

Enhancing international marketing capability and export performance of emerging market SMEs in crises: strategic flexibility and digital technologies

Strategic
flexibility of
ESMEs in
crises

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Abstract

Purpose – This study investigates to what extent strategic flexibility of international strategic alliances (ISAs) affects export performance of emerging market small and medium-sized enterprises (ESMEs) via international marketing capability in crises. It also examines whether these ESMEs' adoption of digital technology strengthens the impact of strategic flexibility of ISAs on international marketing capability.

Design/methodology/approach – Based on the international alliance and dynamic capability perspectives on strategic flexibility, the authors develop a conceptual model and empirically examine the mediation and moderation effects between strategic flexibility of ISAs, international marketing capability, export performance and adoption of digital technology. The authors collected survey data from 129 ESMEs located in Pakistan between May 2021 and August 2021 and tested the conceptual model with hierarchical-moderated regression analysis.

Findings – The findings suggest that strategic flexibility of ISAs positively impacts on export performance of ESMEs in crises. Moreover, the authors found that international marketing significantly mediates the relationship between strategic flexibility of ISAs and export performance of ESMEs. Also, the adoption of digital technologies significantly moderates the relationship between strategic flexibility of ISAs positively and international marketing capability.

Originality/value – The authors take strategic flexibility of ISAs in the context of the emerging market and how ESMEs enhance export performance in a time of crisis, which extends the prior ESMEs' international marketing strategy and crisis management literature. In particular, the authors show that strategic flexibility of ISAs is a vital dynamic capability to enhance export performance of ESMEs via international marketing capability and adoption of digital technologies.

Keywords COVID-19, Digital technologies, Export performance, International strategic alliance, International marketing capability, Strategic flexibility, Emerging market SME

Paper type Research paper

Introduction

Small and medium-sized enterprises (SMEs) are forced to seek complex paths to enhance their survival and competitiveness in rapidly changing technological and social scenarios (Hsieh *et al.*, 2019; Zahoor and Lew, 2022). The traditional model characterized by a limited geographical span is not a viable option for SMEs. Indeed, research suggests that today's business environment with reduced trade barriers and digitization offers opportunities for SMEs to enter distant markets (Autio *et al.*, 2018; Puthusserry *et al.*, 2021). This is particularly relevant in the case of SMEs originating from emerging markets (ESMEs) that experience



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institutional and financial challenges in domestic markets (Pereira *et al.*, 2022; Sun *et al.*, 2021). In emerging markets, especially Pakistan, institutional environment creates institutional hindrances and limits opportunities for ESMEs in domestic markets who escape venturing abroad for possible alternatives (Rodgers *et al.*, 2021; Samiee and Chirapanda, 2019).

However, external crises such as the COVID-19 pandemic negatively affected the export performance of ESMEs due to travel restrictions, social distancing and lockdowns (Alraja *et al.*, 2022; Markovic *et al.*, 2021). Although businesses and industries of all sizes experienced the harmful effects of COVID-19, ESMEs originating from weaker institutional environments, such as Pakistan, were more vulnerable to COVID-19 given their resource-based weaknesses and innate institutional voids in abruptly disconnected international marketplaces (Puthusserry *et al.*, 2022). Such external crises placed export performance of ESMEs at risk due to the reduction of available resources for product/service development, processing, and exporting and importing activities. According to United Nations Conference on Trade and Development (UNCTAD) (2020), the export growth rate of Pakistan declined by approximately 6% in 2020, indicating a trade deficit as a result of COVID-19 pandemic. It is high time to examine the factors that might enhance the export performance of ESMEs during the pandemic and post-pandemic (e.g. Gupta *et al.*, 2021; Zahra, 2021).

The burgeoning stream of literature highlights the role played by international strategic alliances (ISAs) – that are, “*voluntary arrangements between firms involving exchange, sharing, or co-development of products, technologies, or services*” (Gulati, 1998, p. 293) – within which ESMEs are engaged in foreign markets. By being involved in ISAs, ESMEs can gain access to complementary resources and knowledge to reduce the cost of international venturing (Tower *et al.*, 2021). ISAs also act as a source of learning for ESMEs to overcome institutional distance and obstacles inherent in the international market environment (Lew *et al.*, 2016; Nakos *et al.*, 2019). However, the prevalent environmental uncertainty and the recent COVID-19 pandemic have increased the risks of ISAs’ failure due to a lack of connectedness and partners’ opportunistic behaviors (Ivanov, 2021; Remko, 2020). Within this dynamic environment, the benefits of ISAs can be closely associated with their strategic flexibility (hereafter strategic flexibility of ISAs), which refers to the capability of ESMEs to adjust international relationships to dynamic environmental changes (Young-Ybarra and Wiersema, 1999). The strategic flexibility of ISAs can allow ESMEs to adjust the terms of alliance agreements in response to external crises or terminate an alliance that does not meet the needs of partners (Tafti *et al.*, 2012). Such strategic flexibility of ISAs allows ESMEs to modify or exit an alliance to adapt to environmental changes that can be a source of competitive advantage in foreign markets (Herhausen *et al.*, 2021).

