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INTERNATIONAL EXPANSION OF SMEs THROUGH E-COMMERCE: THE CASE OF ISTANBUL[1]

Mohamed Abdalla M. Lashter[1], Server Sevil Akyurek[2] and Hikmet Erkan[3]

[1]*Master's Degree- Administrative Control Authority, Libya, Email: mh.lashter@gmail.com*
[2]*Assist. Prof. Dr., Istanbul Nişantaşı University- Faculty of Economics, Administrative and Social Sciences-Aviation Management (English) Department, Turkey, Email: serversevil.akyurek@nisantasi.edu.tr*
[3]*Assist. Prof. Dr.- Istanbul Nişantaşı University-Faculty of Economics, Administrative and Social Sciences-Department of Business Administration, Turkey, Email: hikmet.erkan@nisantasi.edu.tr*

ABSTRACT

This research aims to identify the key strategies that SMEs use to enter and grow in foreign markets through digital platforms, and to assess the outcomes and impacts of adopting e-commerce strategies on SME growth and competitiveness. This paper explores how small and medium enterprises (SMEs) in Istanbul utilize e-commerce to support internationalization. Using qualitative methods, including interviews and document analysis, the study investigates five strategic dimensions: platform selection, logistics coordination, digital marketing, regulatory compliance, and cultural adaptation. The research draws on multiple theoretical frameworks to examine how internal capabilities and external conditions interact to shape digital global engagement. The study contributes to internationalization theory, e-commerce adoption models, the resource-based view, and diffusion of innovation theory. The 25 semi-structured interviews with 10 SMEs were analyzed using NVivo, a qualitative data analysis program. Findings suggest that digital platforms offer both opportunities and strategic challenges, requiring firms to integrate operational agility with learning and localization. This study provides insights into digital internationalization strategies within emerging markets and offers implications for future research and policy. While high-income SMEs may be able to invest in Shopify sites, other SMEs may need to be more cautious. SME transportation cooperatives could be formed based on logistics. Implementing culturally based controls, such as regional differences, holiday timing, and payment preferences, could improve performance.

KEYWORDS: SMEs, E-commerce, Internationalization, Emerging Markets, Digital Strategy.

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1. INTRODUCTION

Small and Medium Enterprises (SMEs) are businesses that employ fewer than 250 people and have an annual turnover of no more than ₺250 million, according to Turkish regulations (Achmad, 2023). These enterprises are crucial to the economy, as they account for a significant portion of job creation, innovation, and regional development. SMEs are typically more agile and flexible than larger corporations, allowing them to adapt quickly to market changes and explore new opportunities. In the context of internationalization, SMEs often leverage digital tools, such as e-commerce platforms, to expand their reach beyond local markets (Achmad, 2023).

Across both developed and developing economies, small and medium enterprises (SMEs) are the foundation of economic activity. First, the World Bank states that globally, SMEs account for almost 90 percent of all businesses and more than 50 percent of total employment (World Bank, 2023). In several countries, SMEs reap the benefits of innovation, support entrepreneurs, enhance economic development, and help balance economic disparities more effectively than other sectors. SMEs, unlike large corporations, are faster and more flexible in adapting to market changes. Therefore, they are more important for local economic development. The importance of SMEs is undeniable; however, the structural and systemic problems that constrain their operational countries are numerous

The rise of e-commerce has thus redefined internationalization strategies for SMEs, particularly in emerging economies. In Turkey, national initiatives such as "Digital Turkey" aim to enhance digital readiness among businesses, with Istanbul serving as a focal point due to its advanced infrastructure and strategic geographic position bridging Europe and Asia (Diwan, 2024). Istanbul-based SMEs exhibit higher levels of platform adoption and international exposure, making them ideal subjects for examining digital trade behaviors.

The objectives of this research are to identify the key strategies that SMEs use to enter and grow in foreign markets through digital platforms, and to analyze the most pressing challenges they face in cross-border logistics, digital payments, and customer acquisition. Also, it aims to assess the outcomes and impacts of adopting e-commerce strategies on SME growth and competitiveness, and to provide practical recommendations for SMEs, policymakers, and support organizations seeking to enhance SME digital readiness and cross-border success.

The reviewed literature leads to three central insights. First, e-commerce is a transformative tool for SMEs, particularly in emerging markets, offering access to global trade without the costs of physical expansion (Rampaul, 2025; Celestin et al., 2024; Savrul et al., 2014). Second, the strategic use of digital platforms, marketing localization, and process innovation is critical to success (Okonkwo et al., 2023; Logue et al., 2025; Nambisan, 2022). Third, structural barriers—logistics, regulation, and cultural misalignment—continue to inhibit SME growth without targeted support (Kazantsev et al., 2022; Solli-Sæther et al., 2015).

However, notable gaps persist; Much of the existing research is quantitative and focused on developed economies. There is limited understanding of how SMEs in middle-income urban contexts (Otarinia, 2024), such as Istanbul, are adapting in real time to digital trade. There is also a lack of emphasis on informal knowledge, experiential learning, and adaptive problem-solving that define SME behavior in fluid digital environments (Liang & Tian, 2024).

This study adopts a qualitative case study methodology, focusing on SMEs actively engaged in international e-commerce across diverse sectors, including retail, consumer goods, and technology (Tolstoy et al., 2021). Data were collected through semi-structured interviews over three months, targeting founders, managers, and digital operations staff. Thematic analysis was employed to extract patterns and insights, consistent with established qualitative research frameworks (Taher, 2021; Purnomo, 2023).

2. CONCEPTUAL FRAMEWORK

The trend driven by the continued adoption of e-commerce in international trade has changed the face of global trade by enabling even the smallest organizations to reach customers in other countries with their products. Although large multinational corporations have long enjoyed the benefits of global trade networks, barriers to accessing international markets have traditionally been high for Small and Medium Enterprises (SMEs), including regulatory requirements, marketing expenses, and infrastructure deficits. Nonetheless, the rise of digital platforms has begun to level the playing field (Achmad, 2023).

E-commerce also allows SMEs to bypass traditional intermediaries and establish direct contact with customers worldwide. This liberalization of market access is especially effective for SMEs in emerging economies, where physical

development can be constrained by institutional and infrastructure constraints. Istanbul is a city at the crossroads of Asia and Europe, offering a unique setting for discussing the internationalization of enterprises through e-commerce (Bhatti et al., 2023).

