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A Conceptual Analysis of International Business and the Impact of the Digital Organization

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Affidavit

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Abstract

This piece provides a pragmatic approach to International Business and digital organization concepts. Additionally, it explores the inherent interdependencies present between the two schools of thought. Subsequently, it highlights the current trends relating to International Business and the evolution of digital business processes. Time is devoted to expounding on academia's theoretical concepts and perspectives of doing business internationally, the foundational pillars, and exploring the drivers of digital transformation in organizations. Succinctly, the report will address the concepts of the fourth industrial revolution and the dynamic trends leading to the need to establish connections to the changes in international trade. The report will further expand on the concepts using practical examples, studies, and academic literature. Through which empirical and qualitative evidence will highlight the impact of emerging technologies on international business strategy. Furthermore, the report will examine the ambidextrous requirements of digital transformation and the emergence of cross-border trade restrictions relating to the flow of information. Correspondingly, the report closes with identifying perceptual considerations for further research and recommendations for unearthing the driving force connecting the dynamism in International Business and the dominance of the digital organization.

Keywords: ambidextrous, digitalization, digital transformation, emerging technologies, International Business, Internationalization

Index of Titles

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1.0 A Conceptual Analysis of International Business and the Impact of the Digital Organization

In the age of digitalization comes the reality that business and transactional activities are evolving beyond the scope of economic, physical, cultural, and social barriers into the realm of the digital international economy. These international economies experience fundamental changes due to globalization and emerging technologies that impact how they support production and markets through products and services. Additionally, these economies create networks that facilitate International Business (IB) built on changes in collaboration, innovation, communication, business infrastructures, social and financial interdependencies.

This report aims to analyze and determine the impact of the digital organization on International Business (IB) ideologies. Subsequently, the report will unearth the nature of the relationship against academic perspectives of International Business (IB) using a mixture of theoretical and practical studies and use cases. After which, the report will provide suggestions to assimilate best-case scenarios in the realm of International Business (IB) as companies become digital.

The report will use a pragmatic structural approach to provide a holistic view of the concepts by exploring the academic foundational building blocks of International Business, theories, benefits, and considerations. Concurrently, the report will delve into the concepts of the digital organization, identifying what drives organizations to become digital, the defining characteristics, and the benefits of transforming or emerging as a digital organization alongside its challenges. Further chapters of the report will draw on conceptual theories that aim to hypothesize a symbiotic relationship amid the two areas of study and provide unbiased recommendations and guidelines for managing a digital organization in an International Business environment.

2.0 Theoretical Concepts of International Business

According to Zamborsky (2019), an international business is a firm or business that engages in cross-border economic activities. At the same time, Smyth (2018) argues that International Business constitutes any private or governmental transactional relationship that occurs between two or more countries. These transactional activities include the sale of goods and services, transportation, logistics, or investments. Coincidentally, other activities such as cross-national imports/exports, licensing, franchising, manufacturing, distribution, research, and development fall within the scope of International Business (IB) concepts. Moreover, International Business's primary focus is on its relationship with its international environment and the encompassing implications.

What are the drivers of International Business? Ganapathy (2021) argues that International Business is the product of three (3) elements. The external environment, the domestic environment, and self-motivation. Ganapathy (2021) explains that the external environments include aspects of the policies and attitudes of host nations. While domestic environments surround local government policies and attitudes, and self–motivation encompasses the vision, values, intentions, policies, efforts, and strategies of business organizations. While International Business is the result of the primary elements, Ganapathy (2021) identifies several trends driving International Business in today's global environment, which includes:

1. Opportunities to opérate in developing markets due to capacity shifts in developed countries
2. Growth in countries like Brazil, Russia, India, China, and South Africa (BRICS Countries)
3. Multinational corporations' strategy towards benefiting from low wage and production costs in some countries and the need to comprehend the risks of low productivity.
4. Change in the demographics for international jobs
5. Creation and enhancement of regional trading blocks which increases globalization (World Trade Organization (WTO), European Union (EU), Caribbean Community (CARICOM), North American Free Trade Agreement (NAFTA), Southern Common Market (MERCOSUR), and the Free Trade Agreement of the Americas (FTAA)).

6. The decline in trade and investment barriers.
7. Growth in technology and the digital environment.
8. Potential for rapid economic growth and value in international markets.
9. The cost of resources such as raw materials, minerals, technology, and labor.
10. Increasing power of regulatory bodies on globalization like the World Trade Organization (WTO).

2.1 Foreignness Liability

A key concept is the underlying hindrances that foreign firms experience in domestic host countries due to their status. The concept of disadvantages or additional costs of business abroad by Zaheer (1995) highlights the analysis of the performance of foreign firms in New York and Tokyo. Through this concept, foreignness classification can either be an asset or a liability (Zamborsky, 2019).

2.2 Firm-specific Advantages (FSA)

These are capabilities, resources, and strengths unique to rival firms that are not necessarily common among competitors within a specific environment. Zamborsky (2019) cites work from academia that suggests threat foreign firms should have firm-specific or monopolistic traits that are not available to local firms and combats the liability of foreignness. These ownership advantages include economies of scale, technology, management techniques, or marketing expertise which this report will explore later.

2.3 Country-specific Advantages (CSA)

These relate to inherent benefits unique to a specific country built on the labor force, industry competition, geographic location, and government policies (Zamborsky, 2019). Also known as location-specific advantages, they provide a set of comparative gains that firms can reap advantages. In most cases, international firms build on these to enhance decision-making relevant to global coordination and configuration of its value chain.

2.4 Global Integration

Global integration is the organizing and coordinating value chain activities across nations to gain synergies and cross-fertilizations. This framework considers two critical global integration elements: efficiency and learning. Critical to this, firms who practice global integration benefit from standardizing and production at low costs to capitalize on converging customer demands globally (Zamborsky, 2019).