This paper builds on dynamic capability view and international marketing strategy literature for the effective management of crises to yield export performance of ESMEs. Specifically, we argue that strategic flexibility of ISAs acts as a dynamic capability to respond to external crises in a proactive or reactive manner to drive export performance (Johnson *et al.*, 2003; Teece, 2007; Wu and Zhou, 2018). More importantly, ESMEs possessing strategic flexibility of ISAs are proactive to modify the terms of relationships or terminate the unsuccessful alliances to plan major international marketing shifts. Specifically, strategic flexibility of ISAs allows ESMEs to develop international marketing capability that refers to the marketing resource configurations and capability enhancement to effectively identify and deliver value in foreign markets (Bucciari *et al.*, 2020). When ESMEs timely modify or exit a relationship with ISA partners, they can effectively develop the marketing skills required to address customer demands and develop unique value propositions (Ko *et al.*, 2020; Morgan *et al.*, 2018). The strategic flexibility of ISAs enables ESMEs to keep the partners with the greatest potential to promote international market capability in order to offer superior value in international markets (Christofi *et al.*, 2021). Therefore, we posit that international marketing capability mediates the impact of strategic flexibility of ISAs on export performance for ESMEs.

In addition, in this research, we further consider a contingency in the strategic flexibility, suggesting that the adoption of digital technologies strengthens the impact of strategic flexibility of ISAs on international marketing capability. This is due to the increasing importance of digitalization as a strategic orientation to be competitive (Denicolai *et al.*, 2021; Katsikeas *et al.*, 2020; Pergelova *et al.*, 2019). The adoption of digital technologies including Internet of things, mobile computing, electronic commerce, business intelligence, cloud computing, big data analytics and social media connects ESMEs with markets and allows them to collect information (Samiee *et al.*, 2021), which can make these firms more flexible to alter ISAs and accordingly promote international marketing capability (Proksch *et al.*, 2021). Considering the recent disruption of global value chain activities due to the pandemic, the digitalization of ESMEs (through the adoption of technologies) may serve as a contingent factor to strengthen these firms' capabilities in crises (Li *et al.*, 2021). Therefore, we posit that ESMEs' adoption of digital technologies might moderate the relationship between strategic flexibility of ISAs and international marketing capability.

Despite acknowledging strategic flexibility as a vital capability of a firm, it remains unclear how strategic flexibility of ISAs influences export performance of ESMEs during the pandemic crisis. Prior ESME research pointed out the importance of digital technologies that help ESMEs to identify business opportunities in the overseas market (Papadopoulos *et al.*, 2020; Troise *et al.*, 2022) in crises and facilitate knowledge exchange with international alliance partners (Chen *et al.*, 2014). While large firms or SMEs from advanced economies benefit significantly from government policy and programs (Mariotti *et al.*, 2019), ESMEs face domestic institutional hardships and unfavorable government policies that might not support export performance in crises (Marino *et al.*, 2008). Such difficulties of ESMEs have imposed more significant pressure on them to rely on ISAs to gain market awareness and resources to succeed in foreign markets (Bai *et al.*, 2021; Markovic *et al.*, 2021). In this regard, strategic flexibility becomes relevant to alter strategic partnerships in response to external crises and attain market performance (Zahra, 2021).

Against the above background, the research questions driving the present study are: *To what extent does strategic flexibility of ISAs enable ESMEs to achieve export performance during external crises; to what extent does ESMEs' adoption of digital technologies moderate the association between strategic flexibility of ISAs and international marketing capability of ESMEs?* We chose the quantitative assessment methods to answer the research question by using a survey and hierarchical-moderated regression analysis. We tested our model using survey data collected from 129 ESMEs located in Pakistan, an emerging developing country, between May 2021 and August 2021.

Our study makes important contributions to the literature. First, our study contributes to the dynamic capability view of international marketing literature by examining the mediating mechanism for strategic flexibility of ISAs–export performance relationship. We argue that strategic flexibility of ISAs as a high-order dynamic capability (Eisenhardt and Martin, 2000; Helfat and Peteraf, 2009) helps to develop a vital first-order functional and operational capability to produce performance (Danneels, 2011; Schilke, 2014). Our empirical findings unravel the complex relationship between strategic flexibility of ISAs, international marketing capability and export performance of ESMEs. That is, ESMEs' strategic flexibility of ISAs (i.e. dynamic capability) infuses needed resources and knowledge from ISA partners to ESMEs by swiftly responding to market requirements overseas and (re)initiating ISA intents. In so doing, ESMEs can better develop international marketing capability (i.e. functional capability) for achieving superior export performance.

Second, we add to international venturing literature by examining the determinants of export performance of ESMEs during crises. COVID-19 has pressured international business conduct (Delios *et al.*, 2021; Verbeke and Yuan, 2021). In this situation, strategic flexibility of ISAs creates opportunities for ESMEs to gain a foothold in foreign markets to achieve export

performance. Strategic flexibility of ISAs prepares ESMEs to deal with external crises by governing relationships with distant international partners and managing knowledge-exchange activities (Oetzel and Oh, 2021). As such, our study demonstrates that ESMEs can attain valuable resources and enhance knowledge portfolios by utilizing strategic flexibility of ISAs, which in turn leads to improved export performance.

Next, we find that ESMEs' adoption of digital technologies moderates the strategic flexibility of ISAs–international marketing capability relationship. This finding demonstrates that digital technologies can serve as a contingency factor for strategic flexibility of alliances and international marketing capability (Herhausen *et al.*, 2021). Adopting digital technologies during crises like the global pandemic (Papadopoulos *et al.*, 2020; Troise *et al.*, 2022), the solid international marketing capability of ESMEs can be swiftly crafted by sensing new business opportunities and seizing resources through strategic flexibility of ISAs. Therefore, our research extends the ESME literature on international marketing in a digital era (Katsikeas *et al.*, 2020; Samiee *et al.*, 2021). In all, our study explains how ESMEs can overcome external crises such as COVID-19, which contributes to dynamic capability theory and international marketing strategy literature by highlighting the importance of strategic flexibility of ISAs and international marketing capability for export performance. By doing this, our empirical insights expand research that ESMEs, compared to developed country SMEs, are more vulnerable to external crises. Also, we showed that ESMEs could counteract the multifaceted challenges COVID-19 presents through strategic flexibility of ISAs, international marketing capability and digital technologies.