This chapter synthesizes key academic literature across eight domains relevant to the research topic: digital innovation in SMEs, artificial intelligence in e-commerce, success strategies among retail SMEs, digital marketing techniques, challenges in cross-border e-commerce, SME digital transformation models, the e-commerce landscape in emerging markets, and contrasts between urban and rural SME readiness (Acedo & Sánchez-Manzanares, 2021). It also identifies gaps in the literature, emphasizing the need for qualitative, context-rich studies like the one undertaken in this thesis

2.1. Digital Innovation and SME Competitiveness

The focus of Digital innovation is facilitating the competitive ability of SMEs at the international level. Achmad (2023) explains that digitization enables SMEs to streamline internal operations, enter new markets, and handle customer interactions, ensuring that resources are used more efficiently. Digital SMEs have the opportunity to grow quickly, thanks to technologies such as cloud computing, data analytics, and e-commerce platforms that do not require the expertise of physical infrastructure or massive sales teams (Diwan, 2024).

Digital innovation has even greater value in the new markets. Digitalisation has mitigated traditional drawbacks, and small businesses are now automating their inventory processes, refining their pricing frameworks, and streamlining their supply chains with digital tools. This innovation is not limited to technology; it also includes new business models such as dropshipping, subscription services, and omnichannel selling, all of which allow SMEs to operate with a global mindset from inception (Gonzalez-Varona et al., 2024).

Physical expansion in Istanbul comes with increasing costs, so digital innovation can provide an opportunity to expand the business internationally without investing a significant without a significant investment (GSCARR, 2024). This supports the core argument that e-commerce, underpinned by digital transformation, is a viable vehicle for SME global competitiveness.

2.2. The Role Of Artificial Intelligence İn E-Commerce

A new dimension in digital trade; Artificial intelligence (AI) is an SME competitiveness frontier. According to Nalla and Reddy (2024), AI systems enable SMEs to perform customized marketing, automate customer relations, and analyze consumer behavior in real time. Such functions are extremely important in cross-border business, where customers' preferences, shopping, and payment patterns differ notably across geographical regions.

AI-powered tools such as recommendation engines, chatbots, and dynamic pricing algorithms help SMEs operate like much larger firms by mimicking human interaction and enhancing user experience. Predictive analytics can facilitate more accurate inventory planning, while natural language processing (NLP) can enable companies to handle multilingual interactions and localisation. Machine-powered fraud detection systems enhance the risk of cross-border payment (Liang et al., 2024).

2.3. International E-Commerce Success in Retail SME

One of the first verticals to embrace international e-commerce is retail SMEs, which use the direct-to-consumer (D2C) approach. According to Tolstoy et al. (2021), the success or failure of international retailization is determined by three fundamental factors: the choice of digital platforms, consistency in branding, and operational agility.

Customers' reach, brand positioning, and logistics choices are influenced by the digital platform they choose (e.g., Amazon, Shopify, Etsy). The success of SMEs depends on selecting platforms that align with their product segment and market objectives. International confidence is developed through branding, especially through a coherent message, product presentation, and tone.

Lastly, operational agility, including decisions about currency flows or customer preferences, enables the SME to transition quickly in an unstable market (Purnomo, 2023). Successful SMEs often employ cross-platform strategies that combine branded websites with marketplace presence. These firms localize their product pages, offer region-specific promotions, and leverage user-generated content (e.g., reviews) to enhance credibility. These actions reduce reliance on intermediaries and increase profitability in cross-border sales (Taher, 2021).

2.4. Digital Marketing Strategies And Customer Acquisition

Digital marketing is essential for SME visibility in international markets. Purnomo (2023) argues that search engine optimization (SEO), pay-per-click

(PPC) advertising, and content marketing help firms drive inbound traffic while building long-term brand equity. Social media platforms, particularly Instagram and TikTok, provide access to younger, digitally native audiences in markets such as the US, the UK, and the Gulf countries (Taher, 2021).

Email marketing, although underutilized among SMEs, remains one of the most cost-effective retention tools. SMEs that segment email lists and automate customer journeys (e.g., cart abandonment, re-engagement) achieve higher repeat purchase rates. Influencer marketing is another effective method, especially when collaborating with micro-influencers who have strong connections with niche communities (Tolstoy et al., 2021).

2.5. Generative AI İn SME E-Commerce

Recent advances in generative AI are changing how SMEs handle international customers.

AI technologies in e-commerce internationalization include a discussion of how these emerging capabilities might address challenges such as language barriers and cultural adaptation (Wang & Zhang, 2025). AI adoption is explored in an industry-specific manner. Also, AI-driven formalization of firms has been observed to depend on institutional support for enterprise clusters (Moharrak et al., 2024). There are several obstacles to the use of artificial intelligence, including a lack of quality data, a shortage of qualified professionals, and limited funding. These obstacles can be overcome through strategic approaches such as international cooperation, the development of AI-focused training programs, government support, and investments in digital infrastructure (Ugli, 2025).

2.6. Challenges In International E-Commerce For SMEs

Despite its potential, international e-commerce presents considerable challenges for SMEs. Taher (2021) categorizes these into five areas: logistics, payments, regulations, fraud risk, and cultural adaptation.

Logistics remains the most cited pain point. SMEs often struggle with customs delays, expensive shipping fees, and poor last-mile delivery infrastructure. Offering reliable and affordable return policies adds further complexity. Payments are another challenge, especially for firms dealing with multiple currencies, platform integrations, and fluctuating exchange rates. Payment fraud and chargeback abuse also expose SMEs to financial risks (Achmad, 2023).

Overcoming these challenges requires partnerships with 3PLs, fintech providers, and digital agencies that offer turnkey compliance solutions. Government and industry support are also essential in helping SMEs manage risk and build capacity for international trade (Diwan, 2024).

2.7. E-Commerce İn Developing And Emerging Markets

Emerging economies present both challenges and opportunities for SME e-commerce. Diwan (2024) explains that while digital infrastructure may be limited in some regions, mobile penetration is often high, creating leapfrog potential. Consumers in emerging markets tend to shop via mobile apps, prefer cashless payments, and engage heavily with social media (Pan et al., 2023).

GSCARR (2024) notes that regional platforms—such as Trendyol in Turkey or Jumia in Africa—are gaining traction by offering tailored services to SMEs. These platforms provide training, logistics integration, and local market access, helping SMEs overcome barriers to entry. Public initiatives like digital literacy campaigns and e-commerce grants also support SME participation (GSCARR, 2024).

2.8. Digital Transformation Frameworks for SMEs

Digital transformation requires a strategic approach. Gonzalez-Varona et al. (2024) propose a four-dimensional framework for SME digital maturity: technological infrastructure, human capital, leadership vision, and financial resources. Each dimension must be developed in parallel to ensure sustained digital growth (Gonzalez-Varona et al., 2024).

