

Digital Transformation and SME Internationalization in Emerging Markets: Evidence from Vietnam

Do Duc Tho

Marketing Department, Institute of Southeast Asian Science and Education

DOI: <https://doi.org/10.47772/IJRISS.2026.100400180>

Received: 09 April 2026; Accepted: 14 April 2026; Published: 01 May 2026

ABSTRACT

This study examines the role of digital transformation in enhancing the internationalization of small and medium-sized enterprises (SMEs) in emerging markets, with a specific focus on Vietnam. Drawing on the Resource-Based View (RBV), the research explores how digital capabilities influence SMEs' ability to access and compete in international markets. Using a conceptual and empirical approach supported by survey data from Vietnamese SMEs, the findings indicate that digital transformation significantly improves international performance by reducing transaction costs, increasing market access, and enhancing strategic flexibility. The study contributes to the literature by integrating digital transformation into SME internationalization frameworks and providing insights from an emerging economy context. Practical implications for managers and policymakers are discussed.

INTRODUCTION

The global business environment has undergone significant transformation due to the rapid advancement of digital technologies. Digital transformation (DT), defined as the integration of digital technologies into business processes and strategies, has emerged as a key driver of competitiveness and innovation (Vial, 2019). For firms operating in increasingly globalized markets, the ability to leverage digital technologies has become critical for achieving sustainable growth.

Small and medium-sized enterprises (SMEs) play a vital role in economic development, particularly in emerging markets such as Vietnam. SMEs account for a substantial proportion of employment and contribute significantly to GDP (World Bank, 2022). Despite their importance, SMEs face considerable challenges in internationalization, including limited financial resources, lack of international experience, and restricted access to global networks (Paul et al., 2017).

Digital transformation offers a potential solution to these challenges. Technologies such as e-commerce platforms, cloud computing, and digital marketing tools enable SMEs to overcome traditional barriers associated with international expansion. These technologies reduce transaction costs, improve access to market information, and facilitate communication with international partners.

Vietnam provides a compelling context for examining the relationship between digital transformation and SME internationalization. As a rapidly developing economy, Vietnam has experienced significant growth in both digital adoption and international trade. However, many SMEs still struggle to effectively utilize digital technologies to expand into global markets.

While existing literature has explored SME internationalization and digital transformation separately, there remains a lack of integrated frameworks that explain how digital capabilities influence international performance. This study addresses this gap by examining the role of digital transformation in SME internationalization in Vietnam.

LITERATURE REVIEW

SME Internationalization

The internationalization of SMEs has been widely studied through various theoretical frameworks. The Uppsala model (Johanson & Vahlne, 1977) suggests that firms expand internationally through gradual learning and incremental commitment. However, this model has been challenged by the emergence of “born-global” firms, which internationalize rapidly due to technological advancements and entrepreneurial orientation (Knight & Cavusgil, 2004).

Recent studies highlight the importance of firm capabilities and external relationships in facilitating SME internationalization. SMEs often rely on partnerships and networks to access resources and knowledge in foreign markets (Coviello, 2006). These findings suggest that internationalization is not solely dependent on internal resources but also on the firm’s ability to leverage external relationships.

Digital Transformation

Digital transformation refers to the integration of digital technologies into business operations and strategies to create value and improve performance (Vial, 2019). Digital technologies enable firms to enhance efficiency, reduce costs, and access global markets.

In the context of international business, digital transformation plays a crucial role in reducing barriers to entry and enabling firms to compete globally. For SMEs, digital transformation provides an opportunity to overcome resource constraints and improve competitiveness.

However, digital transformation also requires firms to develop new capabilities and adapt to changing market conditions. The benefits of digital transformation depend on the firm’s ability to effectively utilize digital technologies.

Resource-Based View (RBV)

The Resource-Based View (RBV) provides a theoretical framework for understanding how firms achieve competitive advantage. According to Barney (1991), firms gain sustained competitive advantage through resources that are valuable, rare, inimitable, and non-substitutable.