Conceptual background

Strategic flexibility

Strategic flexibility – as the set of the firms' capability to be proactive and handle the discontinuities in the dynamic environment (Hitt *et al.*, 2016; Volberda, 1996; Wright and Snell, 1998) – has been highlighted as crucial to thriving in uncertain marketplaces (Brozovic, 2018; Herhausen *et al.*, 2021). Strategic flexibility is a prominent feature of SMEs as this allows resource-constrained firms to quickly change and reconfigure their strategic direction (Lahiri *et al.*, 2020; Miroshnychenko *et al.*, 2021). Particularly, in the case of ESMEs, the weak institutional environments and the absence of proprietary advantages in emerging markets make them more flexible due to adaptation to changing conditions (Bai *et al.*, 2021; Xiao *et al.*, 2021). Strategic flexibility allows ESMEs to proactively sense and adapt their business plans to changing market conditions in order to attain competitive advantage in the turbulent environment (Brozovic, 2018; Miroshnychenko *et al.*, 2021). Strategic flexibility is especially required during external crises such as COVID-19 to promote the chances of ESMEs' survival. Similarly, strategic flexibility in crises can be an important vehicle for rent-enhancing opportunities beyond domestic market contexts (Kuckertz *et al.*, 2020; Oh and Oetzel, 2022). To overcome resource constraints and the relatively weak competencies of ESMEs in crises, they can utilize their flexibility to anticipate unexpected adverse changes in foreign markets and reconfigure their operations to attain international gains (Kano and Hoon Oh, 2020).

International alliance perspective on strategic flexibility

While strategic flexibility has long been recognized as the firm's ability to alter internal organizational structures and processes by responding to environmental changes, from the strategic alliance perspective, some scholars extended this concept to strategic flexibility of ISAs in the international business and management context (Herhausen *et al.*, 2021; Tafti *et al.*, 2012; Young-Ybarra and Wiersema, 1999).

Within strategic alliance literature, strategic flexibility of ISAs has been defined as the capability to adjust international alliances to dynamic environmental changes (Young-Ybarra and Wiersema, 1999). The modification refers to the ability to adjust a partner's behavior or agreement terms in response to the changing environment or the partner's needs (Bundy *et al.*, 2018; Lumineau *et al.*, 2020). Due to bounded rationality and information asymmetry between partners (Williamson, 1987), it is difficult for them to contractually state all eventualities in managing ISAs (Lew and Sinkovics, 2013). Instead, the ultimate success of ISAs depends on the ability of partners to respect mutual obligations and modify alliance terms to attain the goal of an alliance, thus value co-creation. The exit relates to the ease of withdrawal from an alliance in which partners are unsatisfied or no longer meet partners' needs (Greve *et al.*, 2012; Gulati *et al.*, 2008). As the partner needs and strengths continuously change in ISAs (Ireland *et al.*, 2002; Kohtamäki *et al.*, 2018), these can deteriorate interests of partners in alliance tasks (Bakker, 2016). There exists limited longevity in ISAs, given their non-equity-based international partnerships to attain the ISA goals (Rahman and Korn, 2014). As such, strategic flexibility to exit an alliance is also an important strategic concern for partners.

During external crises, the strategic flexibility of ISAs is critically important because the behaviors and needs of partners change due to dynamic circumstances (Bruyaka *et al.*, 2017; Marino *et al.*, 2008). The emerging markets, including Pakistan, have been struck hard by the COVID-19 pandemic, further limiting the resources and capacities of ESMEs (Arslan *et al.*, 2021). By exploiting strategic flexibility of ISAs, ESMEs in a weak institutional environment like Pakistan can implement contractual changes (e.g. modifying or terminating unsatisfactory relationships) based on ISA performance, which makes them more resilient to external shocks (Xia and Dimov, 2019). Moreover, contract changes can allow ESMEs with little power in alliances to safeguard immediate resources and access needed knowledge to insulate ESMEs from external shocks (Hoang and Rothaermel, 2016; Min, 2019). However, despite the potential gains of strategic flexibility of ISAs, this remained unclear to what extent such strategic flexibility can lead to export performance of ESMEs during external crises (Monaghan *et al.*, 2020; Zahra, 2021). External crises imply impending loss and a lack of control over strategic decisions and international activities (Hitt *et al.*, 2021; Lorenzen *et al.*, 2020). Moreover, external crises lead to unsatisfactory international partners that might lead to conflicts and opportunistic behaviors between these partners (Mora Cortez and Johnston, 2020). As such, ESMEs utilizing strategic flexibility of ISAs can timely adjust their external relationships to achieve international performance.

Dynamic capability perspective on strategic flexibility of ISAs

From the dynamic capability perspective (Teece, 2007), strategic flexibility of ISAs acts as a dynamic capability to create, extend or modify international relationships. Strategic flexibility of ISAs can allow firms to cope with external crises and changing partner needs by altering or exiting the underperforming alliances (Brozovic, 2018; Herhausen *et al.*, 2021). Compared to large multinational enterprises (MNEs) and SMEs from developed markets, ESMEs can dampen their liability of newness in foreign markets and leverage partners' knowledge to enhance export performance. For example, during COVID-19, the demand for household cleaning products, disinfectants, health supplements, medical devices and face masks shot up for health reasons (Panwar *et al.*, 2022). The strategic flexibility of ISAs enabled ESMEs vulnerable to such abrupt environmental changes to cope with global supply chain disruption and unprecedented demand by altering or managing the ISAs. However, scholars argued that possessing strategic flexibility of ISAs as a dynamic capability alone might not be sufficient to attain competitive advantage in export markets (Helfat and Peteraf, 2009; Schilke, 2014).