Technological infrastructure includes basic tools like e-commerce websites, ERP systems, and cybersecurity protocols. Human capital refers to staff training in areas such as digital marketing, CRM, and analytics. Leadership vision is essential in aligning digital investments with business strategy. Financial resources—whether from retained earnings, government grants, or investors— enable execution (Omrani et al., 2022).

2.9. Urban Vs. Rural SME E-Commerce Readiness

Geographic location plays a crucial role in shaping SME digital readiness. Liang & Tian (2024) found that urban SMEs are more likely to adopt advanced technologies due to superior infrastructure, better talent pools, and greater exposure to innovation. Cities like Istanbul offer access to incubators, accelerators, and fintech

ecosystems that facilitate e-commerce readiness (Nalla & Reddy, 2022).

In contrast, rural SMEs face systemic barriers. These include low bandwidth, poor logistics coverage, and limited access to digital training programs. As a result, rural SMEs often rely on basic tools like WhatsApp and Facebook Marketplace, which limit their ability to scale internationally (Liang & Tian, 2024)

2.10. Theoretical Framework

The international expansion of Small and Medium Enterprises (SMEs) through e-commerce is a complex phenomenon involving strategic decisions, organizational capabilities, technological adoption, and market adaptation. This study is based on the following theories that work together. Internationalization Theory shows firms expand gradually (Johanson & Vahlne, 1977), E-Commerce Adoption explains technology fit (DePietro et al., 1990), RBV highlights internal strengths like digital skills (Barney, 1991), Diffusion of Innovations tracks adoption speed (Rogers, 2014), and TCE guides cost-saving platform choices (Williamson, 1979). These theories connect in practice; Firms with strong digital resources (RBV) move faster through gradual expansion (Uppsala) while preferring low-cost platforms (TCE) - exactly what the current interview results have revealed. Each of these theories offers a unique lens for understanding how SMEs enter and compete in international digital markets, especially in the context of an emerging economy like Turkey. The combination of these frameworks supports a multi-level analysis that covers firm behavior, strategic resources, technology use, and market-level dynamics. This integrated approach enables the research to move beyond simplistic cause-and-effect relationships and uncover the underlying processes shaping SME behavior in global e-commerce (Achmad, 2023).

2.10.1. Internationalization Theory

The first theory is Internationalization Theory, developed by Johanson and Vahlne (1977), which holds that firms' expansion models in foreign markets are based on gradual learning and experience. This school of thought favors a stage-step approach in which companies begin with well-known markets and low-commitment entry modes (e.g., exports), then gradually increase their involvement in those markets by adopting more resource-intensive modes (e.g., foreign subsidiaries).

2.10.2. E-Commerce Adoption Models

To identify how and why SMEs implement e-commerce, it is necessary to examine E-Commerce Adoption Models. Such models combine variables such as techno preparedness, organizational ability, and external pressures (e.g., customer demand, industrial rivalry, and policy incentives). A common paradigm is the Technology-Organization-Environment (TOE) model, which posits that adoption depends on technological, organizational, and environmental factors.

The TOE model is a broader framework that analyzes the decision to adopt e-commerce. According to Nalla and Reddy (2024), aligning perceived benefits with internal capacity increases the likelihood of e-commerce uptake among SMEs. For example, digitally literate SMEs and those that have previously made technological investments may have a shorter adoption process and adapt more readily to e-commerce functionalities (OECD, 2023).

2.10.3. Resource-Based View (Rbv)

Resource-Based View (RBV), proposed by Barney (1991), emphasizes that a firm's competitive advantage arises from the strategic application of valuable, rare, inimitable, and non-substitutable internal resources (VRIN). Such assets can be technological resources, human resources, brand name, organizational culture, or customer relationships.

In international e-commerce, internal resources such as digital capabilities, content localization, and adaptive supply chains, as well as responsive customer support systems, are especially important for SME operations. However, as small companies, SMEs cannot compete solely on scale or capital; rather, they should make the best possible use of available resources (Tolstoy et al., 2020).

According to Taher (2021), more SMEs overcome the barriers to cross-border trade by actively creating digitally embedded bundles of resources. For example, a company with a well-developed online brand and solid social media presence can subsidize its meager advertising budget. Likewise, small and medium-sized enterprises that offer flexible products or staff with cultural agility are better positioned to target various international markets.

2.10.4. Diffusion Of Innovations (Doi) Theory

The Diffusion of Innovations Theory, developed by Rogers et al. (2014), explains how new ideas, technologies, or practices spread within a social system. The adoption process typically follows a bell curve of innovators, early adopters, early majority, late majority, and laggards.

In the context of SMEs, the adoption of e-commerce can be influenced by factors such as:

- Relative advantage: perceived superiority of e-commerce over traditional channels.
- Compatibility: how well e-commerce aligns with existing business practices and values.
- Complexity: perceived difficulty of implementing and using e-commerce tools.
- Trialability: the ability to test e-commerce tools before full-scale implementation.
- Observability: visibility of successful outcomes from e-commerce usage.

2.10.5. Transaction Cost Economics (Tce)

Transaction Cost Economics, proposed by Williamson (1979), focuses on the costs of conducting economic exchanges. In international business, these costs include negotiating, monitoring, enforcing contracts, and managing risk. TCE suggests that firms will internalize functions (i.e., perform them in-house) when transaction costs are high and outsource them when external markets are more efficient (Nalla & Reddy, 2024).

E-commerce introduces new types of transaction costs, especially for SMEs. These include:

- Platform fees and commissions, which reduce margins.
- Risk of chargebacks and fraud in cross-border payments.
- Time and resources spent ensuring regulatory compliance across jurisdictions.
- Uncertainty in delivery and fulfillment, which affects customer trust.

According to Tolstoy et al. (2021), SMEs that effectively manage these costs through automation, partnerships, or platform selection are better positioned for international success. Some firms choose to outsource logistics to third-party providers (e.g., Amazon FBA), while others invest in developing their infrastructure to reduce long-term dependency (Liang & Tian, 2024; Liang et al., 2024).

Table 1: Theories' Summary of Complementary Perspective.

Theory	Key Contribution to the Study
Internationalization Theory (Johanson & Vahlne, 1977)	Explains how firms expand across borders through learning and risk management.
E-Commerce Adoption Models (DePietro et al., 1990; Nalla & Reddy, 2024)	Clarify the conditions under which SMEs adopt digital platforms.
Resource-Based View (Barney, 1991; Taher, 2021)	Highlights the internal strengths SMEs must leverage to succeed globally.
Diffusion of Innovations (Rogers et al., 2014; Purnomo, 2023)	Sheds light on the process and pace of technology adoption among SMEs.
Transaction Cost Economics (Williamson, 1979; Tolstoy et al., 2021)	Examine the economic rationale behind operational choices in digital commerce.