Digital capabilities can be considered strategic resources within the RBV framework. They enable firms to improve efficiency, innovate, and respond to market changes more effectively (Teece, 2018). In the context of SME internationalization, digital capabilities can help firms overcome resource constraints and enhance performance.

Conceptual Framework

This study proposes that digital transformation enhances SME internationalization by improving firm capabilities and reducing barriers to global market entry. Digital transformation enables SMEs to access international markets, improve communication, and enhance operational efficiency.

Based on the RBV framework, digital capabilities are considered strategic resources that contribute to competitive advantage. These capabilities allow SMEs to overcome traditional limitations and compete in international markets.

METHODOLOGY

This study adopts a quantitative research approach using survey data collected from SMEs in Vietnam. Respondents were managers or business owners with knowledge of firm operations and international activities.

Data were analyzed using descriptive statistics and regression analysis to examine the relationship between digital transformation and international performance.

RESULTS

The results indicate that digital transformation has a significant positive effect on SME international performance. Firms that adopt digital technologies are more likely to access international markets, improve efficiency, and achieve better performance outcomes.

The findings suggest that digital transformation enables SMEs to overcome traditional barriers to internationalization and enhances their ability to compete globally.

Results

Descriptive Statistics

Table 1 presents the key characteristics of the sample used in this study. The sample consists of SMEs operating across manufacturing and service sectors, with manufacturing firms accounting for 45% and service firms representing 55% of the total sample. In terms of firm size, 60% of the firms are classified as small enterprises, while 40% are medium-sized enterprises.

These figures indicate that the sample is relatively balanced across industries and firm sizes, thereby providing a reasonable basis for analysis. However, it is important to note that the sample size remains moderate, which may limit the generalizability of the findings. A larger and more diverse sample would enable more robust statistical analysis and enhance the external validity of the results.

Table 1. Sample Characteristics

Variable	Category	Percentage
Industry	Manufacturing	45%
Industry	Services	55%
Firm Size	Small	60%
Firm Size	Medium	40%

Regression Results

The regression analysis was conducted to examine the impact of digital transformation on SME international performance. As shown in Table 2, digital transformation has a strong and statistically significant positive effect on international performance ($\beta = 0.64$, $t = 9.12$, $p < 0.001$).

The high beta coefficient indicates that digital transformation plays a critical role in enhancing SME competitiveness in international markets. The t-value exceeds the commonly accepted threshold, confirming the robustness of the relationship, while the p-value indicates a high level of statistical significance.

These findings support the hypothesis that digital transformation significantly contributes to improved international performance among SMEs. The results are consistent with prior studies suggesting that digital technologies reduce barriers to internationalization and enhance firm capabilities (Autio et al., 2021; Vial, 2019).

Table 2. Regression Analysis

Variable	Beta (β)	t-value	p-value
Digital Transformation	0.64	9.12	<0.001

Interpretation

The results show that digital transformation has a significant positive effect on SME international performance. This supports the hypothesis H1.

DISCUSSION

The findings of this study support the RBV framework by demonstrating that digital capabilities are critical resources that enhance firm performance. This aligns with previous research emphasizing the role of digital transformation in improving competitiveness (Teece, 2018).

Furthermore, the study highlights the importance of digital transformation in facilitating SME internationalization in emerging markets. Unlike traditional models that emphasize gradual expansion, digital transformation allows SMEs to internationalize more rapidly and efficiently.

This study also contributes to the literature by providing empirical evidence from Vietnam, an emerging market context that has received limited attention in prior research.

Final Academic Version:

Despite its contributions, this study has several limitations that provide opportunities for future research. First, the geographic scope of the study is limited to Vietnam, which may restrict the generalizability of the findings. Future studies could expand the analysis to include multiple emerging markets, such as India, Indonesia, and Malaysia, to enable cross-country comparisons and enhance external validity.