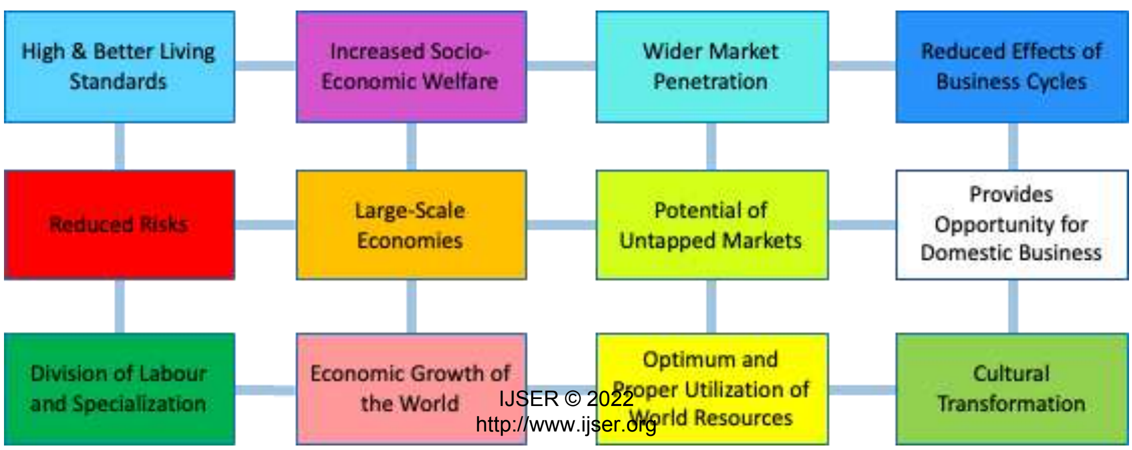
2.5 Local Responsiveness

Responsiveness is fundamental in the realm of International Business, and the frequency relies on the changes in customer preferences worldwide. Firms seek to respond to market conditions, diversity opportunities, and risks on a case-by-case basis. Moreover, being able to respond quickly benefits customers and governments more than it does companies, and as a result, a balancing act ensues between local responsiveness and global integration (Zamborsky, 2019).

Notwithstanding the five concepts above, Kumar (2017) highlights several cross-functional benefits of International Business that share interdependencies. Figure 1 illustrates this matrix-type relationship of the conceptual benefits of International Business.

Figure 1.

Benefits of International Business



Notes: Adapted from Introduction, Drivers and Benefits of International Business. 2017. Kumar N.

https://enterslice.com/learning/benefits-international-business/. Copyright 2021 by Enterslice Fintech Private Limited

2.6 Pillars of International Business

In order to understand the concepts of International Business, it is necessary to define the three critical pillars. These foundational pillars include actions, actors, and systems (Zamborsky, 2019). According to Zamborsky (2019), International actions consist of trading, investing, and globalizing. At the same time, international actors include businesses (firms), governments, institutions, and international systems consisting of trade, currency, and finance specifiers. Figure 2 provides a pictorial presentation of the three pillars that support the concepts of International Business.

Figure 2.

Pillars of International Business

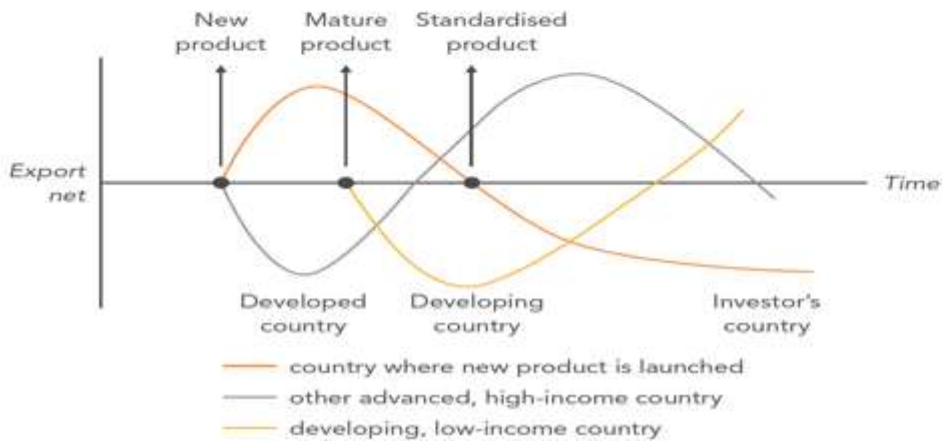
Notes: Adopted from International Business and Global Strategy. P. 18. P. Zamborsky. 2019. Bookboon, Copyright 2019 by Peter Zamborsky & bookboon.com.

2.6.1 International Business Actions

As Zamborsky (2019) explains, international business actions include the activities of *international trade, foreign direct investment (FDI), and globalization*. The author expands *international trade* to be the transaction of goods and services across economic and national boundaries through import and export. In general terms, imports or global sourcing centers engage in actions that result in the procurement of services and products from international suppliers for consumption within a country. Contrarily, exporters sell products or services to parties outside the producing agent (Zamborsky, 2019). Zamborsky (2019) also highlights that both paradigms include merchandise trades such as tangible items and service trades such as air travel, financial services, or management services.

Figure 3.

International Product Life Cycle Theory



Notes: Adopted from International Business and Global Strategy. P. 30. P. Zamborsky. 2019. Bookboon, Copyright 2019 by Peter Zamborsky & bookboon.com.

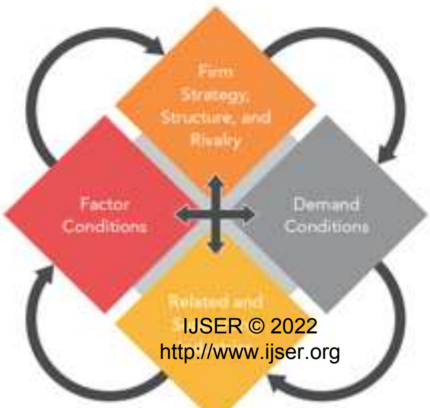
Additionally, organizations approach importing and exporting because of three perspectives, namely, comparative advantage, international product life cycle, and competitive advantage. Comparative advantage relates to unique or specific features of a source country coming from natural bequests or national policies, which translates to global competitive benefits. Secondly, the international product cycle theory suggests that trade patterns change over time between nations (developed or developing) as production shifts through different product/service life cycle stages from new to mature to standardize (figure 3).

Lastly, Zamborsky (2019) mentions competitive advantage as another driver because it defines the distinctive competencies of an organization and cites Michael Porter's Competitive Advantage of Nations. Through this theory, Porter explains the Diamond Model, a theory that focuses on the reasons for the competitive power of specific industries within a country; for example, some countries are more competitive internationally when it comes to automobile industries than general service industries. In the model, Porter exclaims that the source of competitive advantage in different industries is dependent on four (4) aspects (figure 4).

1. Home factor conditions, including home-grown resources and natural competencies.
2. Home demand conditions encompass the nature of home demand for industry-specific services or products.
3. Home organization strategy, structure, and rivalry, such as conditions governing organization creation.
4. Related and supporting industries which expand to the presence of international suppliers.