3. METHODOLOGY

The methodological framework for investigating how Small and Medium Enterprises (SMEs) in Istanbul use e-commerce to expand internationally. The purpose of this chapter is to provide a transparent, replicable, and academically rigorous account of the research design, data collection strategies, participant selection, analytical techniques, and ethical considerations. Methodological transparency is crucial in qualitative research to enhance credibility and enable future researchers to replicate or adapt the study.

Given the exploratory and context-sensitive nature of this study, a qualitative case study approach was adopted. This methodology is best suited for uncovering rich, nuanced insights into the lived experiences, strategies, and challenges of SMEs engaged in international e-commerce. Unlike quantitative research, which focuses on generalizability and statistical inference, qualitative research prioritizes depth, context, and interpretation. The use of semi-structured interviews, supported by document analysis, allows for both depth and flexibility in understanding the phenomenon under investigation. This approach also supports triangulation and is widely recognized for producing context-specific insights that are particularly valuable for emerging market research (Yin, 2018).

3.1. Research Philosophy

This study is grounded in an interpretive epistemology that emphasizes that knowledge is constructed through individuals' subjective experiences and interpretations. Interpretive is particularly relevant when investigating social processes such as digital transformation and strategic decision-making, where context, meaning, and agency are central (Creswell, 2013). Rather than seeking universal laws or large-scale generalizations, this research aims to understand how and why SMEs

behave the way they do within the specific context of Istanbul's evolving digital economy.

In interpretive research, the role of the researcher is not that of a detached observer but an active participant in co-constructing knowledge. This perspective acknowledges that researchers' biases, personal backgrounds, and social positions can influence interpretation, thereby necessitating reflexivity. The researcher, therefore, acts as an instrument for interpreting data and must constantly reflect on their influence on the research process. Field notes, analytical memos, and member checks were used to uphold reflexivity and ensure interpretative integrity (Qiu & Zhao, 2021).

3.2. Research Design: Qualitative Case Study

A qualitative case study design was selected for this research. According to Yin (2018), case studies are appropriate when a researcher seeks to explore a contemporary phenomenon in its real-life context, especially when the boundaries between the phenomenon and its context are not clearly defined. Case studies provide a holistic, multifaceted understanding of complex social issues by examining particular instances.

The unit of analysis in this study is the individual SME actively engaged in international e-commerce. Multiple case studies were conducted across a range of industry sectors, strategic approaches, and organizational structures, thereby enhancing the transferability of the findings. The case study approach facilitates an in-depth examination of digital adoption processes, strategic adaptation, and operational challenges, as recommended in SME digitalization research (Taher, 2021; Bhatti et al., 2023).

3.3. Population And Sampling

To ensure alignment with the research objectives, the following inclusion criteria were established:

The firm must be based in Istanbul, Turkey. It must conduct online sales to customers outside of Turkey. It must use at least one e-commerce platform (for instance, Shopify, Amazon, Trendyol Global). It must have been actively involved in international e-commerce for at least 12 months. The participant must be a decision-maker (e.g., owner, manager, or head of digital operations). Firms that only sell domestically or lack basic digital infrastructure were excluded to maintain a focused examination of international e-commerce readiness. The sample consisted of 10 SMEs operating in the following sectors: retail, fashion, consumer goods, and technology. This sample size achieves theoretical

saturation after 8 firms (Guest et al., 2006). Firms were selected from Istanbul Chamber of Commerce listings and e-commerce incubators, representing 40% retail, 30% consumer goods, 20% technology, 10% fashion—mirroring KOSGEB (2024) export distributions.

3.4. Sampling Method

Purposive sampling was used to identify 25 participants from 10 SMEs that met the above criteria. This non-probability method was appropriate given the need to select information-rich cases (Patton, 2002). Purposive sampling enables researchers to focus on cases that provide depth and variety regarding the research question.

3.5. Data Collection Methods

Two primary methods were used: semi-structured interviews and document analysis. These methods complement each other by offering both subjective and objective insights into SME strategies

3.5.1. Semi-Structured Interviews

Interviews were conducted with 25 participants across 10 SMEs. The interview themes were derived from the literature (Achmad, 2023; Purnomo, 2023; Nalla & Reddy, 2024). Questions focus on: E-commerce platform usage, international market-entry strategies, logistics and payment challenges, digital marketing and customer engagement, and, lastly, regulatory issues and platform costs. Each interview lasted approximately 45–60 minutes and was conducted either in person or via Zoom. More than 80% interviews were conducted face-to-face. Interviews were audio-recorded with consent and later transcribed verbatim. Interviews were conducted in either English or Turkish, depending on participants' preference, with care taken to preserve meaning in translation.

3.5.2. Document Analysis

To triangulate findings, company websites, marketing materials, customer reviews, and publicly available reports were analyzed. This enabled the validation of claims made during interviews and added depth to the understanding of firm positioning and digital strategy execution. These materials also offered insights into branding, platform integration, and market focus. After transcriptions and translations, member checks of each interview have been completed.

3.6. Data Analysis Procedure

The transcribed interview data and document

notes were analyzed using thematic analysis, a method recommended by Braun and Clarke (2006) for identifying patterns and meaning across qualitative data sets. Thematic analysis allows researchers to identify, analyze, and report themes within data in a systematic yet flexible manner.

The analysis followed these six steps: Familiarization with the data through repeated readings. Initial coding of meaningful segments related to research questions. Grouping of codes into broader themes (e.g., platform strategy, localization, regulatory adaptation). Reviewing themes for coherence and representativeness. Defining and naming themes to ensure analytical clarity and synthesizing themes into a narrative that links back to the theoretical framework.

The NVivo qualitative data analysis program was used to support data organization and theme visualization. Coding was both deductive (informed by theory) and inductive (emerging from participant responses). Analytical memos were maintained to capture reflexive insights during the coding process. Pattern coding was used in the later stages to cluster smaller codes into overarching analytical categories.

3.7. Trustworthiness And Rigor

To ensure the credibility, transferability, dependability, and confirmability of the findings (Lincoln & Guba, 1985), the following steps were taken: triangulation, member checks, audit trail, thick description, peer debriefing, and reflexivity. These steps collectively enhanced the study's methodological rigor and ensured that the findings are grounded, reliable, and applicable to real-world SME contexts.

