
Editorial

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1 Introduction

This special issue is published to commemorate the academic contribution of Professor Yair Aharoni (5 September 1931–6 August 2020). Yair Aharoni was one of the pioneers of International Business research. Even though most of his work was published in the twentieth century, its impact and relevance continue to influence international business research until today. In addition to over 150 case studies, Yair Aharoni published a wide range of papers, books, and chapters throughout his life. In his research, he outlined unexplored avenues for future research with innovative, reflective, and insightful thinking. Even though most of Aharoni's academic work was published in the 20th century, it still shapes IB research and has relevance for emerging fields such as value co-creation and the behavioural aspects of internationalisation. In most of his research, he focused on the decision-making processes in firms. In this special issue to commemorate his work, we welcomed papers that reflect on the impact and conceptual significance of

Yair's 1966 publication *The Foreign Investment Decision Process* and his contribution to knowledge analysis of globalisation in the service industry. We also welcomed submissions that examined Yair Aharoni's work in the context of the current digital transformation and the fourth industrial revolution (Industry 4.0).

2 Theoretical background

A business transformation is taking place that is based on the fusion of digital technologies with conventional manufacturing and the growing role of services in the economy (Acquila-Natale and Chaparro-Peláez, 2020; Banalieva and Dhanaraj, 2019; Bauer et al., 2015; González-Porrás et al., 2019; Hennart, 2019; Hermann et al., 2015; Manyika et al., 2016; Roblek et al., 2016; Smit et al., 2016). As part of Industry 4.0, nine technologies have been introduced – Big Data, Analytics, Robotics, Simulation, Horizontal and Vertical System Integration, Industrial Internet of Things, Cybersecurity, Cloud, Additive Manufacturing, and Augmented Reality.

As a result of the digital revolution, business landscapes and models are changing, business processes within companies are in a flux, as are decision-making processes within companies. The establishment and management of the global value chain networks (Horváth and Szabó, 2019; Lew and Liu, 2016; Zheng and Wu, 2017) involve complex, sophisticated, and challenging foreign investment decisions of enterprises (Gertsen and Zølner, 2014; Gurkov and Morley, 2017; Halaszovich, 2020; Kiel et al., 2017; Müller et al., 2018). Research conducted by Yair Aharoni focused on this aspect of decision-making. Yair's doctoral thesis *The Foreign Investment Decision Process* from 1966 was the first to present a behavioural decision-making model and explain the foreign investment decision as a multifaceted social process that is influenced by social relations within and outside the firm. His research opened the door to subsequent studies on how foreign direct investment decisions are made.

As a result of Industry 4.0, many countries are shifting from economies based on goods to economies based on knowledge and ideas. Owing to lower trade barriers and fragmented production processes, service companies, as well as manufacturers, are able to internationalise. Internationalisation of services is a result of the globalisation of knowledge driven by MNEs. As Aharoni (2000) argues "these firms have not only become powerful repositories of knowledge, but mainly an effective agent of the creation of new knowledge and the transfer of existing one" (p.102). The role of services for economies was discussed by Yair Aharoni in various books that he edited, including (i) *Coalitions and Competition: The Globalization of Professional Business Services*, Routledge, 1993, (ii) *Changing Roles of State Intervention in Services in an Era of Open International Markets* (ed.), SUNY Press, 1997, and (iii) *Globalisation of Services: Some Implications for Theory and Practice*, Routledge, 2000. As well as an article published in 1996 in *International Studies of Management and Organization* entitled 'The Organization of Global Service MNEs'. The arguments he made regarding these processes are still valid and inspiring today.

This special issue builds on Aharoni's foundation and extends it to contemporary issues. In light of globalisation, foreign direct investment, and the internationalisation of services, studies explaining how managers decide why, where, and how to engage in foreign direct investment remain relevant. We hope to advance our understanding of

internationalisation of business processes by examining how managers develop and guide FDI decisions balancing a company's goals with the dynamic embeddedness of digital context challenges.

3 Building on Aharoni's work

A total of five papers were accepted for this special issue, each examining a different aspect of internationalisation.

Raut, Alon, and Rana conducted a bibliometric literature review to assess Yair Aharoni's lifetime contribution to international business. Using the VOSviewer software and the Bibliometrix R Studio package, the study analysed 43 articles published between 1967 and 2018, finding Aharoni's contributions fall into five major research areas: (1) emerging and developing markets, (2) global strategic management, (3) the performance of firms in international markets, (4) international market operations, and (5) the international business environment.