Figure 4.

The Diamond Model



Notes: Adopted from International Business and Global Strategy. P. 31. P. Zamborsky. 2019. Bookboon, Copyright 2019 by Peter Zamborsky & bookboon.com.

The next aspect of International Business actions is investments, which occur in two (2) ways. Either through foreign direct (FDI) or foreign portfolio investments. According to Zamborsky (2019), FDI is the investment in operations in a foreign country through investing, controlling, and management of value-added activities. Holistically, FDI classifies ownership (equity) stake more significant than 10% in a foreign organization. Concurrently, foreign portfolio investment refers to the possession of foreign securities, including stocks or bonds of organizations or government entities; in retrospect, this is a form for FDI. As an overview, FDI is a critical entry strategy into foreign markets and can return significant gains as it relates to competitive advantage.

Academics provides several ideologies relating to FDI and sustainable competitive advantage for organizations. The Monopolistic Advantage Theory indicates that firms gain a competitive edge over local firms by operating in oligopolistic industries that harness technical advantages. While the theory of Internationalization allows organizations to obtain a higher return on investments (ROI) through transferring expert knowledge to a foreign subsidiary rather than divest or sell on the open market. Zamborsky (2019) explains a third theory known as Dunning's Eclectic Paradigm; that extends the concepts of the monopolistic and Internationalization theories to include location-specific benefits. This expansion is on the basis that it provides rationalization for FDI supported by the other owners and internationalization/ "OLI" advantages.

2.6.2 International Business Actors

Another pillar of focus is the international business actors, where it focuses on the primary bodies that operate within the sphere of international business; these include firms, governments, and institutions. Firstly, Academia proclaims that the key actor within International Business is multinational enterprises (MNE's). However, practice supersedes this to include three (3) participants within this global value chain, particularly focal firms, distribution intermediaries, and facilitators (Zamborsky, 2019). Focal firms initiate transactions that conceive, design, and produce goods and services for consumption globally; this includes. MNE's, small and medium-sized enterprises. Distribution intermediaries include specialist players that provide logistics and marketing services for local businesses as part of the global supply chain. Likewise, facilitators are experts in legal, banking, customs, or supporting services that aid focal firms performing International Business transactions.

Another actor is governments; firms do not act internationally without government guidance in regulations (interventions) relating to the flow of trade and investments. In retrospect, these government interventions balloon to include trade and investment barriers and home country subsides (Zamborsky, 2019). The author highlights these protectionist interventions in the next International Business and Global Strategy (2019).

1. Tariffs or duties which governments apply to imports.
2. Non-tariff barriers include policies, regulations, or processes that affect trade, including quotas and import licenses.
3. Investment restrictions impose ownership limitations of foreign firms regarding investing and acquiring local firms.
4. Currency controls limit the outflow of currency, such as the repatriation of profits back to home countries.
5. Local content requirements that aim to have specific domestic inputs for production.
6. Subsidies in tax breaks, cash grants, and low-interest loans boost competitive position against non-local firms.

Institutions are those entities that establish multinational policies and treaties to govern global and international business systems. These include the World Trade Organization (WTO), which can regulate international investment and trade through policing the systems and holding parties accountable to rules laid by the WTO treaties (Zamborsky, 2019). Secondly, the International Monetary Fund (IMF) acts as a regulatory body for the international monetary system. The IMF is the lender that enables economies whose currencies and losing value against other nations.

Thirdly, there is the World Bank, whose primary focus is to promote economic development and emphasizes the creation of low-interest loans for cash-embattled governments who aim to undertake infrastructure investments, and finally, the United Nations (UN). The UN seeks to preserve global stabilization through international collaboration and collective security (Zamborsky, 2019). Although these are not exhaustive, they are more industry and regional-specific institutions like the Organization of Petroleum Exporting Countries (OPEC), the Organization for Economic Cooperation and Development (OECD), and more recent additions like the Asian Infrastructure and Investment Bank.

For simplicity, this report will treat organizations as a body of resources with a particular purpose (Merriam-Webster, 2021), especially in the case of businesses, society, associations, and institutions to cover the elements within the international business actor pillar.

2.6.3 International Business Systems

On the premise that the pillar identifies Actions and Actors, it is necessary to define the final pillar that facilitates the networks to enhance internal business. These networks include trade systems, foreign exchange systems, and financial systems.

Trade systems equate to regional, unilateral, bilateral, and multilateral agreements and rules among nations. Given regional economic integration and its growing economic interdependencies, these rules form alliances set to reduce barriers to trade and investment while reducing tariffs and non-tariff limitations (Zamborsky, 2019); examples include CARICOM, NAFTA, and FTAA. Figure 5 illustrates key characteristics of the levels of economic integration that exist.

Figure 5.

Levels of Economic Integration

Stage of integration	Abolitions of tariffs & quotas among members	Common external tariff and quota system	Abolition of restrictions on factor movements	Harmonisation and unification of economic policies and institutions	Unification of non-economic policies
Free trade area	Yes	No	No	No	No
Customs union	Yes	Yes	No	No	No
Common market	Yes	Yes	Yes	No	No
Economic union	Yes	Yes	Yes	Yes	No
Political union	Yes	Yes	Yes	Yes	Yes

Notes: Adopted from International Business and Global Strategy. P. 67. P. Zamborsky. 2019. Bookboon, Copyright 2019 by Peter Zamborsky & bookboon.com.

Foreign Exchange systems are those governing criteria that manage the exchange rate for currencies on a global scale. This exchange rate quotes the value or rate at which one currency trades for another on the international market. Currencies, in reality, are assets that appreciate and depreciate due to valuations against another currency (Zamborsky, 2019). Concurrently, exchange rates depend heavily on the supply and demand factors within the trading system, usually due to economic growth, interest rates, market psychology, and political actions.

In closing the loop on business systems, Global Financial systems act as a collective set of financial institutions that govern and facilitate capital flows and investments such as central and commercial banks and financial exchanges (Zamborsky, 2019). Through this global financial system, the institutional framework for the International Monetary system takes precedence. The IMF establishes currency valuations by managing the floating exchange rate (movement adjusts for demand and supply), fixing exchange rates, allowing dirty float rates (free movement with limited intervention from the government).

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This section explores the conceptual notations relating to International Business and what drives its existence. However, in the following chapter, the report will further expand on the phenomenon of the digital organization to unearth the nature of its relationship to the scope of International Business.