Compared to established MNEs owning firm-specific advantages with abundant resources and organizational capabilities, ESMEs need to implement a combination of dynamic capabilities that are consequential in order (Brown and Eisenhardt, 1997; Schilke, 2014). Specifically, the proponents of dynamic capability view contend that a certain type of high-order dynamic capability might not directly promote competitive advantage but indirectly through lower-order dynamic capabilities (Ettlie and Pavlou, 2006; Helfat and Peteraf, 2009). In fact, dynamic capabilities are combinations of different capabilities, some of which are foundational to others and must be learned first (Eisenhardt and Martin, 2000). Therefore, strategic flexibility of ISAs is a vital higher-order capability that should come first to provide the platform for lower-order capabilities to achieve export performance in dynamic markets.

Eisenhardt and Martin (2000) suggest that high-order and lower-order dynamic capabilities should have some features in common to be effective in dealing with specific organizational and environmental challenges. In this regard, we consider international marketing capability as a vital lower-order operational capability that builds on strategic flexibility of ISAs for export performance during external crises. International marketing capability is the ability of firms to reconfigure marketing resources and to effectively identify and deliver value in foreign markets (Buccieri *et al.*, 2020). Significantly, when ESMEs possess strategic flexibility of ISAs, they can modify their relationships to seek new knowledge for innovations, which makes it vital to implement marketing skills related to pricing and market positioning (Sharma *et al.*, 2018). Moreover, strategic flexibility of ISAs enables resource- and network-constrained ESMEs to access partner resources across a wide variety of knowledge domains that provide a basis for international marketing capability to meet the needs of global markets (Buccieri *et al.*, 2020). As McKinsey and Company suggests, “Given the unprecedented nature of the pandemic and the profound changes it is causing, [...] Marketers will need to think hard—and differently—about what the consumer in the next normal will think, feel, say, and do” (Arora *et al.*, 2021). This indicates that the firm with strategic flexibility needs to reassess and even alter existing partnerships for marketing capability development to cope with the new market demand caused by the COVID-19 crisis. As such, strategic flexibility of ISAs comprises more complex capacities to deal with external crises by modifying alliances, which provides tacit knowledge and resources to develop international marketing capability to meet the needs of international customers (Xu *et al.*, 2018; Yang *et al.*, 2019).

Hypotheses development

The relationship between strategic flexibility of ISAs and export performance

Strategic flexibility relates to the capability of a firm to be proactive and quickly respond to the changes in the external environment (Brozovic, 2018). In the context of interfirm relationships, strategic flexibility of ISAs comprises flexibility to handle international relationships to dynamic market changes. In doing this, firms can modify the alliances and/or exit the alliances when they are performing poorly (Moeen and Mitchell, 2020). The strategic flexibility of ISAs is essential to coordinate the relationships in order to adapt to changing circumstances as a result of COVID-19. As Lai and Chang (2010, p. 492) stated, “due to the turbulent environment and competition, flexibility is a relatively influential element to the performance”. Therefore, we expect strategic flexibility of ISAs to be fruitful for export performance of ESMEs during external crises for the following reasons.

First, ESMEs are apt to develop flexibility owing to their less bureaucratic patterns, efficient communication patterns and flat hierarchical structures making coordination paths relatively short (Fischer *et al.*, 2021), particularly in dynamic marketplaces like Pakistan (Ahmed *et al.*, 2022). Having strategic flexibility is also beneficial to ESMEs when they

participate in ISAs. For instance, the flexibility to alter the contractual terms allows partners to avoid conflicts and efficiently integrate knowledge required for achieving alliance goals. Also, “*negotiation allows the partners to be more flexible in responding to future contingencies (e.g. shirking)*” (Choi, 2020, p. 32). Through the flexibility of ISAs, ESMEs can mitigate the challenges associated with uncooperative behavior and promote full engagement in knowledge-sharing activities during external crises (Jraisat *et al.*, 2013). Moreover, strategic flexibility of ISAs reduces the misalignment of goals and minimizes the risks of misbehaving in uncertain circumstances (Klessova *et al.*, 2020; Leonidou *et al.*, 2018). This in turn can facilitate information exchange among alliance partners as well as reduce transaction costs, thereby increasing export performance during the COVID-19 pandemic (Kurt *et al.*, 2020).

Second, the external crises including COVID-19 affect the connectedness and continuity of ISAs (Singh *et al.*, 2021). This might give rise to mistaken beliefs about the value of ISAs and decreases the expectations of the partners, thus hampering the value generation (Matopoulos *et al.*, 2019). If the relational imbalance occurs due to the external crises, it would generate distress and conflict among partners making it difficult to regain balance (Garner, 2017; Zafari *et al.*, 2020). As such, strategic flexibility of ISAs allows ESMEs to reverse the challenging relational situation through rethinking and redesigning governance structures and mechanisms during external crises. Specifically, strategic flexibility of ISAs not only enables the modifications of contractual terms but also facilitates the exiting of alliances with poor social capital between prior parties (Mora Cortez and Johnston, 2020). ESMEs utilizing strategic flexibility of ISAs can ensure dialoguing with partners to reduce operational risks. They can also terminate the underperforming alliances and instead invest in nurturing outperforming alliances to protect long-term strategic goals. By doing this, ESMEs can proactively manage ISAs and gain access to partner resources conducive to export performance during COVID-19 (Zahra, 2021). Strategic flexibility of ISAs particularly enables resource-constrained ESMEs operating in Pakistan to adapt and maintain relationships, which can offer information and knowledge for promoting export performance (Aslam *et al.*, 2022; Bai *et al.*, 2021).