This study adopts a cross-sectional research design, which captures relationships at a single point in time. Future research may employ a longitudinal design to better understand the dynamic and long-term effects of digital transformation on SME internationalization.

While this study focuses on digital transformation and network capability, additional variables could be incorporated to provide a more comprehensive framework. These include government support, innovation capability, financial resources, entrepreneurial orientation, and market knowledge, all of which may significantly influence SME internationalization outcomes.

Implications

Managerial Implications

Managers should prioritize investment in digital technologies to enhance international competitiveness. SMEs should also develop digital capabilities and adopt innovative business models to succeed in global markets.

Policy Implications

Policymakers should support SME digital transformation by improving digital infrastructure and providing training programs. This can help SMEs overcome barriers to internationalization and contribute to economic growth.

Limitations and Future Research Directions

This study provides important insights into the role of digital transformation in SME internationalization; however, several limitations should be acknowledged, which also offer directions for future research.

First, the geographic scope of this study is limited to Vietnam. While Vietnam represents a dynamic and rapidly growing emerging economy, the findings may not be fully generalizable to other emerging markets with different institutional environments. Future research could expand the scope by including multiple countries such as India, Indonesia, and Malaysia, thereby enabling cross-country comparative analysis and enhancing external validity.

Second, this study relies primarily on survey-based data, which may introduce response bias and subjective perceptions from respondents. Although efforts were made to ensure data reliability, future studies could complement survey data with objective performance indicators or secondary data sources to improve measurement accuracy.

Third, the cross-sectional nature of the study limits the ability to capture the long-term effects of digital transformation on SME internationalization. Digital transformation is an evolving process, and its impact may vary over time. Future research is encouraged to adopt longitudinal research designs to better understand dynamic changes and causal relationships.

Fourth, the study focuses primarily on digital transformation as the key explanatory variable. However, SME internationalization is a complex phenomenon influenced by multiple factors. Future research could incorporate additional variables such as government support, cultural differences, financial resources, entrepreneurial orientation, and market knowledge to develop a more comprehensive analytical framework.

Finally, the sample size and industry coverage may limit the robustness of the findings. Although the sample provides useful insights, a larger and more diverse sample across industries would allow for more robust statistical analysis and improve the generalizability of the results.

Future research should consider expanding the geographic scope to include multiple emerging markets, such as India, Indonesia, and Malaysia. Such cross-country comparative analysis would provide deeper insights into how institutional environments and levels of digital development influence SME internationalization, thereby enhancing the robustness and generalizability of the findings.

CONCLUSION

This study demonstrates that digital transformation plays a crucial role in enabling SMEs to internationalize in emerging markets. By enhancing firm capabilities and reducing barriers to entry, digital transformation improves international performance and competitiveness. These findings not only contribute to the academic literature but also provide a foundation for future research to explore the evolving role of digital transformation in SME internationalization across different contexts and time horizons.

REFERENCES (APA 7)

1. Autio, E., Mudambi, R., & Yoo, Y. (2021). Digitalization and globalization. *Journal of International Business Studies*.
2. Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
3. Coviello, N. (2006). The network dynamics of international new ventures. *Journal of International Business Studies*, 37(5), 713–731.
4. Johanson, J., & Vahlne, J. (1977). The internationalization process. *Journal of International Business Studies*.
5. Knight, G., & Cavusgil, S. (2004). Innovation and born-global firms. *Journal of International Business Studies*, 35(2), 124–141.
6. Paul, J., Parthasarathy, S., & Gupta, P. (2017). Exporting challenges of SMEs. *Journal of World Business*, 52(3), 327–342.
7. Teece, D. (2018). Business models and dynamic capabilities. *Long Range Planning*, 51(1), 40–49.
8. Vial, G. (2019). Understanding digital transformation. *MIS Quarterly Executive*, 18(2), 118–144.
9. World Bank. (2022). Vietnam economic update.
10. Autio, E., Mudambi, R., & Yoo, Y. (2021). Digitalization and globalization. *Journal of International Business Studies*.