3.0 The Digital Organization

In a world of digital emergence and the era of the 4th Industrial Revolution demanding digitalization, and digital transformation, organizations face the challenge of adapting to new and emerging technologies to remain competitive and relevant. According to Ebert and Duarte (2018), digital transformation is a journey in which organizations adopt emerging and disruptive technologies to improve productivity and create value. Interestingly, the choice to adopt or emerge digitally is dependent on the strategy toward its particular goals, market needs, or industry composition. Similarly, Caredda (2020) argues that digital transformation is more than adopting technology; instead, it is a drastic change in how an organization produces and processes data in the same sphere.

3.1 The Evolution towards a Digital Organization

Century after century, business evolves, but at the rate at which technology and the demand for its use changes. A study by Ace and company (2021) evaluates the evolution of the business economy over three (3) centuries using parameters and prominent theories of economic development during those years (figure 6).

Figure 6.

Evolution of Markets

Category	19th Century	20th Century	21st Century
Coordinator	The Invisible Hand of the Market	The Visible Hand of Management	The Digital Hand of Platforms
Organizational Form	The Factory	The Corporation	The Platform
Institution	The Market	Hierarchy	Networks
Governance	Entrepreneur	Managerial Authority	Ecosystem Governance
Knowledge	Knowledge with People	Knowledge in Physical Capital	Knowledge in Human Capital
Geography	Local	National	Global

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Notes: Adapted from The Evolution of the Global Digital Platform Economy: 1971-2021. 2021. Ace Z. et al.

The research idealizes that businesses methodologies shift from the visible hand of management to digital platforms over time. These platform organizations are peculiar in the sense that it operates using a global ecosystem that is beyond the concepts of managerial authority. The research also indicates that the main focus in the new economy is on human capital versus physical capital. Given this shift, the primary driver of the digital economy becomes the microprocessor, as it reduces storage costs, transmission, and computation of consumer and market data (Acs et al., 2021).

The primary driver for digital organizations is the requirement to digitalize processes and routes to market to understand and effectively meet the demands of the marketplace locally and internationally. Digitalization disrupts the rules of engagement for organizations both in the physical and digital world as an enabling force. Examples include Uber, the largest taxi service company that owns no vehicles. Facebook, a famous media owner and content provider that owns no content. Furthermore, other retail giants like Amazon, Alibaba, and eBay hold no inventory (Gimpel & Roglinger, 2015).

In retrospect, a digital organization is transforming and utilizing all available and emerging technologies to improve productivity, data collection, and processing to improve the customer experience. On that premise, when organizations progress towards digitally transforming the way they approach business, some key elements are to consider. According to Weninger (2021), organizations must consider two levels of impact: internal and external factors. These factors include four (4) distinctive essential aspects for becoming a digital organization (figure 7).

Figure 7.

Considerations for Becoming a Digital Organization

Notes: The 4 Aspects of becoming a digital organization. 2021. Weninger R. https://www.e-zigurat.com/innovation-school/blog/the-4-aspects-of-becoming-a-digital-organization/.

These elements include alignment, identity, operations, and politics. Alignment constitutes the management section of the process and requires digital strategies and processes. The strategy in this area must be coherent to all staff levels, and time-bound processes must enable data analysis across the value chain to meet and exceed customer expectations and reduce the cost of providing value. Identity looks at leadership and culture through people; thus, creating a digital mindset. The culture must align across the organization and be firm but is challenging to attain and requires consistent modeling and shaping. An excellent example of this is Google's test-and-learn culture because it puts a strong focus on agility, innovation, experiments, and forward-thinking through autonomy and collaborative teamwork (Weninger, 2021). Coincidentally, people make up the culture, and for digital organizations to grow and be fruitful, they are critical to the evolution process. People devise ideas, solutions, and act as enablers during digital transformation.

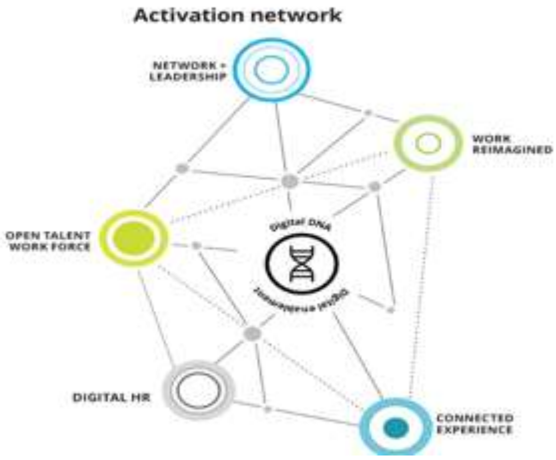
The following internal factor is operations; this includes the executable aspect of the digital organization, where it focuses on the responsibility to implement digital frameworks throughout the organization. The action at this stage is the steps that shape the approach. At the same time, the technology must be appropriate with all the elements necessary to achieve full potential. Digital technology improves communication internally and externally but selecting the correct enabler ensures proper sharing, exchange and knowledge retention, and applicability. Additionally, this factor considers the equitable distribution of resources as an organization becomes digital. Human resources and finances should leverage the holistic goals of the digital process along the value chain.

The single external factor of politics is vital because organizations must consider the external influencers of the digital model. While establishing digital alignment is the owners' duty, support from political influencers is impactful. The transition towards a digital economy needs support to digitalize industries and markets effectively. Governments should encourage the more comprehensive application of information technologies between departments and global partners by introducing regulations and guidelines that support the digital environment (Weninger, 2021). Likewise, the government should engage educational improvements to competencies with the workforce, especially graduates and new entrants.

Similarly, Mazor (2021), in publication through Deloitte, speaks to the activation of the digital enterprise. In this piece, Mazor explains that to become a digital organization effectively, strategy builders must understand the digital buildup or “DNA.” A digital organization's “DNA” traits include democratizing information, intentionally being collaborative, innovative, and operating with agile team structures. Mazor (2021) exclaims that a digital organization only exists once the digital DNA acts as a digital enabler. Like Weninger (2021), Mazor indicates some critical elements within the digital DNA of an organization to activate its digital dominance (figure 8).

Figure 8.