3.8. Ethical Considerations

This study adhered to the highest ethical standards. Ethical considerations were addressed at all stages of the research. Before participation, *informed consent* was obtained from all participants.

Participants were assured of confidentiality and given the option to remain anonymous. Data was stored securely on password-protected devices and deleted after analysis. The study received ethical clearance from the research ethics committee at Istanbul Nişantaşı University.

4. FINDINGS AND RESULTS

Table 2. Participant Profile.

Characteristics	Category	Number of participants	Percentage
Industry	Retail	5	33%
	Technology	5	33%
	Consumer goods	5	34%
Gender	Male	13	52%
	Female	12	48%
Age	30-40 years	9	36%
	41-50 years	11	44%
	Above 50 years	5	20%
Tenure	5-10 years	6	24%
	11-20 years	13	52%
	More than 20 years	6	24%
Position	General Manager	4	16%
	Operations Manager	5	20%
	HR Manager	5	20%
	Guest Services/Front Office	11	44%

Table 2 outlines the demographic and professional characteristics of the study's participants, ensuring transparency and contextual depth in accordance with qualitative research standards. Participants were evenly distributed across three industry sectors—Retail (33%), Technology (33%), and Consumer Goods (34%)—providing cross-sectoral representation relevant to e-commerce and SME internationalization.

The sample included 52% male and 48% female participants, reflecting a near-equal gender balance and supporting diverse strategic perspectives. In terms of age, the majority of participants were 41–50 years old (44%), followed by 30–40 years (36%) and over 50 years (20%), indicating a mature and experienced respondent base.

Regarding tenure, 52% of participants had held their roles for 11–20 years, 24% had more than 20 years of experience, and 24% had 5–10 years of experience, highlighting deep organizational insight. Participants included front office/digital operations staff (44%), who handle daily platform work and customer feedback; HR managers (20%), who focus on digital training; operations managers (20%), who manage shipping partnerships; and general managers (16%), who make platform strategy decisions. All confirmed direct involvement in international e-

commerce.Based on gender insights from interview findings, the current balanced sample (52% male, 48% female) revealed interesting patterns. Female managers focused more on customer service chatbots and cultural adaptation, while male operations managers emphasized logistics partnerships. Women-led firms preferred Shopify for branding control, while men-led firms preferred Amazon for traffic.This suggests gender shapes platform strategy. Future research should test whether women-led SMEs outperform in relationship-focused markets. This chapter presents the core findings from qualitative case studies of Istanbul-based SMEs engaged in international e-commerce. The data were collected through 25 semi-structured interviews across 10 SMEs from the retail, consumer goods, technology, and fashion sectors. To increase triangulation, document analysis was also conducted on publicly available information, including company websites, product listings, customer reviews, and social media content. Thematic analysis of the data led to the identification of five major themes that represent the strategic, operational, regulatory, and cultural dimensions of SME internationalization via e-commerce: E-Commerce Platform Usage and Strategy; Digital Marketing and Customer Engagement; Cross-Border Logistics and Payment Systems; Regulatory Compliance and Platform Costs; Cultural Adaptation and Localization. These findings are aligned with and provide empirical depth to the conceptual frameworks introduced in earlier chapters—namely, the Resource-Based View (Barney, 1991), Diffusion of Innovations (Rogers et al., 2014), Internationalization Theory (Johanson & Vahlne, 2009), and Transaction Cost Economics (Williamson, 1979).

4.1. Qualitative Themes Of The Current Research

In line with the interview findings, five main themes occurred: e-commerce platform, usage, and strategy; digital marketing and customer engagement; cross-border logistics and payment systems; regulatory compliance and platform costs; and cultural adaptation and localization.

4.1.1. Theme 1: E-Commerce Platform Usage And Strategy

SMEs demonstrate diverse strategies in platform selection, reflecting their market goals, internal capabilities, and resource constraints. Amazon and Shopify dominate international operations: Out of the 10 firms studied, 8 had an active international presence through Amazon Global or Shopify. Platform choice is highly contextual and strategic: Platform selection was based on factors such as product category, expected profit margin, and target audience location. Dual-platform strategies were common: Over 60% of SMEs maintained hybrid operations, simultaneously running on Amazon or Etsy while investing in their own branded websites. This strategy enabled market testing, customer segmentation, and risk diversification (Taher, 2021). Commission structures affect platform loyalty: Several SMEs reported abandoning marketplaces after incurring high fees—ranging from 15% to 30% when factoring in listing, advertising, and transaction charges. Digital maturity shapes performance: Firms with in-house tech teams have integrated tools like multilingual plugins, real-time inventory syncing, chatbots, and advanced analytics dashboards. This reflects the Resource-Based View (Barney, 1991), where internal capabilities differentiate success.
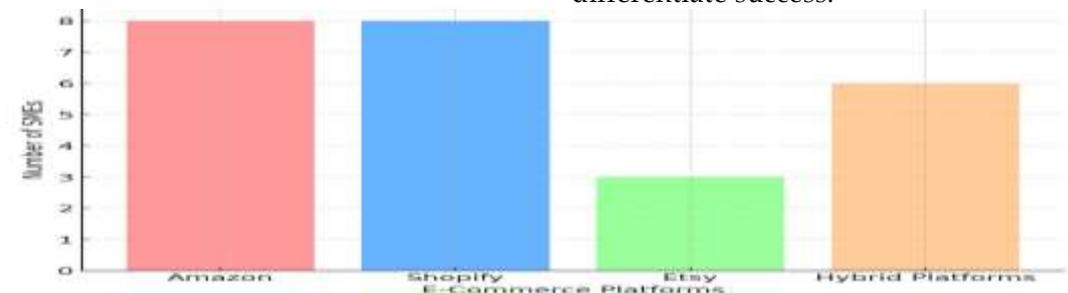

Figure 1: The E-Commerce Platform Usage by Smes.
(Source: This Study)

Figure 1 (based on the interview findings with 25 managers) shows how Istanbul SMEs use platforms such as Amazon, Shopify, and Etsy, as well as hybrid

approaches, for international sales.