Taken together, strategic flexibility of ISAs serves as a vital capability to promptly respond to threats or opportunities within dynamic and uncertain market environments such as the COVID-19 pandemic proactively or reactively. In line with dynamic capability view, strategic flexibility of ISAs is expected to exit or modify the alliances to meet the expectations of partners and facilitate knowledge exchange. From this perspective, strategic flexibility of ISAs should facilitate quality interactions in crises and promote export performance of ESMEs.

H1. Strategic flexibility of ISAs is positively related to export performance of ESMEs in crises.

The mediating role of international marketing capabilities

Beyond our argument that strategic flexibility of ISAs has implications for export performance of ESMEs, more clarity is needed for the intervening mechanisms linking these concepts (Brozovic, 2018). This is one of the central questions in ISAs and international business literature (Christofi *et al.*, 2021; Zahra, 2021) – that is, what is the nature of the relationship between strategic flexibility of ISAs and export performance of ESMEs? This question is vital to answer because strategic flexibility of ISAs allows altering the alliance relationships to gain access to novel knowledge during external crises for export performance (Markovic *et al.*, 2021). However, such knowledge can become obsolete quickly in external crises (Chesbrough, 2020). As such, ESMEs need to utilize the external knowledge to develop international marketing capability to carry out the marketing-related needs of the business

and effectively deliver value in export markets (Buccieri *et al.*, 2020; Chang *et al.*, 2010). The international marketing capability of ESMEs operating in Pakistan helps them to create new value in the export market by exploiting emerging and potential market opportunities (Khan and Khan, 2021). Thus, we maintain that strategic flexibility of ISAs can engender export performance of ESMEs in external crises through international marketing capability.

To disentangle the complex relationship between strategic flexibility of ISAs and international marketing capability, we build on the dynamic capability view (Teece, 2007) to emphasize the role of international marketing capability in relating to dynamic capability and performance (Helfat and Peteraf, 2009). The proponents of dynamic capability view contend that sudden exogenous shocks might lose the value of high-order dynamic capabilities for competitive advantage (Ettlie and Pavlou, 2006; Helfat and Peteraf, 2009). Firms need to utilize higher-order dynamic capability for developing lower-order ordinary capabilities that match the character of market threats and opportunities to attain potential benefits (Winter, 2003). Dynamic capabilities are the set of different capabilities, some of which are foundational (i.e. higher-order so must be learned first) to others (i.e. lower-order) (Eisenhardt and Martin, 2000; Zahra *et al.*, 2006). Following this perspective on a firm's capability development, we view that there are different streams of new resource-creating/reconfiguring and operational capabilities within the firm and they interact with each other to make superior market performance during the COVID-19 pandemic (Griffith and Yalcinkaya, 2022; Jeong *et al.*, 2022).

In our study, strategic flexibility of ISAs acts as a higher-order dynamic capability. Winter (2003, p. 241) stated, "*Defining ordinary [. . .] capabilities as those that permit a firm to 'make a living' in the short term, one can define dynamic capabilities as those that operate to extend, modify or create ordinary capabilities*". In this vein, we view strategic flexibility of ISAs as high-order dynamic capability in crises as it can flexibly supply new resources and knowledge for ESMEs, thereby enabling spontaneous responsiveness in external crises (Eisenhardt and Martin, 2000). International marketing capability acts as an ordinary (operational) capability for making market performance of ESMEs. Following the hierarchical views on dynamic capability (Winter, 2003), the presence of strategic flexibility helps to develop operational lower-order capabilities (e.g. international marketing capability), contributing to market performance. Strategic flexibility of ISAs and international marketing capability are intertwined with each other to influence export performance of ESMEs (Peteraf *et al.*, 2013). Although strategic flexibility of ISAs would allow partners to alter agreements and establish arm's length relationships during external crises, arguably this might not directly influence export performance of ESMEs due to the relative lack of their abilities to serve international customers (O'Dwyer and Gilmore, 2018). It is necessary for ESMEs to enhance their knowledge of markets and offer new products or services. Therefore, it is expected that strategic flexibility of ISAs promotes international marketing capability which ultimately influences export performance of ESMEs in crises.

The strategic flexibility of ISAs alters the strategic alliance to changes in markets' or partners' resources and needs (Fischer *et al.*, 2021). ESMEs possessing strategic flexibility of ISAs can observe and respect informal relational obligations and modify alliance terms for continued value creation (Young-Ybarra and Wiersema, 1999). In this regard, strategic flexibility to be able to modify or exist from the relationship becomes vital for ESMEs to develop international marketing capability. By maintaining relations with quality partners in crises, ESMEs can learn to make sense of foreign market changes and introduce new logic or systems to meet customer needs (Yang *et al.*, 2019). Moreover, strategic flexibility of ISAs provides ESMEs with an alternative solution, thus promoting the adaptive market experimentation. Having adaptive market experimentation, they can test different solutions and offer novel approaches to resolve problems in dynamic marketplaces (Partanen *et al.*, 2020). As a result, strategic flexibility of ISAs promotes adaptive market

experimentation of ESMEs and therefore leads to stronger marketing capabilities to serve international markets. In addition, strategic flexibility of ISAs enables the deep collaboration and mobilization of resources between alliance partners (Jiang *et al.*, 2015). This in turn promotes ESMEs' vision of international market opportunities and identifies alternative strategies to create true value for the customers as well as keep pace with dynamic market changes (Xu *et al.*, 2018).