Digital "DNA" Activators



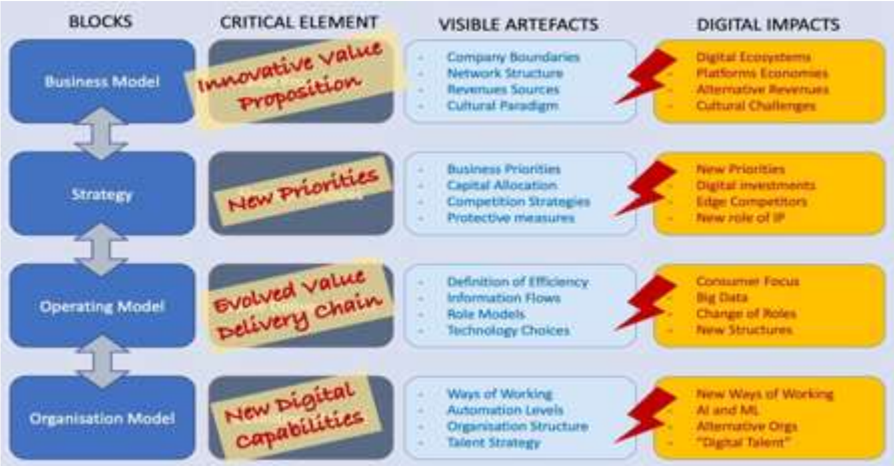
Notes: Adapted from Activating the digital enterprise by Mozar A. 2021. https://www2.deloitte.com/us/en/pages/human-capital/articles/the-digital-organization.html. Copyright 2021 by Deloitte.

These include the ability to reimagine work through future and emerging technologies. The ability to drive work through teams and agile hierarchies. The capacity to use open talent and introduce new talent categories across the digital economy. In addition to possessing competencies that connect experiences. Moreover, the inclusion and existence of a digital human resource mindset drive the evolution of the people putting digitalization first.

As organizations become digital, they change the inherent building blocks of a traditional organization. As a digital organization evolves or emerges, the focus is on information processing and digital process improvements. It thus puts the technological ecosystem (platform) at the forefront of business standards. Interestingly, this ecosystem of sorts encompasses the strategy, business, operating, and organizational models (Caredda, 2020). Figure 9 explains how the digital ecosystem within a digital organization affects each block in close detail.

Figure 9.

Impact of a Digital Organization's Ecosystem



Notes: Adapted from Digital Transformation and Organizational Evolution by Caredda, S. 2020. Copyright 2020 by Sergio Caredda.

3.2 Challenges with the Digital Organization

In an article by Javed in 2019, she highlights that as companies transition or emerges digitally, they tend to face several inherent challenges. Additionally, the article argues that companies must evolve and provide sustainable solutions to these challenges through collaboration and strategy building with Information Technology (IT) departments and partners. These challenges include.

1. The selection of appropriate digital platforms and technologies.
2. Using outdated performance indexes to measure digital processes.
3. The availability of digital capabilities and expertise within the organization.
4. Narrow digital initiatives that opérate in silos and cause disparity and disunity.
5. Lack of digital roadmaps to guide digital milestones.

Figure 10.

The challenges of a Digital Organization

Notes: Adapted from How companies can overcome the challenges to their digital transformation. 2019. Javed, A.

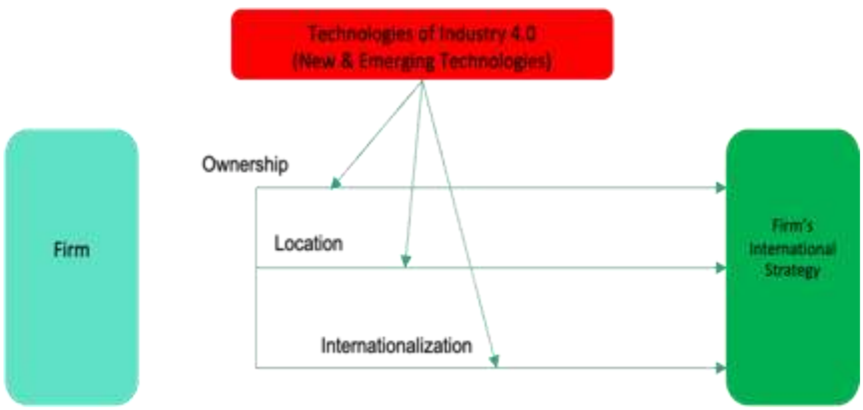
http://www.xorlogics.com/2019/08/26/how-companies-can-overcome-the-challenges-to-their-digital-transformation/.

4.0 International Business and Digitalization

Previous sections of this report explore the concepts of International Business and the Digital Organization in their independent realms to provide credence of underlying interconnections. It is on this premise that this chapter will unearth the possible interdependencies and relevant causative or reactive relationship between the two schools of thought using practical examples, case studies, and academic research.

Figure 11.

Emerging Technologies and Firm's Strategy



Notes: Adapted from the Impacts of the fourth industrial revolution in the ownership, location, and internationalization advantages of firms. 2019. Kaltenecker E. and Kahle-Piasecki L.

A study by Kaltenecker and Kahle-Piasecki (2019) explores the relative impacts of digitalization on Ownership, Location, and Internationalization (OLI) advantages of corporations engaging in International Business. The study tests hypothesis that adoption of these technologies reduces ownership, location, and internationalization advantages (figure 11). The results of said research state adaption change the balance in advantages, both negative and positive, but dependent on the firm's industry. However, a vital element of the study is that technology increases decentralization across the international scope, thus adjusting location advantages. Subsequently, this research also highlights that the emergence of the fourth industrial revolution forces organizations to modify internationalization strategies (Kaltenecker & Kahle-Piasecki, 2019).

An article by Bartholomae (2018) argues that digital transformation by any form impacts international competition and specialization strategies. The author argues that transformation gives rise to monopolies given the cost advantages of digital technologies. Additionally, it leads to trade cost reductions, increases earnings abroad through a greater scope for commerce. In the same article Bartholomae (2018) explains that fragmentation and specialization from transformation reduce production costs through capitalizing on production block advantages in local groups, thus improving location advantages. Muriu (20201) also exclaims that data drives international performance and the use of a data-driven decision-making process improves market entry, FDI, long-term investments, and the attractiveness of foreign countries.

Interestingly international organizations can leverage, benefits of the interconnections within the digital environment increase through organizations, technology, people, and social media (Alcacer et al., 2016). Alcacer et al. (2016) believe that emerging technologies improve and create competitive advantages for organizations engaging in International Business. Concurrently, the information age, digitalization, and digital transformation drive the separation between ownership and control in management structures, especially in the realm of FDI. Muriu (2021) supports this view in her thesis documents highlighting that the emergence of digital technologies, automation, big data, smart contracts, analytics develop business opportunities but diversify ownership characteristics.

