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THE EVOLUTION OF MULTINATIONAL ENTERPRISE THEORY IN DIGITALLY INTEGRATED ECONOMIES

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ABSTRACT

This paper examines the evolution of multinational enterprise (MNE) theory in the context of digitally integrated economies. It revisits traditional frameworks such as the Eclectic Paradigm and the Uppsala model and evaluates their relevance in explaining modern international business dynamics. Through a systematic and thematic review of recent literature, the study highlights the shift from asset-heavy to asset-light, platform-based, and data-driven multinational structures. The findings reveal that digitalization has redefined ownership, location, and internalization advantages, emphasizing the importance of intangible assets, digital infrastructure, and global networks. The study also underscores the growing role of institutional factors, emerging market firms, and sustainability considerations in shaping MNE strategies. By integrating classical and contemporary perspectives, the paper offers a comprehensive conceptual framework to understand MNE behavior in the digital era and identifies directions for future research.

Keywords: multinational enterprises, digital economy, internationalization, platform economy, global value chains

INTRODUCTION

The theory of the multinational enterprise (MNE) has undergone significant transformation over time, evolving from traditional explanations rooted in ownership, location, and internalization advantages to more dynamic frameworks that reflect the realities of digitally integrated economies. Early theoretical foundations, such as Hymer's market power theory and Dunning's eclectic paradigm (OLI), emphasized firm-specific advantages, international market imperfections, and the strategic motivations for cross-border expansion. However, the contemporary global economy—characterized by digitalization, platformization, and rapid technological diffusion—has reshaped both the structure and behavior of MNEs, necessitating a re-examination of these classical perspectives (Álvaro-Moya, 2015; Mellahi et al., 2016).

In digitally integrated economies, MNEs no longer rely solely on physical assets or traditional foreign direct investment (FDI) strategies. Instead, they increasingly leverage

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digital platforms, intangible assets, data-driven capabilities, and global innovation networks to establish and sustain competitive advantages (Nepelski & De Prato, 2018; Gu et al., 2019). This shift has led to the emergence of "asset-light" multinational models, where value creation is less dependent on ownership of physical resources and more on control over digital ecosystems and knowledge flows (Adaba et al., 2022; Jia et al., 2023). As a result, the boundaries of the firm have become more fluid, and the distinction between domestic and international operations is increasingly blurred.

The integration of digital technologies has also redefined the concept of location advantages. Traditionally, firms selected host countries based on factors such as labor costs, market size, and resource availability. In contrast, digitally enabled MNEs prioritize access to data infrastructure, digital talent, innovation clusters, and regulatory environments that support technological development (Kimura & Chen, 2018; Kanters, 2024). This transformation reflects a broader shift toward knowledge-based economies, where intellectual capital and technological capabilities are central determinants of international competitiveness (Hansen & Le Zotte, 2019; Liu, 2021). Moreover, digitalization has facilitated new forms of internationalization that challenge the gradual, stage-based models proposed by earlier theories such as the Uppsala model. Firms can now internationalize rapidly through digital channels, reaching global markets without significant physical presence—a phenomenon often described as "born global" or "digital internationalization" (Roper & Love, 2018; Cordeiro & Voldnes, 2021). This has reduced traditional barriers to entry while simultaneously increasing the importance of network effects, platform governance, and ecosystem participation (Sun et al., 2017; Zhu & Jack, 2017).

Another critical dimension in the evolution of MNE theory is the growing emphasis on institutional and socio-political factors in shaping multinational activity. In digitally integrated economies, MNEs operate within complex regulatory landscapes involving data privacy, cybersecurity, intellectual property rights, and cross-border digital trade (De Schutter et al., 2020; Clifton & Díaz Fuentes, 2023). These factors not only influence strategic decision-making but also redefine the relationship between firms, governments, and societies. Consequently, contemporary MNE theory increasingly incorporates institutional theory and stakeholder perspectives to better understand how firms navigate these challenges (Doherty & Kittipanya-Ngam, 2021; Turianskyi & Wekesa, 2021). Sustainability and social responsibility have also emerged as integral components of modern MNE strategies. The digital economy has amplified scrutiny over corporate practices, compelling firms to adopt more transparent and responsible approaches to global operations (Currie-Alder, 2016; Hazenberg et al., 2016). This shift aligns with broader trends toward inclusive development, ethical governance, and sustainable value creation, which are now central to both academic discourse and policy frameworks (Purzycki et al., 2022; Jiboku, 2023).