In external crises, ESMEs possessing international marketing capability can realize export performance. For instance, the international marketing capability can enable ESMEs to use pricing and promotion strategies to respond quickly to foreign customers' requirements so as to attain higher export market revenues (Morgan *et al.*, 2018). Also, by exploiting marketing capability, ESMEs can effectively develop and manage product/service offerings to meet the dynamic needs of export market customers. In doing this, ESMEs can use their innovation potential to develop products or design service offerings that address the latent needs of customers. Moreover, ESMEs can use communication channels to persuade customers to have a positive perception of products and develop a differentiated brand image. Taken together, international marketing capability facilitates customer knowledge, price adjustment, product/service development and manipulation of marketing tactics to target foreign customers with differentiated offerings. Thus, a higher level of international marketing capability will translate into superior export performance of ESMEs during external crises. Based on the aforementioned discussions, we expect that international marketing capability enables a fit between higher-order capability and foreign market opportunities, thereby realizing the value underlying strategic flexibility of ISAs. Thus, international marketing capability plays a mediating role in transforming the latent value of strategic flexibility of ISAs for export performance of ESMEs during crises.

H2. International marketing capability mediates the relationship between strategic flexibility of ISAs and export performance of ESMEs.

The moderating role of adoption of digital technologies

Given the pivotal role of ESMEs in the global economy (Kano and Hoon Oh, 2020; Sun *et al.*, 2021), it is important for ESMEs to have plans for business operations in terms of "identifying and managing the risks which threaten to disrupt essential processes and associated services, mitigating the effects of these risks, and ensuring that recovery of a process or service is achievable without significant disruption to the enterprise" (Gibb and Buchanan, 2006, p. 129). To this end, digital transformation is crucial, referring to the adoption of digital technologies including the Internet, social media, cloud computing, e-platform, big data analytics and artificial intelligence (Kim *et al.*, 2021; Papadopoulos *et al.*, 2020; Samiee and Chirapanda, 2019). In recent years, the adoption of digital technologies has revolutionized the ways in which ESMEs conduct business, create relationships with international business partners and other stakeholders, understand market needs and create customer value (Del Giudice *et al.*, 2019; Heim *et al.*, 2019). The adoption of digital technologies enables operational efficiencies due to optimization of process management and enhancement of international market orientation (Katsikeas *et al.*, 2020; Matarazzo *et al.*, 2021). Particularly, the deployment of digital technologies in external crises such as COVID-19 can ensure business continuity and facilitate working situations (García-Vidal *et al.*, 2020; Troise *et al.*, 2022). Therefore, we expect that the adoption of digital technologies can affect the relationship between strategic flexibility of ISAs and international marketing capability relationship in external crises.

During the external crises, the expectations and behaviors of international partners abruptly change which may cause unexpected impacts on the business (Li *et al.*, 2021). ESMEs operating in weak institutional environments (like Pakistan) need to continuously monitor the ISAs, notice the changes and evaluate them (Khan and Lew, 2018). The presence

of digital technologies allows ESMEs to timely identify threats and opportunities in the external environment (Papadopoulos *et al.*, 2020; Troise *et al.*, 2022). By adopting digital technologies in business operations, ESMEs can ensure information gathering and data processing that can shorten the time for responding to ISAs changes. Integration of digital technologies also supports the coordination and knowledge exchange between partners (Chen *et al.*, 2014). In this regard, the adoption of digital technologies promotes the effective utilization of strategic flexibility of ISAs to alter alliance relationships, thereby enhancing its effect on international marketing capabilities (Denicolai *et al.*, 2021).

As the adoption of digital technologies exposes ESMEs to new opportunities and threats, ESMEs would rely on using digital technologies to make timely decisions when they have to strategically modify or terminate existing alliances. During crises, however, it is difficult for ESMEs to obtain quality information and efficiently interact with ISA partners due to their relative lack of experiences, resources and institutional safety nets such as support from governments (Khan and Lew, 2018; Marino *et al.*, 2008). To utilize strategic flexibility of ISAs for international marketing capability, for instance, ESMEs can draw on digital technologies for analyzing customer data and market information from various markets, thus enhancing their decision-making quality and international operation efficiency. In addition, the digital technologies can be used by ESMEs to build an informal governing mechanism to prevent them from a partner's opportunistic behavior while supporting international marketing capability.

H3. The positive effect of strategic flexibility of ISAs on international marketing capability is strengthened when levels of the adoption of digital technologies increase in magnitude.

In sum, we developed our conceptual framework for the study as shown in Figure 1. We argue that strategic flexibility of ISAs promotes export performance of ESMEs during crises. More importantly, the relationship between strategic flexibility of ISAs and export performance is mediated by international marketing capability. Also, the adoption of digital technologies moderates the impact of strategic flexibility of ISAs on international marketing capability for ESMEs' export performance.

Methods

Study setting

To test our hypotheses, we used a sample of ESMEs operating in Pakistan – an Asian country. Our choice of Pakistani ESMEs as a research setting was informed by several reasons. First, Pakistan is one of the emerging yet growing economies in the Asian continent