While academics cite relevant sources to argue that there is a connection between Internationalization and digital transformation, some agree there is still much to be understood. Schmitt and Baldegger (2020) argue that boundaries shift as Internationalization and digitalization intertwine. Which results in the enabling of organizations to develop new experiential information, make better decisions, and conduct better experiments globally. Schmitt and Baldegger (2020) explain that Small and Medium Enterprises (SME) transform digitally given their underlying internationalization capabilities. The report argues that SMEs develop export practices concerning the strategic vision and customization of specific offers, dynamic networks, and internal business.

A study by Alves (2020) argues that as governmental barriers decrease due to the increase in digital transactions and technological improvements, organizations face opportunities to expand to foreign markets through digital platforms and new business models. Through these opportunities, businesses transform the internet as a channel for commerce, marketing, and data collection for analytical decision-making to enable international competitive advantage. Alves (2020) theorizes that in order to succeed, organizations must have innovative skills, control over production costs, and marketing skills as they digitalize and compete on an international scale.

In retrospect, the data from academic studies provide assumptions that digital transformation drives the Internationalization of businesses. The relationships appear favorable and driven on the level of innovativeness of the organization. Notwithstanding substantive empirical data, there is still more left to be understood. Technology is undoubtedly impacting the growth of

International Business, and this is a critical discussion point as innovation and emerging technologies are no longer specific to a country. Advances in telecommunication, social media, transportation, production, market globalization, e-commerce, and online banking contribute to the growth of borderless transactions in the global stratosphere. Nixon (2021) explains that technology is continuously evolving, and the international business landscape will never be the same. Although the future is unpredictable, Nixon (2021) explains that business experts expect the trends in international business to lean more towards services than products, the inclusion of digital assets, and the need for transparency.

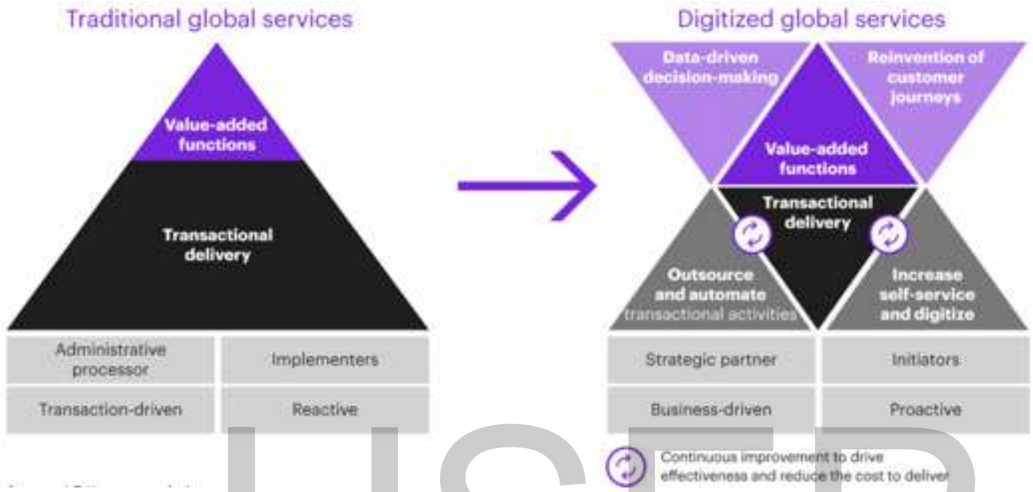
4.1 Shifting to Digitalized Global Service Environment

Importantly, global business service (GBS) is having a challenge as organizations become digital and the facets of International Business change. Traditionally, it leverages economies of scale to gain operational efficiency through centralizing activities in a low-cost country. However, with the advances in digital transformation and borderless transactions, this is changing. It is because of these changes that creating new digital connections through appropriate value-added business models becomes relevant. In an article by Nixon (2021), he argues that the role of global business services is shifting towards strategic partnerships and placing the customer experience at the core of the business due to advancements in the digital environment (figure 12).

Because of this transition, organizations must harness the power of connectivity that digital transactions and relationships create (Nixon, 2021). In order to realize this, GBS functions quickly transition to reinvent the customer experience and embrace data analytics in the enterprise decision-making processes. The article also explores the conceptual foundation for reinventing organizations to drive digital connectivity in an international marketplace. Nixon (2021) states that organizations must align on the digital ambition across the digital journey in an international strategy. Organizations must also shift to a customer-centric model of operating, which uses an ecosystem of innovative tools to support it.

Figure 12.

Digitalized Global Services



Notes: Adapted from Reinventing global business services in a digital world. 2021. Nixon, R. https://www.kearney.com/leadership-change-organization/article/?/a/reinventing-global-business-services-in-a-digital-world

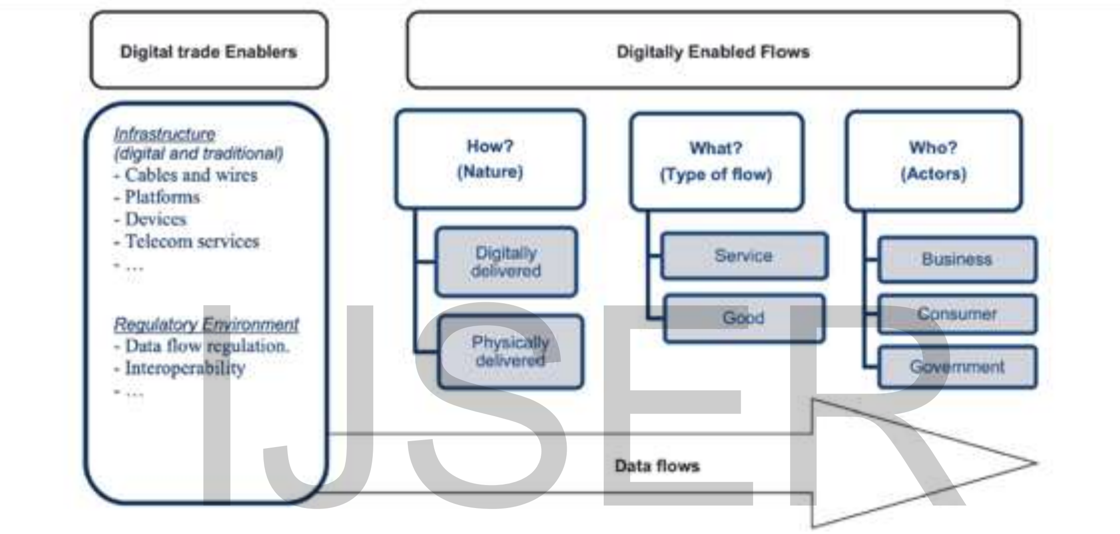
4.2 Transforming International Trade through the Digital Organization

The scope of International Business is vast and encompasses a variety of pillars for consideration. However, with the connectivity between International Business and the digital organization, it is essential to recognize digitalization's impact on international trade. A corporate article by OECD (2019) highlights that digitalization reduces the cost of international trade and connects organizations and customers globally through global value chains (GVCs). Through these GVC emerge new challenges beyond digital disruptions that allow for opportunities and benefits that are more inclusive in digital trading.