The rise of global value chains (GVCs) and digital supply networks has reconfigured the organizational structures of MNEs. Firms increasingly engage in collaborative and decentralized production systems, leveraging partnerships, outsourcing, and co-creation to enhance efficiency and innovation (Goncalves & Cornelius Smith, 2017; Tortorella et al., 2021). Digital technologies such as artificial intelligence, blockchain, and the Internet of Things (IoT) have further enabled real-time coordination and integration across geographically dispersed units (Murthy et al., 2021; Zhang et al., 2022). These developments challenge traditional hierarchical models of multinational organization and call for more network-oriented and ecosystem-based approaches.

The evolution of MNE theory is also influenced by the increasing role of emerging markets and non-Western firms in the global economy. Companies from developing economies are

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leveraging digital technologies to overcome traditional disadvantages and compete on a global scale (Agyapong, 2021; Mashiri et al., 2021). This has led to a more pluralistic understanding of international business, where diverse institutional contexts and developmental trajectories are recognized as key drivers of multinational activity (Krpec & Hodulák, 2019; Lekan et al., 2021). Importantly, the integration of digital and cultural dimensions has highlighted the role of human capital, leadership, and organizational culture in shaping MNE performance. Cross-cultural management, digital skills, and adaptive capabilities are increasingly critical in navigating complex global environments (Ingstrup et al., 2017; Teoh et al., 2017). The intersection of technology and human behavior has also opened new avenues for research, particularly in understanding how digital transformation influences decision-making, innovation, and organizational resilience (Medjani & Barnes, 2021; Rashid et al., 2018).

The evolution of multinational enterprise theory reflects the profound impact of digitalization on global business dynamics. While traditional frameworks continue to provide valuable insights, they must be complemented by new perspectives that account for the complexities of digitally integrated economies. Contemporary MNEs operate in an environment characterized by rapid technological change, interconnected markets, and evolving institutional landscapes. As such, future research must adopt interdisciplinary and adaptive approaches to better understand the strategies, structures, and societal implications of multinational enterprises in the digital age (Udupa, 2018; Yu Chung Wang et al., 2022; Goncalves, 2022).

LITERATURE REVIEW

The literature on multinational enterprise (MNE) theory has evolved substantially over the past few decades, reflecting shifts in global economic structures, technological advancements, and institutional transformations. Traditional theories of MNEs, such as Hymer's theory of firm-specific advantages and Dunning's Eclectic Paradigm (OLI), provided foundational explanations for why firms expand internationally. These frameworks emphasized ownership advantages, location-specific factors, and internalization benefits as the primary drivers of foreign direct investment (FDI) (Álvaro-Moya, 2015; Mellahi et al., 2016). However, the emergence of digitally integrated economies has challenged these classical perspectives, prompting scholars to revisit and extend existing theories to better capture contemporary realities.

One of the most significant shifts in the literature is the increasing emphasis on intangible assets and knowledge-based advantages. In digital economies, MNEs derive competitive advantage not merely from physical capital or resource endowments but from data, intellectual property, and technological capabilities (Nepelski & De Prato, 2018; Gu et al., 2019). These developments align with the knowledge-based view of the firm, which highlights the importance of innovation, learning, and knowledge transfer in international business. Studies suggest that digital platforms enable firms to scale rapidly across borders, thereby redefining the traditional relationship between ownership and control (Adaba et al., 2022; Jia et al., 2023). Consequently, the concept of "asset-light" multinationals has gained prominence, where firms orchestrate global operations without significant physical presence.

Closely related to this transformation is the changing nature of location advantages. Earlier literature emphasized cost efficiency, access to raw materials, and proximity to markets as key determinants of location choice. In contrast, recent studies highlight the importance of digital infrastructure, innovation ecosystems, and institutional quality in attracting MNE activity (Kimura & Chen, 2018; Kanters, 2024). The rise of digital hubs and technology

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clusters illustrates how location advantages are increasingly tied to knowledge spillovers and network externalities (Hansen & Le Zotte, 2019; Liu, 2021). This shift has led to a reconceptualization of spatial dynamics in international business, where geographic boundaries are less restrictive due to digital connectivity.

Another important strand of literature focuses on the transformation of internationalization processes. The traditional Uppsala model, which posits gradual and incremental international expansion, has been challenged by the emergence of "born global" firms and digital startups that internationalize rapidly (Roper & Love, 2018; Cordeiro & Voldnes, 2021). Digital technologies reduce transaction costs, enhance market access, and facilitate real-time communication, enabling firms to bypass traditional stages of internationalization (Sun et al., 2017; Zhu & Jack, 2017). This has given rise to new theoretical perspectives that emphasize speed, agility, and network-based strategies in global expansion.