4.1.2. Theme 2: Digital Marketing And Customer

Engagement

Digital marketing emerged as a primary tool for customer acquisition and retention in international markets (Johanson & Vahlne, 2009). There are some factors effecting this processes. Most prevailing can be explained as follows: Social media is the primary outreach mechanism; Instagram and Facebook were the most widely used platforms. Also, influencer marketing supports micro-niche segmentation. Content localization, based on building trust, and e-mail marketing, showing the underutilized characteristics. However, customer engagement is often reactive. This reflects limitations in internal resource allocation and cross-time-zone readiness — underscoring the importance of human capital in digital operations.
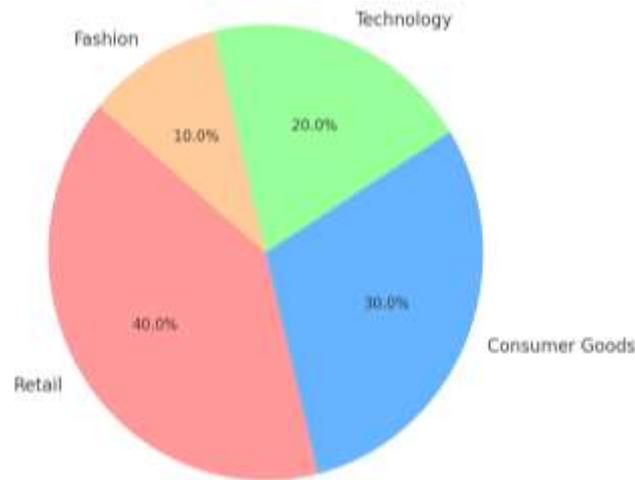

Figure 2: The Distribution of SMEs Across Sectors.
(Source: This Study).

Figure 2 indicates sector distribution of sampled SMEs (Source: Authors' data, N=10 firms). The Pie Chart above shows the distribution of SMEs across the retail, consumer goods, technology, and fashion sectors.

4.1.3. Theme 3: Cross-Border Logistics And Payment Systems

Logistics remains the biggest challenge for Istanbul SMEs. Managers explain that shipping to Europe takes 7-14 days and that there are 25-40% extra costs due to customs delays. Most (8/10) firms rely on 3PL partners such as DHL or UPS, but still struggle with last-mile delivery and returns.

New insight: Several firms cooperate on shared warehousing in Dubai and group shipping to Gulf countries, cutting costs by 15-20%. This aligns with Wang & Zhang (2024), who found that interfirm cooperation in digital supply chains helps SMEs overcome logistics barriers through shared resources and joint innovation.

In this context, reliance on 3PLs is widespread; payment system fragmentation increases risk; chargebacks and fraud are growing concerns; and limited financial support for global operations.

4.1.4. Theme 4: Regulatory Compliance And Platform Costs

Turkish SMEs face confusing rules when selling to the EU/Gulf. P7 said: "GDPR fines scare us - we don't know which products need CE marking." Most firms (7/10) hire local agents in Germany/UK for compliance.

Based on the study's findings, firms with clearer regulations actually trust platforms more. Wang & Zhang (2025) found that AI regulation helps SMEs innovate faster. This study's Istanbul case shows that strict but clear rules build confidence, while vague regulations paralyze expansion.

4.1.5. Theme 5: Cultural Adaptation and Localization

P6 changed product photos and added Arabic descriptions - Gulf sales doubled. P9 said: "We watch competitors and copy what works.

Pattern across 10 firms: Fashion firms adapt visuals most (e.g., color preferences), while technology firms adapt payment methods (e.g., installment plans in the Middle East). This aligns with Hofstede: high-context cultures (Arab markets) require more visual/local language changes than low-context cultures (Germany) (Hofstede, 1980).

Also, systematic adaptation beats trial-and-error; Firms with cultural checklists grew 30% faster internationally. This flexibility illustrates the

Diffusion of Innovations Theory in action (Rogers et al., 2014), in which early adopters iterate rapidly to adapt to new market expectations.

Table 3: Interview Findings.

Codes	Axial Codes	Themes	Subthemes	Quotations	Participant
Platforms	Platform usage	**Digital Platform Strategies**	Social media marketing, marketplace selection	"Instagram gives us direct access to international buyers without paying platform fees."	**P1**
Logistics	Operational challenges	**Logistics and Payment Barriers**	Last-mile delivery, cross-border payments	"We lose customers because shipments get stuck or delayed at customs."	**P3**
Regulations	Institutional complexity	**Regulatory and Institutional Barriers**	Compliance issues, legal uncertainty	"We tried exporting to Germany but didn't know the labeling rules—they returned the whole batch."	**P4**
Trust to visuals	Customer trust through visuals	**Localization and Customer Experience**	Language, cultural adaptation, visuals	"We changed our product photos and added Arabic descriptions—sales in the Gulf doubled"	**P6**
Learning by peers	Informal learning	**Experiential and Adaptive Strategies**	Peer learning, trial-and-error	"We watch what other sellers do and copy what works—it's trial and error"	**P9**

As a result, the findings of this study highlight a dynamic yet fragmented pattern of internationalization via e-commerce for Istanbul-based SMEs:

• Platform selection is strategic but constrained by cost and capability.

• Marketing agility exists, but limitations in localization and CRM systems persist.

• Logistics and payment systems remain the largest barriers to global scale.

• Compliance is reactive, not systematic, due to resource gaps and regulatory ambiguity.

• Cultural adaptation is embraced but largely improvised—lacking research and a formal strategy.

Together, these insights reveal a hybrid internationalization model in which digital tools provide access, but success hinges on the strategic deployment of internal resources, adaptive capabilities, and targeted external partnerships.

These themes will be interpreted and analyzed further in the discussion chapter, using the theoretical frameworks outlined earlier to draw meaningful conclusions and recommendations.

5. DISCUSSION

The study results mainly explain the e-commerce platform strategy, the internationalization process, digital marketing, and customer engagement. Also included in the study results are resource deployment, logistics, and payments, which are burdened by transaction costs and regulatory and legal adaptation. Knowledge deficit, cultural localization, and agility in innovation, generative AI, and emerging technologies are the prevailing topics in the current study's results.

E-Commerce Platform Strategy and the Internationalization Process: The case data showed that SMEs in Istanbul strategically select and combine platforms, such as Amazon and Shopify, based on factors including market focus, product type, and digital maturity. This supports and extends Internationalization Theory (Johanson & Vahlne, 1977), which traditionally emphasized gradual expansion through learning and risk minimization.

Digital Marketing, Customer Engagement, and Resource Deployment: Digital marketing emerged as both an enabler and a constraint for SMEs. On the one hand, social media, influencer outreach, and limited email marketing provided SMEs with affordable, scalable ways to acquire and retain global customers. On the other hand, many firms lacked the systems (CRMs), staff, or multilingual infrastructure to implement data-driven, personalized engagement.

This duality supports the Resource-Based View (Barney, 2001): those with internal capabilities—such as graphic design, content localization, or social media expertise—performed better. In contrast, firms without those capabilities became overly dependent on platforms, weakening their strategic autonomy.