A foundation to these views of OECD (2019) is that digitalization simplifies the ability to engage in trade, organize GVC's, change engagement methods for international trade, and type of products and services available. Additionally, digitalization is creating new opportunities for organizations to meet the market's demands of other countries by diversifying export baskets and benefiting from regional trade agreements. As digital-enabled services increase, so does the need for barriers to govern digital transactions through the WTO.

Figure 13.

The Typology of Digital Trade

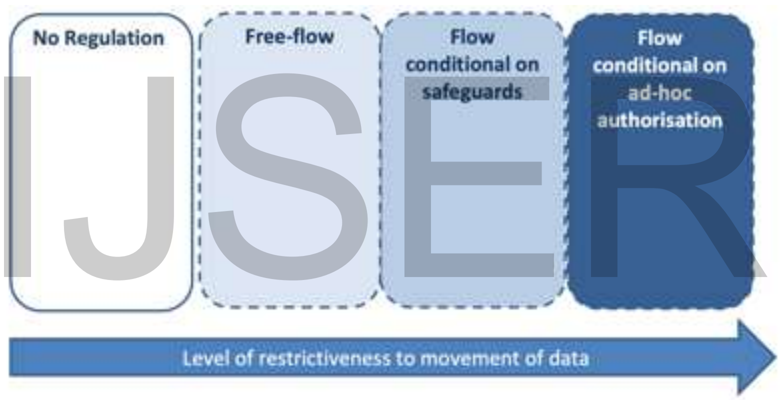


Notes: Adapted from Trade in the digital era. 2019. OECD. Copyright 2019 by OECD. https://www.oecd.org/going-digital/trade-in-the-digital-era.pdf.

What is critical is that as organizations become digital and international trade feeds off these changes, the approach to international business needs greater involvement (OECD, 2019). Involvement, in this case, spans all stakeholders on international business such as governments, businesses, and institutions that all have interests in the changes within the digital business environment. Trade is changing, but digital trade encompasses digital transactions that exchange goods and services (OECD, 2019). These enablers of digital transactions facilitate data flows along the trading cycle (figure 13). Irrespective of the availability of data in the international marketplace, the level of restrictions allows for more significant application of data analytics and better decision-making. OECD (2019) pinpoints the four (4) restrictive levels of data flow across international borders that impacts digital trade. Firstly, no regulation to cross-border data sharing, free-flow data transferals, the conditional flow of data, and flows requiring authorization (figure 14). These restrictions are only relevant today because of digitalization and how organizations utilize cross-border data; its importance will continue to grow, and the digital environment matures. As a climaxing factor, the actors within the dimensions of digital international trade must holistically consider data security, data protection, intellectual property, and the overall benefit of digital trading.

Figure 14.

Cross-border data flow regulations



Notes: Adapted from Trade in the digital era. 2019. OECD. Copyright 2019 by OECD. https://www.oecd.org/going-digital/trade-in-the-digital-era.pdf.

However, as the digital organization emerges as the standard practice internationally, several principles come to the forefront of the digital environment (OECD, 2019). The first is the applicability of transparent processes and access to information that allows organizations of all sizes to operate within the International Business environment. Secondly, removing discrimination allows legacy methodologies to prosper parallel to digital organizations, especially those that cannot compete. Thirdly, reducing trade restrictiveness due to regulatory objectives and country objectives in respect to local regulations and digital policy regulations and interoperability related to overcoming technical and regulatory heterogeneity issues for sharing benefits of digital international trade.

4.3 Digitalization Risks in International Business

This section will expound on the concepts of digital risk as it relates to digitalization in International Business. Luo (2021) defines risks as the probability of adverse occurrences resulting from internal and external vulnerabilities to business activities. As such digital risks in International Business is the uncertainty or disruption that digitalization forces in countries where organizations compete that adversely affect operations (Luo, 2021).

Despite globalization's continuous growth and expansion, organizations either adopt digital technologies or transform completely to mitigate the risks and improve cross-border activities. Given these methodologies, digital connectivity is the driver that both enables and disrupts cross-border activities depending on management capabilities. Digital connectivity exists due to platforms, information and communication technologies, the internet, and other emerging technologies and enablers like big data, data analytics, and cloud services (Luo, 2021). As a result, digitalization bolsters cross-border transactions while transferring value-added streams of information, ideas, and innovation globally. Luo (2021) breaks down digital risks into three (3) types; digital interdependence risk, global information and cyber security risk, and digital regulatory complexity risk (figure 15).

Figure 15.

Information Processing Framework: Digital Risks in International Business

Notes: Adapted from A general framework of digitalization risks in International Business. 2021. Luo, Y. Journal of International Business Studies. Copyright 2021 by Academy of International Business.

Digital interdependence risks are a result of breakdowns, contagions, and disruptions in digital interconnectivity among organizations and international stakeholders (vendors, suppliers, distributors, customers). The subsequent evolution to digital globalization increases the dependence of international organizations on each other and exposes them and their networks to more risks (Luo, 2021). As such, increases in digital interconnectivity magnify the impacts of issues and transmissibility. In Lou's (2021) research, he highlights the impact of the 2008 financial crisis and the speed issues spread through the capital markets around the world. Connectivity accelerates the transmission of adverse issues across global platforms in fragments due to the high levels of interdependence. In retrospect, as organizations become digital, the risk of interdependence increases.

Global information and cyber security risks speak to losses due to the fragility of an international organization's information and communication system. This fragility leads to cyber-attacks and possible data breaches (Luo, 2021). Owing to digitalization, organizations are dependent on information sharing and ICT infrastructures which drives risk occurrences. As a result, the market pushes for privacy protection and assurances that data is safe as information flows cross-boarders. Acceptance of new and emerging technologies in business processes increase vulnerability to security threats, fraud, disruption, and failure to meet expectations. Concurrently, the digitalization of international business transactions introduces cyber-crimes, including customer data breaches, financial and market manipulations, and theft. Lus (2021) highlights that cyber-crimes account for approximately four hundred billion dollars in global annual losses.