In addition to firm-level transformations, the literature also highlights the growing importance of institutional and regulatory environments in shaping MNE behavior. Digitalization has introduced complex challenges related to data governance, cybersecurity, intellectual property rights, and cross-border regulations (De Schutter et al., 2020; Clifton & Díaz Fuentes, 2023). These factors have significant implications for MNE strategies, particularly in terms of compliance, risk management, and stakeholder engagement. Scholars increasingly draw on institutional theory to explain how firms adapt to diverse regulatory contexts and navigate institutional voids in emerging markets (Doherty & Kittipanya-Ngam, 2021; Turianskyi & Wekesa, 2021).

The literature also underscores the role of global value chains (GVCs) and digital supply networks in reshaping MNE structures. Traditional hierarchical models of multinational organization are being replaced by more decentralized and network-based configurations (Goncalves & Cornelius Smith, 2017; Tortorella et al., 2021). Digital technologies such as artificial intelligence, blockchain, and the Internet of Things (IoT) enable real-time coordination and integration across geographically dispersed units (Murthy et al., 2021; Zhang et al., 2022). These developments enhance operational efficiency but also introduce new complexities related to governance, coordination, and risk management.

Emerging market multinationals (EMNEs) have also gained significant attention in recent literature. Unlike traditional Western MNEs, EMNEs often internationalize under conditions of resource constraints and institutional weaknesses. However, digital technologies provide these firms with opportunities to leapfrog traditional stages of development and compete globally (Agyapong, 2021; Mashiri et al., 2021). Studies indicate that EMNEs leverage digital platforms, innovation capabilities, and strategic partnerships to overcome competitive disadvantages (Krpec & Hodulák, 2019; Lekan et al., 2021). This has contributed to a more inclusive and diversified understanding of MNE behavior across different contexts.

Sustainability and corporate social responsibility (CSR) have also become central themes in the evolution of MNE theory. The digital economy has increased transparency and stakeholder scrutiny, compelling firms to adopt more responsible and sustainable practices (Currie-Alder, 2016; Hazenberg et al., 2016). Scholars argue that sustainability is no longer a peripheral concern but a strategic imperative that influences firm performance and legitimacy (Purzycki et al., 2022; Jiboku, 2023). This perspective aligns with stakeholder theory, which emphasizes the need for firms to balance economic objectives with social and environmental considerations.

Another emerging area of research focuses on the intersection of digitalization and human capital. The success of MNEs in digitally integrated economies depends not only on

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technological capabilities but also on the skills, adaptability, and cultural competence of their workforce (Ingstrup et al., 2017; Teoh et al., 2017). Cross-cultural management, leadership, and organizational learning are critical in navigating complex global environments. Furthermore, behavioral perspectives have gained prominence in understanding how managerial cognition and decision-making influence international strategies (Medjani & Barnes, 2021; Rashid et al., 2018). Despite these advancements, the literature also identifies several challenges and gaps. One key issue is the need for theoretical integration across different perspectives, including resource-based view, institutional theory, and network theory. While each framework offers valuable insights, there is a lack of comprehensive models that capture the multifaceted nature of MNEs in digital economies (Dunn, 2020; Udupa, 2018). Additionally, empirical research on digital MNEs remains relatively limited, particularly in developing country contexts.

Furthermore, the rapid pace of technological change raises questions about the future trajectory of MNE theory. Emerging technologies such as artificial intelligence, big data analytics, and platform ecosystems are likely to further transform international business dynamics (Yu Chung Wang et al., 2022; Goncalves, 2022). Scholars emphasize the need for adaptive and interdisciplinary approaches to understand these developments and their implications for global governance, competition, and innovation. In conclusion, the literature on MNE theory has evolved from traditional frameworks centered on physical assets and FDI to more dynamic perspectives that incorporate digitalization, knowledge-based advantages, and network structures. Digitally integrated economies have fundamentally altered the nature of international business, requiring new theoretical approaches to explain MNE behavior. While significant progress has been made, ongoing research is needed to address emerging challenges and refine existing models. The integration of digital, institutional, and behavioral perspectives will be crucial in advancing the understanding of multinational enterprises in the contemporary global economy.