The paper by Cieřlik and Tarsalewska studies the motives behind international mergers and acquisitions in the context of the multi-country knowledge capital model of multinational enterprise. As argued by Aharoni (2000) "these firms have not only become powerful repositories of knowledge, but mainly an effective agent of the creation of new knowledge and the transfer of existing one" (p.102). Therefore, FDI is often perceived by governments in many countries as an important channel for transfer and diffusion of foreign knowledge among host country firms. This is especially important for emerging economies that are still lagging behind in terms of their own innovation capacities. Based on an extensive dataset of country pairs covering 132 countries over the period 1995–2015, the authors found that when a targeted firm originates in an emerging market, both efficiency-seeking and market-seeking motives drive M&A transactions; if the target firm originates in a developed country, market-seeking motives are more prevalent. This implies that acquisitions of targets from developed countries are focused mainly on scaling their existing businesses, while acquisitions of targets from emerging countries focus instead on efficiency gains. Thus, differences in relative factor endowments and in market size are both important in explaining M&A activity.

Götz, Éltető, and Sass contribute to the literature by examining how digitalisation changes foreign direct investment decision-making and the implications for Polish and Hungarian location advantages. They embed their study not in the emerging markets context but refer to the Central European countries, which, being post-communist and ex-communist, may serve as a laboratory for IB theories and FDI decision-making processes. The authors examine the reshoring potential of Poland and Hungary due to pandemic-induced digitalisation and disruptions in global value chains. As they demonstrate, digitalisation changes Dunning OLI advantages and has an undisputed impact on investment decision-making. As Aharoni (2010) pointed out, the OLI paradigm ignores behavioural influences on decision-making, and decisions often require a variety of factors, not necessarily logical, complex, and rational. Moreover, firms' internationalisation behaviour can be characterised by bounded rationality and heuristics (Aharoni et al., 2011). Having digitalisation as the foundation of Industry 4.0 impacts both characteristics. Götz, Éltető, and Sass' study revealed that Poland and Hungary's

advantages have not improved enough in modern digital technologies and that their supply of skilled labour has deteriorated. It is therefore imperative that government policy invests more in digital skills and education in the new era of Industry 4.0.

In the paper by Cuomo, Caprino, Salmista, and Genovino, the authors suggest that digital transformation and Industry 4.0 change the decision-making models of companies, including foreign investment decisions, which are in the spotlight in Aharoni's (2011) study. Through the examination of Italian companies with increasing revenues during COVID-19, the authors attempt to explain if a higher level of innovation affects survival/adaptability and internationalisation performance. The study reviewed the OECD's data on business dynamism to highlight changes in economies and small and medium-sized businesses (SMEs), and the primary research involved a survey of 100 Italian SMEs. Despite the difficulty of measuring technological advances, the ongoing digital transformation impacts the competitiveness, productivity, and internationalisation of companies. According to Aharoni (1966), the obtained results indicate that ICT adoption and Industry 4.0 investments in the years preceding COVID-19 enabled corporates to maximise their performance during the pandemic. Additionally, this kind of innovation strengthened companies' ability to increase revenues, thanks to internationalisation. In their study, Cuomo, Caprino, Salmista and Genovino conclude that Aharoni's theories have not been disproved after 50 years.

The study by Shnider highlights Uber drivers, Wolt couriers, and application developers, among others who are no longer salaried employees; they are no longer sub-contractors or labourers, but instead employed through a digital marketplace as semi-freelancers. Shnider demonstrates that the concept of the organisation, associated with salaried employment managed by bureaucrats, does not fit this new type of work. Using a digital or physical platform, the author proposes a new unit of analysis he calls 'Work Ground', a process in which the activities of free agents are embedded to create a coherent value. Studying local, modern, 'old' managerial and organisational issues to examine a global, 'new' transforming economy, this paper closely corresponds to Aharoni's work (Aharoni, 1996, 2000).

In the five accepted papers in this special issue, the authors pay tribute to Professor Yair Aharoni's lifelong academic contributions. The researchers in this issue pose and show that digitalisation has an influence on FDI decision-making, as well as on ethnic compositions, work processes, and social structures, all of which Aharoni studied in 1966. Overall, Yair Aharoni created a comprehensive theoretical framework and a broad basis for understanding international business behaviour within multiple frameworks. Despite having written his doctoral dissertation in the 1960s at Harvard Business School, Aharoni's views are still relevant today, proving his understanding of human behaviour and organisational behaviour in the international context.

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