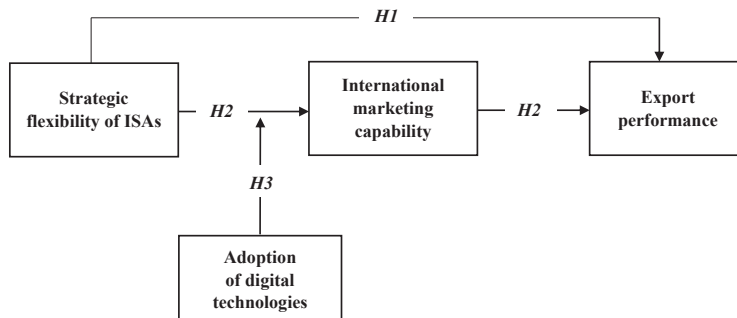


Figure 1.
Conceptual framework
of the study

with a gross domestic product (GDP) of \$263.69bn and a growth rate of 0.5% in 2020 (Economics, 2020). In addition to foreign direct investment inflows of \$236mn in 2021 (Economics, 2021), the Pakistani economy is experiencing high growth in industrial sectors like information and communication technology, automotive, chemicals and fertilizers, and petroleum. The diversified economic activities have increased interest in the international expansion of Pakistani firms. Second, Pakistan has an open-market economy which led to the increased presence of SMEs in the country. SMEs make up 90% of the privately owned businesses based on the number of firms in Pakistan and act as the major contributors to the economic activities including employment (78% of the nonagricultural labor force) and GDP (40%) (Manzoor *et al.*, 2021). Thus, international business literature will benefit from studies that investigate how ESMEs – with their sterling impact on wealth and job creation – continue to export during or post-COVID crises.

Data collection

The sampling frame of this study was the Pakistan Chambers of Commerce and Industry and the Pakistan export directory. To be eligible to participate in the study, the firms were required to meet the following criteria: (1) independent firms that were not part of any business group; (2) firms that were privately owned and controlled by an individual (or a team of entrepreneurs) or with majority ownership; (3) firms that employed less than 250 employees; (4) firms exporting to foreign markets for a minimum of three years [1] (Albornoz *et al.*, 2016; Ibeh *et al.*, 2012) and (5) possessing international alliance experience. From these selection criteria, 326 ESMEs qualified to participate in our study.

A survey was conducted with top managers (e.g. owners, CEOs and senior managers) of the 378 selected ESMEs between May 2021 and August 2021. During this period, the COVID-19 pandemic was on the rise and a maximum number of 5,661 cases were reported on August 08, 2021 (Worldometers, 2021). We administered the survey in English because it is the common first or second language of most organizations in Pakistan (Khan and Lew, 2018). We used a drop-off and collection technique to distribute the questionnaire. Although such an approach is time-consuming and costly, this has gained popularity within emerging markets in recent years given the falling response rates observed in the mail and online surveys (Boso *et al.*, 2019; Khan *et al.*, 2019; Nakos *et al.*, 2019). We received a total of 131 responses. After deleting two incomplete responses, we finally had 129 completed questionnaires, yielding an effective response rate of 57.40%. Table 1 provides the demographic characteristics of the respondents.

Measures

We adopted the measurement items for our multi-item constructs from the existing literature. All the multi-item constructs were measured using 7-point rating scales. Table 2 gives details of the study's constructs and their corresponding measurement items.

Strategic flexibility of ISAs. The strategic flexibility of ISAs represents the ability to modify the current international alliance or exit an alliance performing poorly for successful value creation (Herhausen *et al.*, 2021). Following Young-Ybarra and Wiersema (1999), strategic flexibility of ISAs was measured using two dimensions: (1) modification reflecting the ability to modify or adjust an alliance and (2) exit referring to leaving the underperforming international alliance. To measure modification using three items, the respondents were asked to evaluate the ability to adjust and modify an agreement as needed. The exit was measured by asking the respondents to rate the ease of terminating an ISA within the next year as well as the unanticipated positive or negative outcomes of ISA for the firm.

International marketing capability. The international marketing capability was defined as the firm's capability to offer products to meet the different needs of targeted segments and

Demographics	Description	Percentage
Job title	Owner/chief executive officer	52.2%
	Director	23.6%
	Senior export manager	24.2%
Working experience	1–5 years	44.2%
	6–10 years	34.9%
	11–15 years	17.1%
	More than 15 years	3.9%
Industry	Food	5.4%
	Textile	13.2%
	Surgical	17.8%
	Electrical	29.5%
	Software	16.3%
	Sports goods	8.5%
	Furniture	7.0%
	Retail	2.3%
	Firm size	1 to 49 employees
50 to 99 employees		29.5%
100 to 249 employees		42.6%
Firm age	1–5 years	16.3%
	6–10 years	41.1%
	11–15 years	27.9%
	More than 15 years	14.7%

Table 1.
Sample characteristics

deploy its marketing resources to deliver value in turbulent foreign markets (Buccieri *et al.*, 2020; Vorhies and Morgan, 2005). It was measured using five items adapted from Yang *et al.* (2019) regarding product adjustment and modification, switch of market and resources, and resource adjustment.

Export performance. The export performance was defined as the satisfaction with meeting objectives in foreign markets. It was measured using five items following previous studies (Prasad *et al.*, 2001; Zou *et al.*, 2003). These items combine three primary groups of variables: (1) financial outcomes of exporting (profitability), (2) strategic outcomes of exporting (building awareness and image overseas, entering key markets abroad, improving market share position and gaining new technology/expertise) and (3) satisfaction with outcomes of exporting (asking respondents to evaluate the performance of their export venture over the past year relative to their major competitors). Hence, our measurement of export performance is more comprehensive as we capture different outcomes of exporting (Prasad *et al.*, 2001; Venkatraman and Ramanujam, 1986).

Adoption of digital technologies. We defined the adoption of digital technologies as the application of software technologies to existing business practices (Troise *et al.*, 2022). Following previous studies (Cassetta *et al.*, 2020; Papadopoulos *et al.*, 2020), the adoption of digital technologies was measured using a dummy variable relating to whether or not the firm uses digital technologies including Internet of things, mobile computing, electronic commerce, business intelligence, cloud computing, big data analytics, social media and digital platforms.