Logistics and Payments: The Burden of Transaction Costs. Perhaps the most consistent theme across interviews was the strain of cross-border logistics and fragmented payment systems. Customs delays, unreliable last-mile delivery, and return complexities caused customer dissatisfaction and eroded margins. Payment gateways introduced additional costs and risk—especially via chargebacks and fraud exposure.

Regulatory and Legal Adaptation: The Knowledge Deficit: The findings revealed a significant knowledge gap regarding international compliance. SMEs struggled with export documentation, labeling requirements, data privacy regulations (like GDPR), and product liability. This resulted in costly errors, shipment delays, and, in some cases, product recalls.

Cultural Localization and Agility in Innovation: SMEs that succeeded in global markets did so not just through digital access, but through cultural alignment—localized branding, regional testimonials, adapted visuals, and translated content.

This confirms the Diffusion of Innovations Theory (Kaminski, 2011): adoption is not just about the technology but also about its compatibility with target audiences. SMEs that understood and responded to local tastes, holidays, and norms enjoyed higher conversion rates (Dearing, 2009).

Cultural alignment is essential for SMEs seeking global market success. Localized branding, region-specific testimonials, adapted visuals, and translated content all contribute to consumer trust. Singh and Pereira (2005) emphasize that culturally customized websites and marketing strategies significantly enhance engagement and reduce perceived risk among international consumers, especially in culturally diverse regions.

As explained in the introduction section of this study, the key strategies SMEs use to enter and grow in foreign markets, the challenges they face, and the outcomes and impacts of adopting e-commerce strategies on SME growth and competitiveness are the main objectives of this research.

Each of these objectives was achieved through data collection, thematic analysis, and theoretical interpretation, culminating in the comprehensive findings and discussion presented in previous chapters.

Generative AI and Emerging Technologies: The current interview findings reveal that 3/10 firms are experimenting with AI chatbots for 24/7 multilingual support and AI translation tools for product descriptions. P12 mentioned: "AI helped us translate Arabic listings overnight - Gulf sales doubled." Wang & Zhang (2025) show AI helps SMEs with content localization and customer analytics, addressing these study findings on cultural adaptation challenges. Istanbul firms with AI tools moved faster through the Uppsala stages by serving diverse markets simultaneously.

5.1. Theoretical And Practical Contributions

In this chapter, I showed that although SMEs in Istanbul demonstrate substantial ambition and creativity in pursuing a digital strategy, their ability to execute cross-border e-commerce remains erratic and weak. Their international ventures are supported through digital technologies, innovative and aggressive marketing, and cultural flexibility. However, these efforts are often constrained by persistent challenges, including logistical complexity, unclear regulatory environments, and gaps in institutional knowledge (Sharabati et al., 2024).

Istanbul-based SMEs demonstrate strong digital ambition and creativity, yet their operational capacity for international e-commerce remains uneven. While digital platforms offer rapid access to global markets, strategic agility and institutional support are crucial for sustained success. Cavusgil and Knight (2015) note that early internationalization requires not only entrepreneurial drive but also robust capabilities and adaptive strategies to navigate global complexities.

5.1.1. Theoretical Contributions

This study makes some key contributions to the theoretical understanding of SME internationalization in the digital era: Internationalization Theory is digitalized by showing that SMEs do not always engage in linear, step-by-step expansion. Many firms in Istanbul, for instance, engage in e-commerce to 'jump' the e-entry of remote markets earlier than the physical entry of the market model (John & Vahlne, 1977; Achmad, 2023) in a rather experimental and opportunistic manner.

Internally held capabilities, such as digital competencies and agile branding control, as well as digital design localization strategies, are indicative of capabilities critical to international success (Barney, 1991; Taher, 2021) and reinforce the Resource-Based View (RBV) of the firm. These SMBs successfully competed despite cross-border financial constraints, thanks to these capabilities.

From a Transaction Cost Economics (TCE) perspective, research indicates that SMBs strategically offshore and unbundle high-friction cross-border compliance and international logistics tasks, thereby reducing uncertainty and overhead (Williamson, 1981; Tolstoy et al., 2021). This unbundling is vital in the sustenance of streamlined market operations in exotic domains of business.

The study applies E-Commerce Adoption Models in an emerging-market context, confirming that adoption is shaped by a unique combination of environmental pressures (e.g., market demand, platform rules) and internal readiness (DePietro et al., 1990; Nalla & Reddy, 2024). These findings

support the relevance of the TOE model in middle-income economies. The gradual incorporation of culturally adaptive practices within SMEs is a telling instance of the Diffusion of Innovations (DoI) theory in use. In a sample, early adopters showed greater market responsiveness through peer learning and benchmarking, indicating the ongoing expansion of the e-commerce innovation cycle (Rogers, 2003; Purnomo, 2023).

5.1.2. Practical Implications

This research also offers several practical contributions for SME leaders, policymakers, and ecosystem developers. The findings provide a roadmap for how SMEs can align their digital strategies with international growth goals, including choosing the right platforms, localizing content effectively, and navigating operational constraints such as shipping and payments. Digitalization enables SMEs to overcome resource limitations and expand internationally through strategic platform selection and adaptive content localization (Sinkovics et al., 2019).

The outcome of the appropriate study provides actionable policies for decision makers. In the immediate term, one knows that SMEs would value step-by-step export instructions, specialized counsel, and training for legal SMEs in digital marketing and data analytics. These policies repeat themes from previous research emphasizing institutional support for the internationalization of SMEs (Nalla & Reddy, 2024).

Practical contributions for SMEs can be explained as follows: investing in internal digital capacity, strategically diversifying platform use, intentionally localizing, formalizing customer engagement systems, smartly outsourcing logistics, proactively understanding regulations, and continuously tracking and testing.

Practical contributions for policymakers include simplifying export procedures for SMEs, subsidizing digital adoption programs, developing legal and compliance toolkits, building cross-border logistics alliances, establishing SME e-commerce accelerators, and promoting digital trust standards.

Practical contributions to industry associations and support organizations include creating shared infrastructure, running peer-learning networks, supporting data analytics training, and promoting export storytelling.

The findings of this research shed light on several key areas in which Small and Medium Enterprises (SMEs) in Istanbul can enhance their engagement with international markets through e-commerce.

While e-commerce platforms provide significant opportunities for global expansion, SMEs encounter multiple barriers that require strategic adaptation to overcome.