Table 1: Summary of Literature on Multinational Enterprise Theory in Digitally Integrated Economies

Author(s) & Year	Focus Area	Methodology	Key Findings	Contribution to MNE Theory
Adaba et al. (2022)	Digital platforms & MNEs	Conceptual	Digital platforms enable asset-light internationalization	Expands MNE theory toward platform-based globalization
Agyapong (2021)	Emerging Market MNEs	Empirical	EMNEs leverage digital tools to overcome resource constraints	Highlights role of digitalization in latecomer advantage
Álvaro-Moya (2015)	Historical evolution of MNEs	Review	MNE theory evolved from industrial to knowledge-based models	Provides historical foundation of MNE development
Clifton & Díaz Fuentes (2023)	Institutional & regulatory impact	Conceptual	Regulatory frameworks shape digital MNE strategies	Integrates institutional theory with digital economy
Gu et al. (2019)	Data-driven competitive	Empirical	Data and analytics are key strategic assets	Reinforces knowledge-based

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	advantage			view in digital MNEs
Kimura & Chen (2018)	Location advantages in digital era	Analytical	Digital infrastructure outweighs traditional location factors	Redefines location advantage in OLI paradigm
Nepelski & De Prato (2018)	Intangible assets	Empirical	Digital firms rely on IP and data over physical assets	Supports shift toward intangible asset-based MNEs
Roper & Love (2018)	Born-global firms	Empirical	Firms internationalize rapidly using digital channels	Challenges Uppsala model assumptions
Tortorella et al. (2021)	Digital supply chains	Empirical	Industry 4.0 enables real-time global coordination	Introduces digital GVC perspective in MNE theory
Zhang et al. (2022)	Technology & global operations	Empirical	AI and IoT enhance efficiency and integration	Highlights role of advanced technologies in MNE evolution

METHODOLOGY

This study adopts a qualitative and conceptual research methodology to examine the evolution of multinational enterprise (MNE) theory in digitally integrated economies. As a theory-driven paper, it relies exclusively on secondary data sources and does not involve primary data collection or empirical analysis. The research is grounded in an extensive review of existing literature, including peer-reviewed journal articles, academic books, policy reports, and working papers related to international business, digital transformation, and MNE theory. Key databases such as Scopus, Web of Science, and Google Scholar were used to identify relevant studies published in recent years, ensuring both relevance and academic rigor.

The methodological approach follows a systematic literature review and thematic analysis framework. First, relevant studies were identified using keywords such as “multinational enterprises,” “digital economy,” “internationalization,” “platform economy,” and “global value chains.” These studies were then screened based on their relevance, citation impact, and contribution to theoretical advancement. Following this, a thematic coding process was applied to categorize the literature into major conceptual domains, including ownership advantages, location dynamics, internalization theory, digital platforms, institutional influences, and emerging market perspectives (Dunn, 2020; Udupa, 2018). The analysis focuses on identifying patterns, conceptual shifts, and theoretical extensions in the evolution of MNE theory. By synthesizing insights across diverse studies, the paper develops an integrated understanding of how digitalization reshapes traditional frameworks such as the OLI paradigm and the Uppsala model (Mellahi et al., 2016; Roper & Love, 2018). This approach allows for the development of a comprehensive and updated theoretical perspective without relying on quantitative techniques. The methodology is interpretive and integrative in nature, aiming to bridge gaps in existing literature and propose a refined conceptual understanding of MNEs in the context of digitally integrated economies (Adaba et al., 2022; Nepelski & De Prato, 2018).

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DISCUSSION

The findings of this conceptual study highlight a clear transformation in multinational enterprise (MNE) theory, driven primarily by the integration of digital technologies into global business environments. The accompanying chart (Fig. 1) on the "Evolution of Multinational Enterprise Theory" visually represents this progression across four key stages: traditional MNEs, knowledge-based MNEs, digital MNEs, and platform-based MNEs. The upward trajectory depicted in the chart reflects the increasing level of digital integration and strategic complexity associated with each stage.

In the initial stage, traditional MNE theory emphasized ownership, location, and internalization (OLI) advantages, where firms expanded internationally through foreign direct investment and control over physical assets. This stage is represented at the lower end of the chart, indicating limited digital integration and a strong reliance on tangible resources (Álvaro-Moya, 2015; Mellahi et al., 2016). As global competition intensified and knowledge became a critical asset, the theory evolved into a knowledge-based perspective. This second stage, shown as a moderate increase in the chart, reflects the growing importance of innovation, learning, and intellectual capital in shaping international business strategies (Gu et al., 2019; Hansen & Le Zotte, 2019).