Digital regulatory complexity risk, on the other hand, emerge due to regulation disparity among countries in which international organizations operate (Luo, 2021). This disparity creates incompatibility, regulatory multiplicity, and variances that intensify disruption in cross-border activities. The guiding issue for regulation is the type of information that flows across borders, and governments regulate these differently. For example, protection differs for customers' data, digital taxations, information, and national security. Coincidentally, storage method and location restrictions also vary by country, and some would demand physical servers within-country borders to govern security; examples include Indonesia, Russia, and Nigeria (Luo, 2021).

Importantly, risks not only emerge from within national borders but also from supranational peculiarities. Lou (2021) stratifies the sources of digital risks in International businesses as within-country and cross-country. Lou's (2021) study explains that within-country relates to government or regulatory policies that restrict digital connectivities and commerce while discriminating and erecting barriers against foreign organizations. As a result, any action, restriction, or barriers that limit activities relating to digital e-commerce and internet frauds fall within this scope. Additionally, physical infrastructural conditions within a country create digital challenges. These include international internet bandwidth, data centers, communication satellites, broadband internet supply, internet data routes, telecommunications, and investments in cloud, big data, and the Internet of Things.

Cross-country sources arise due to the issues relating to geopolitics. Geopolitics, in this sense, establishes inherent challenges with governing bodies of different nations and leads to scrutiny of foreign ownership in local entities or activities (Luo, 2021). These challenges are on the basis of national security and technological advantages that may cause monopolistic styles of competition. Moreover, the growing divergence of digital systems and standards increases these concerns globally as ties between home and host countries divagate, as international relations become complex due to weakening bilateral relationships. Subsequently, the digital international organization is susceptible to adverse international events beyond foreign countries, such as terrorism and cybercrimes. As an underlying truth, the increase in digital technologies in international business positively correlates to the increase in foreign assaults on international forerunning businesses and governments (Luo, 2021).

On the premise of the data and cases above to both concepts in previous sections, the following chapter will provide considerations for evaluating the interwoven aspects of International Business, digitalization, and transformation to a digital organization. Conjointly, it will provide a final status of the hypothesis and recommendations for organizations transforming digitally to compete globally and remain relevant in a continuously changing international business environment.

5.0 Recommendations and Conclusion

The above analysis provides empirical data that suggests that the hypothesis claiming interconnectivity between International Business and the digital organization proves true. This interconnectivity results in a cause-effect relationship between the two paradigms. The data suggests that as organizations become digital, it increases business activities internationally, and inversely as technologies change international interactions, it forces digitalization of businesses. Also, as technology evolves globally, it lays the foundation for improving international relationships and transactions through digital connectivity. However, for digital international organizations to reap the benefits of emerging technologies, new business frontiers and balance the OLI advantages, they must attend to risk exposure, risk management, and the creation of use cases for further research and application.

Firstly, digital organizations must develop the capacity to identify their level of exposure to digitalization risk in international business; this expands across information and data intensity, geographic diversity, its international strategy, and the global platforms it utilizes. The level of data intensity is critical because organizations with heavy reliance on information have more significant exposure risks to cyber security and regulatory risks. Likewise, organizations that diversify across national borders increase digital risks. This geographical diversity intensifies interdependence with foreign regulators, competitors, partners, resources, and networks, thus exposing itself to digital threats in multiple countries.

Additionally, a firm's international strategy defines the level of risk exposure; hence understanding the strategic implications is critical to identifying challenges. Digital organizations can compete globally using three (3) international strategies: multi-domestic, global, or transnational (Luo, 2021). For example, organizations adopting a multi-domestic strategy require less intra-network communication and integration, thus lowering the risk of digitalization interdependence. In contrast, the global strategy is more standard in its application across countries, thus leveraging global economies of scale and opportunities to use innovations originating in the home country (one global package). Sitting between strategies is the transnational approach that allows general hybrid benefits by encouraging intra-firm communication and localization and increasing the flexibility of foreign units. This strategy allows digital organizations to idealize information-processing demands, pushing digital designs to adjust to the disparity among foreign subsidiary demands, market, and regulatory environment. However, the greater the flexibility, the greater the exposure to digitalization threats. Hence, the transnational strategy increases exposure to the other digital dangers due to country-specific differentiation and local adaptations.

Secondly, to manage digital risks in International Business, organizations must employ risk analytics in their overall strategy to define preventative measures to reduce the probability of digital fallouts within the digital environment (Luo, 2021). Additionally, digital organizations must investigate and use quantitative and qualitative methods to assess digital threats using modeling techniques, machine learning, and data automation: these sophisticated techniques and tools help monitor activities across borders simultaneously. Additionally, managing risks requires digital intelligence through identifying, restricting, and controlling digital risks. According to Luo (2021), digital intelligence is the ability to utilize opportunities to alleviate risks through digital tools. He also explains that digital intelligence addresses digital opportunities and threats by reducing the vulnerability to intellectual property, customer information, finance, data, supplier, and operational disparities.

The final recommendation is that digital organizations create and publicize more use cases for comparison in academia against failures and successes with digital organizations and international business. The need arises as there are not enough research and applicability studies available from an academic and theoretical perspective to support dynamic inter-dependencies. Once organizations acknowledge wins/losses within the digital internationalization strategies, it will provide further research and theoretical models.

In conclusion, the data provides adequate support to indicate that international businesses and digital organizations co-exist through inherent positive enhancements along the journey to meet strategic goals. Interestingly, the digital business's evolution cycle remains dynamic as new technologies emerge and the context of operation and regulations guiding International Business adjust. This report does not claim to dictate holistic solutions or applications of International Business but aims to identify the effects of digital transformation through practical collective reasoning.

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List of Acronyms

Acronym	**Definition**
CARICOM	Caribbean Community
FDI	Foreign Direct Investment
FTAA	Free Trade Agreement of the Americas
GDP	Gross Domestic Product
GVC	Global Value Chain
HR	Human Resource
IB	International Business
IMF	International Monetary Fund
IT	Information Technology
NAFTA	North American Free Trade Agreement
MERCOSUR	South American Common Market
SME	Small Medium Enterprises
OLI	Ownership, Location, and Internationalization
WTO	World Trade Organization

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