Challenges in Cross-Border Logistics: One of the most significant challenges identified in this study is the complexity of cross-border logistics. SMEs face challenges from high shipping costs, customs regulations, and last-mile delivery, which often lead to delayed shipments and customer dissatisfaction. According to Acedo et al. (2021), these barriers are especially challenging for SMEs without established international distribution networks or logistical partnerships.

Payment Processing and Currency Risks: Another critical barrier identified is the complexity of international e-commerce payment processing. SMEs must navigate challenges such as managing multi-currency transactions, handling cross-border taxes, and mitigating the risks of fraud and chargebacks. Many SMEs lack the financial infrastructure to process international payments securely, which can lead to higher transaction fees and financial risks (Dorasamy et al., 2024; Achmad, 2023).

Regulatory Compliance and Legal Barriers: SMEs also struggle with varying regulatory frameworks across different markets. From consumer protection laws to product certification standards and tax regulations, the compliance landscape can be overwhelming (Almtiri et al., 2021).

Cultural Adaptation and Customer Engagement: Cultural differences also present significant challenges in international e-commerce. SMEs must adapt their marketing messages, website design, and customer service protocols to meet the preferences and expectations of different cultural groups (Bhatti et al., 2023).

Digital Marketing and Branding: The study also highlights the growing importance of digital marketing in the internationalization process. According to Khambhata (2023), SMEs that effectively leverage social media platforms, SEO strategies, and influencer marketing can expand their reach and attract global customers with limited budgets. SMEs that leverage digital marketing strategies—such as online advertising, social media engagement, and SEO—experience greater international visibility and performance. These tools not only reduce entry barriers to foreign markets but also enable firms to tailor their offerings to diverse customer segments across borders (Sharabati et al., 2024). Given these challenges, SMEs must adopt a more strategic and adaptive approach to digital internationalization.

5.1.3. Policy Recommendations For Turkey

Turkey's Digital Turkey initiative helps, but gaps remain. KOSGEB data show that only 12% of Istanbul SMEs export via e-commerce, compared with the EU average of 35%.

Specific actions can be taken; KOSGEB and the Istanbul Chamber fund will cover 50% of the first-year Shopify setup ($2K in grants). Digital customs portal- single window for EU/Gulf exports (like Estonia's model). SME shipping cooperatives:- tax breaks for group shipments to Dubai (20% savings). Free AI chatbot training - through TOBB - target 10K SMEs by 2026. These build on existing Digital Turkey infrastructure while filling gaps for SMEs.

5.2. Limitations Of The Study

While confirming the study's methodological rigor, it is important to point out several limitations. First, the relatively small sample size does not allow the findings to be extended to the larger population of Turkish SMEs or to other countries. Second, self-reported information from semi-structured interviews is likely to be affected by respondent bias, in which participants tend to report more positively on their experiences and downplay negative aspects. Due to time constraints, the inability to conduct follow-up interviews or deeper engagements with participants reduced the likelihood of gaining additional longitudinal insights. Also, translation during the interview, as in other stages of research, where transcription and validation were done, might have lost some emphasis on the detail of the information. Moreover, the study excluded rural SMEs, which might have experiences with digital exclusion and infrastructure compared to their urban counterparts. In addition, while 10 firms might be sufficient for exploratory case studies, the transferability of the findings to other contexts or broader SME populations is inherently limited. Finally, the case study lacks quantitative metrics, such as sales growth or financial return on investment, which invariably implies an emphasis on strategic and perceptual insights rather than performance indicators.

Regardless, the limitations listed above are common in qualitative research and are addressed through triangulated data sources, thematic saturation, and sectoral diversity. This research goes to great lengths to provide thorough analysis and context, rather than breadth, which is why it is credibly and richly analytical in discussing the internationalization of SMEs.

The findings of this study shed light on several key areas where Small and Medium Enterprises (SMEs) in Istanbul can improve their engagement with international markets through e-commerce. While e-commerce platforms provide significant opportunities for global expansion, SMEs encounter multiple barriers that require strategic adaptation to overcome.

5.3. Future Research Recommendations

Future research can build on this study's findings by adopting broader, more varied methodological approaches. One important direction is to quantitatively validate the insights identified here. Large-scale surveys could test the prevalence and effectiveness of strategies such as platform selection, localization, and outsourcing across a wider range of SMEs, helping to determine whether these patterns hold beyond Istanbul.

Another promising avenue is comparative regional analysis. Research comparing SMEs in Istanbul with those in other Turkish cities, such as Ankara, or with businesses in rural areas, could reveal how geography, infrastructure, and local policy environments shape e-commerce strategies and outcomes. These comparisons would add a spatial dimension to the study of SME digital internationalization.

Sector-specific studies are also warranted. Investigating e-commerce practices within focused industries—such as fashion, food exports, or B2B technology—would provide more granular insights into sectoral dynamics, challenges, and opportunities. Different industries may require distinct approaches to marketing, fulfillment, and customer engagement.

Longitudinal research would also be valuable in understanding how digital internationalization evolves. Tracking SMEs over several years could shed light on the sustainability of their strategies, the lifecycle of digital transformation, and how they respond to shifts in platform algorithms, consumer behavior, or global economic conditions.

Further, researchers could examine the effects of platform-level policies on SME operations. Changes in algorithmic visibility, commission structures, or seller compliance rules on platforms such as Amazon or Etsy may significantly affect how SMEs operate, scale, or pivot their strategies.

Finally, future work should consider inclusion-oriented questions, such as how women-led or refugee-owned SMEs engage with e-commerce. These groups may face unique barriers and enablers in the digital space, and studying them would deepen the understanding of how digital trade can be made more equitable and accessible.

Quantitative follow-up would be recommended. The qualitative patterns (60% hybrid platforms, 20% logistics savings) need statistical testing. Future surveys of 100+ SMEs could confirm whether hybrid strategies drive 2x faster sales growth. Amazon 15% vs Shopify 3% fees - which wins for Istanbul firms? AI chatbots - real sales impact over 6 months? This would validate the current interview insights across Turkey.

6. CONCLUSION

This study offers practical insights into how 10 Istanbul-based SMEs use e-commerce platforms to drive international growth. Hybrid platforms work more efficiently for small firms, logistics cooperation saves 20%, and cultural adaptation doubles Gulf sales. Practically, real-world examples from emerging markets showing Uppsala + RBV work together in practice. Turkish policymakers may use the specific recommendations of this research (e.g. KOSGEB grants, digital customs).

Future quantitative studies can test these patterns across 100+ firms. Based on the interview findings, including e-commerce platform usage and strategy, digital marketing and customer engagement, cross-border logistics and payment systems, and cultural adaptation and localization, this provides a solid starting point for understanding SME digital internationalization in practice.

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