector.

### Digital Skills Gap

The second hurdle is the persistent shortage of digital skills in many small firms.

Rolling out new cloud systems, e-commerce websites, or advanced data analysis packages adds little value if employees lack the knowledge to use, maintain, and secure them (Bennett et al., 2020). Echoing that sentiment, the World Economic Forum cautioned that as hardware and software evolve, firms will need more coding expertise, solid data literacy, and stringently applied cyber-defense skills, and smaller enterprises are urged to make training a regular practice.

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Field evidence suggests that companies with digitally savvy workforces tend to export more, adapt quickly in response to shocks, and capture lucrative niche markets that others have overlooked (Bharadwaj et al., 2013). Thus, bridging the skills gap is no luxury; it is the minimum condition that allows small firms to pursue online opportunities and protect their market share against larger, better-funded competitors on the global stage.

## Policy Implications

Together, these findings place a clear obligation on governments and agencies to design rules and programs that speed, not slow, SMEs' digital ascent of SMEs.

Targeted public training programs, affordable access to technology, and seed funding enhance the digital capabilities of small and medium-sized enterprises (SMEs), enabling them to capture market share abroad (OECD, 2019). When these investments are paired with basic digital skills campaigns and cyber hygiene guidance, they shield the entire sector from online attacks, giving owners confidence in scale.

A clear, innovation-friendly regulatory landscape that lowers compliance costs and opens new digital platforms further accelerates SME growth worldwide (European Commission, 2015). To draft

such rules, governments must appreciate the limited resources of smaller firms and adjust policies on data-sharing standards, reporting thresholds, and tax incentives so that every business can fully leverage digitalization.

## Conclusion

The push into digital tools has had a profound and varied impact on the way SMEs expand globally. This review notes that online channels open markets, reduce overhead, and enable firms to engage with customers in real time. However, these gains come with significant burdens, particularly cyber threats, and a shortage of skilled workers who are willing or able to manage them.

## Summary of Key Findings

Overall, digital technology now serves as a significant booster of SME internationalization, enabling even modest firms to test and enter foreign markets at a speed that was once out of reach.

The reviewed case studies demonstrate that small and medium-sized enterprises rely on online tools to overcome entry barriers that have long hindered their growth, thereby earning a more level-playing field against larger rivals (Bennett, 2018; International Trade Centre, 2019). Access to e-commerce platforms and targeted web marketing

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has become a vital pathway through which these firms can expand their customer base and drive sales beyond national borders (Kraus et al., 2021).

The efficiency gains brought about by digitalization—lower costs, smoother inventory flows, and quicker order fulfillment—become essential if SMEs are to sharpen their competitive edge on distant shelves (Mithas et al., 2011). When these tactics succeed, they not only boost revenue but also foster brand loyalty and customer satisfaction, ultimately leading to sustainable performance in demanding global markets (Lemon and Verhoef, 2016).

### **Implications for SMEs and Policymakers**

These lessons matter to both small firms seeking growth and officials who design the rules and resources that shape their playing field.

For managers of small and medium-sized enterprises (SMEs), emerging evidence makes it clear that digital adoption can no longer be treated as an add-on; it must be at the core of any credible growth plan.

Investing in cloud-based tools, regular staff training, and robust cyber defenses is essential for SMEs to successfully navigate today's complex international landscape, as noted by Bennett et al. (2020). In tandem with these

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investments, firms must establish a targeted online presence and activate multiple digital channels, as only brand visibility and customer loyalty have a realistic chance of enduring over time (Kumar et al., 2016).

From a policy perspective, governments should, therefore, implement precise and cost-effective initiatives that address the specific digital challenges faced by SMEs. Schemes that enhance basic digital skills, provide affordable cyber resources, and facilitate access to transformation funding remain vital if the sector is to become more resilient (OECD, 2019). Combined with a forward-looking regulatory posture and a clear push for digital literacy, such initiatives can empower SMEs to exploit digital tools, ultimately fuelling broad-based economic growth.

**Future Research Directions:** Although this study sheds light on the economic impact of digitalization on SME internationalization, important questions remain. Follow-up research might investigate how the returns to digital adoption change over time and across different industries, or it may examine how regional variations in infrastructure, skills, and policy shape these returns.

Scholar-practitioners may begin tracking how frontier technologies, including



artificial intelligence, block chain, and the Internet of Things, influence entry modes, supply chains, and market intelligence for exporting SMEs (Bharadwaj et al., 2013). This investigation could take quantitative forms, such as surveys, network analysis, or platform experiments, or qualitative forms, such as interviews, action research, or longitudinal observation, yielding complementary insights. Simultaneously, in-depth case studies of SMEs in developing economies are likely to reveal distinct structural hurdles, including inadequate bandwidth, unreliable power, erratic tax regimes, and inventive adaptations that enable local firms to leverage digital tools in various contexts. Together, these lines of enquiry would furnish a richer picture of both the risks and rewards that come with digitalization for companies seeking to compete in global markets. As the world economy continues to shrink, concerted, cross-disciplinary research remains essential for guiding the practical principles and tactical blueprints that small and medium-sized enterprises require when steering through an increasingly digital trading environment.

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