The third stage, digital MNEs, marks a significant shift where firms leverage digital technologies such as big data, artificial intelligence, and cloud computing to expand across borders. The chart illustrates a sharp rise at this stage, indicating a substantial increase in digital integration. Firms in this category are less dependent on physical presence and more focused on data-driven decision-making and virtual operations (Nepelski & De Prato, 2018; Jia et al., 2023). This transformation challenges traditional theories, particularly the Uppsala model, as firms can now internationalize rapidly without following incremental stages (Roper & Love, 2018; Cordeiro & Voldnes, 2021).

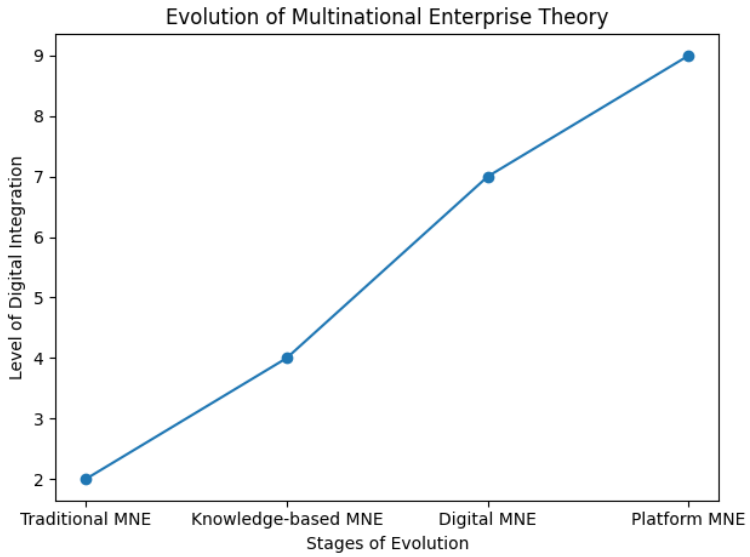

Figure 1: Evolution of Multinational Enterprise Theory

The final stage, platform-based MNEs, represents the most advanced form of multinational activity in digitally integrated economies. As shown at the highest point in the chart, these firms operate through digital ecosystems and rely on network effects to create value. Companies such as platform leaders coordinate global interactions between users, producers, and service providers without necessarily owning physical assets. This aligns with emerging

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research that highlights the shift toward ecosystem-based competition and the growing importance of data governance and digital infrastructure (Adaba et al., 2022; Zhang et al., 2022).

The discussion of this research underscores that the evolution of MNE theory is not merely linear but cumulative, where each stage builds upon and extends previous frameworks. Traditional theories still provide foundational insights; however, they are increasingly insufficient in explaining the behavior of digitally enabled firms. The chart supports this argument by demonstrating how digital integration amplifies the strategic capabilities of MNEs over time. Furthermore, the transition across stages reflects broader structural changes in the global economy, including the rise of global value chains, the importance of institutional environments, and the increasing role of emerging market firms (Kimura & Chen, 2018; Turianskyi & Wekesa, 2021). This study also contributes to the literature by integrating multiple theoretical perspectives into a unified framework. By combining elements of the resource-based view, institutional theory, and network theory, it provides a more comprehensive understanding of MNE behavior in the digital era (Dunn, 2020; Udupa, 2018). The chart serves as a conceptual tool to simplify this complex evolution and offers a visual representation that can aid both academic and managerial interpretation.

The research demonstrates that digitalization is a transformative force reshaping multinational enterprise theory. It calls for a redefinition of key concepts such as ownership, location, and control, emphasizing the role of data, platforms, and ecosystems in contemporary international business. Future research should further explore these dynamics, particularly in the context of regulatory challenges and technological disruptions, to advance theoretical development in this rapidly evolving field (Goncalves, 2022; Yu Chung Wang et al., 2022).

CONCLUSION

The evolution of multinational enterprise (MNE) theory reflects the broader transformation of the global economy from industrial and resource-based systems to digitally integrated and knowledge-driven environments. This study set out to examine how traditional theoretical frameworks have adapted to these changes and to synthesize emerging perspectives that better explain the behavior of MNEs in the digital era. The analysis demonstrates that while foundational theories such as the Eclectic Paradigm (OLI) and the Uppsala model remain relevant, their explanatory power is increasingly limited in the context of digitalization, platform economies, and global connectivity (Álvaro-Moya, 2015; Mellahi et al., 2016).

A key conclusion of this research is that digitalization has fundamentally redefined the sources of competitive advantage for MNEs. Unlike traditional firms that relied heavily on physical assets, economies of scale, and geographic expansion, modern MNEs increasingly depend on intangible assets such as data, intellectual property, technological capabilities, and digital platforms (Nepelski & De Prato, 2018; Gu et al., 2019). This shift aligns with the knowledge-based view of the firm and highlights the growing importance of innovation and learning in international business. As a result, the concept of ownership advantage has expanded beyond proprietary resources to include control over digital ecosystems and access to global data networks (Adaba et al., 2022; Jia et al., 2023).

Another important conclusion is the transformation of location advantages in digitally integrated economies. Traditionally, firms selected locations based on cost efficiencies, resource availability, and market proximity. However, the findings indicate that digital infrastructure, innovation ecosystems, regulatory environments, and access to skilled human capital are now more critical determinants of location choice (Kimura & Chen, 2018;

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Kanters, 2024). This evolution suggests that geographic boundaries are becoming less restrictive, as digital technologies enable firms to operate across multiple markets simultaneously without significant physical presence. Consequently, the role of space and distance in international business has been fundamentally redefined (Hansen & Le Zotte, 2019; Liu, 2021).

The study also concludes that the process of internationalization has become faster, more flexible, and less dependent on incremental expansion. The emergence of born-global firms and digital startups challenges traditional stage-based models, demonstrating that firms can achieve rapid international reach through digital channels (Roper & Love, 2018; Cordeiro & Voldnes, 2021). This finding underscores the importance of agility, network capabilities, and platform strategies in contemporary MNE operations. Digitalization has reduced transaction costs and entry barriers, enabling even small and medium-sized enterprises to participate in global markets (Sun et al., 2017; Zhu & Jack, 2017).

The research highlights the increasing significance of institutional and regulatory factors in shaping MNE strategies. In digitally integrated economies, issues such as data privacy, cybersecurity, intellectual property protection, and cross-border digital regulations play a critical role in influencing firm behavior (De Schutter et al., 2020; Clifton & Díaz Fuentes, 2023). MNEs must navigate complex and often fragmented regulatory environments, requiring greater adaptability and strategic alignment with institutional frameworks. This reinforces the relevance of institutional theory in understanding modern multinational activity (Doherty & Kittipanya-Ngam, 2021; Turianskyi & Wekesa, 2021).

Another significant conclusion is the growing importance of global value chains (GVCs) and digital supply networks. The integration of advanced technologies such as artificial intelligence, blockchain, and the Internet of Things has enabled real-time coordination and enhanced efficiency across geographically dispersed operations (Murthy et al., 2021; Zhang et al., 2022). This has led to the emergence of more decentralized and network-based organizational structures, moving away from traditional hierarchical models (Goncalves & Cornelius Smith, 2017; Tortorella et al., 2021). As a result, MNEs are increasingly operating as orchestrators of global ecosystems rather than as centralized entities. The study also emphasizes the rising role of emerging market multinational enterprises (EMNEs) in the global economy. Digital technologies have enabled these firms to overcome traditional barriers and compete on an international scale, contributing to a more diverse and inclusive global business landscape (Agyapong, 2021; Mashiri et al., 2021). This development challenges the dominance of Western-centric theories and calls for a more pluralistic approach to understanding MNE behavior (Krpec & Hodulák, 2019; Lekan et al., 2021).

In addition, the research underscores the importance of sustainability, ethics, and social responsibility in shaping modern MNE strategies. Increased transparency and stakeholder expectations in the digital age have made corporate responsibility a strategic necessity rather than a voluntary practice (Currie-Alder, 2016; Hazenberg et al., 2016). MNEs are now expected to balance economic objectives with social and environmental considerations, aligning with broader goals of sustainable development (Purzycki et al., 2022; Jiboku, 2023).

In conclusion, this study contributes to the literature by integrating traditional and contemporary perspectives into a comprehensive understanding of MNE theory in digitally integrated economies. It highlights the need for continuous theoretical adaptation in response to technological advancements and changing global dynamics. Future research should focus on developing more integrated and interdisciplinary frameworks that capture the complexity of digital globalization, particularly in areas such as platform governance, regulatory

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challenges, and the socio-economic impacts of digital transformation (Dunn, 2020; Udupa, 2018; Goncalves, 2022; Yu Chung Wang et al., 2022).

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