Control variables. Following the existing international marketing and entrepreneurship literature (Chen *et al.*, 2014; Radulovich *et al.*, 2018), we controlled for individual level (i.e. international managerial experience) and firm level (i.e. firm size, firm age, industry and domestic performance). For the individual level, prior studies suggest that an internationally experienced manager is more likely to identify external events and play a crucial role in improving export performance (Majocchi *et al.*, 2018; Shimizu and Hitt, 2004). International

Description	Standardized factor loadings	Strategic flexibility of ESMES in crises
<i>Strategic flexibility of ISAs: modification (CA = 0.85; CR = 0.85; AVE = 0.66)</i>		
In the presence of external crises, the parties would rather modify the international alliance agreement than hold each other to the original terms	0.79	
Flexibility in response to requests for changes is a characteristic of this international alliance	0.81	
The parties expect to make adjustments in the ongoing international relationship to cope with external crises	0.83	
<i>Strategic flexibility of ISAs: Exit (CA = 0.92; CR = 0.90; AVE = 0.70)</i>		
What is the probability of your company terminating this international alliance within the next year?		
This international alliance has resulted in unanticipated positive outcomes for our firm	0.93	
This international alliance has resulted in unanticipated negative outcomes for our firm	0.87	
This international alliance has resulted in fulfilled expectations	0.74	
This international alliance has resulted in overall effectiveness	0.77	
<i>International marketing capability (CA = 0.91; CR = 0.90; AVE = 0.64)</i>		
Adjust the product line according to the export market	0.83	
Switch from current export market to different target	0.92	
Modify existing products to meet export market needs	0.77	
Adjust how resources are used to meet export market needs	0.71	
Switch the uses and applications of resources to meet export market needs	0.76	
<i>Export performance (CA = 0.94; CR = 0.94; AVE = 0.74)</i>		
Building awareness and image overseas	0.89	
Entering key markets abroad	0.84	
Sales growth	0.85	
Gaining new technology/expertise	0.91	
Improve market share positions	0.83	
Profitability	0.82	
<i>Domestic performance (CA = 0.93; CR = 0.92; AVE = 0.78)</i>		
Profitability	0.84	
Sales growth	0.93	
Return on investment	0.86	

Table 2.
Measurement, reliability and validity

managerial experience was measured using the number of years a senior manager has been working with the foreign markets (Sousa *et al.*, 2010). For firm level, the role of firm size, age, industry and domestic performance is acknowledged in previous research (Krammer *et al.*, 2018; Magnusson *et al.*, 2013). Firm size was measured using the number of employees. Firm age was measured as the number of years since a firm's inception. Due to high skewness values, we transformed firm size and firm age measures using a logarithm of the number of employees and number of years, respectively. Industry type was captured using a dummy variable (measured as 1 to 8 sectors) (Radulovich *et al.*, 2018). Domestic performance was measured using three items, i.e. profitability, sales growth and return on investment (Boso *et al.*, 2013; Jansen *et al.*, 2006).

Assessment of biases

To probe into the possibility of nonresponse bias, we compared early and late respondent groups in terms of demographics and the main variables of the study. The results of *t*-test suggest no significant difference between the two groups. Hence, we conclude that

nonresponse bias has no influence on our dataset (Armstrong and Overton, 1977). The concerns about common method bias (CMB) may arise in our dataset given the cross-sectional nature of the study. Therefore, we approached CMB using *ex ante* procedural and *ex ante* statistical techniques. For *ex ante* procedural techniques, we followed the recommendations of Podsakoff *et al.* (2003) during the questionnaire design including (1) counterbalancing the order of the independent and dependent variables; (2) defining the ambiguous terms; (3) keeping questions simple and concise; (4) avoiding double-barreled questions and (5) protecting the anonymity of respondents. In terms of *ex ante* statistical techniques, we estimated three competing confirmatory factor analysis (CFA) models: method-only model (M1) where all the items were loaded on a single latent construct: $\chi^2/\text{df} = 6.35$, CFI = 0.52, TLI = 0.45, RMSEA = 0.20, SRMR = 0.19; trait-only model (M2) where each item was loaded on its respective latent construct: $\chi^2/\text{df} = 1.26$, CFI = 0.98, TLI = 0.97, RMSEA = 0.04, SRMR = 0.04; and method-and-trait model (M3) where a single factor was linked with items in Model 2: $\chi^2/\text{df} = 1.21$, CFI = 0.99, TLI = 0.98, RMSEA = 0.04, SRMR = 0.03. Subsequently, we compared the three models to determine the one which fits the data well. The results indicate that Model 2 and Model 3 are superior to Model 1, but Model 3 is not substantially better than Model 2. Thus, we concluded that CMB is unlikely to affect our study results.

Results

Construct reliability and validity

The CFA was conducted to assess the reliability and validity of all constructs. The results suggest that measurement model fits the data well: $\chi^2/\text{df} = 1.12$, CFI = 0.99, TLI = 0.98, RMSEA = 0.02, SRMR = 0.04. Next, the reliability of constructs was measured through Cronbach's alpha and composite reliability. As shown in Table 2, Cronbach's alpha and composite reliability values for all the constructs exceeded the minimum threshold of 0.70, thereby suggesting high construct reliability (Hair *et al.*, 2014). Further, the convergent validity was assessed by inspecting the standardized factor loadings. Table 2 shows that standardized factor loading for all items of each construct is significant, with a minimum and maximum factor loading of 0.70 and 0.91, respectively. This confirms the convergent validity of all the constructs. Moreover, following the recommendations of Fornell and Larcker (1981), we assessed the discriminant validity of the constructs to determine whether the squared average variance extracted (AVE) for each construct exceeded the correlation of each pair of constructs. From Table 3, it is evident that the lowest squared AVE exceeds the highest correlation of 0.09. From these, we conclude that the study's constructs have achieved discriminant validity. The correlation estimates and descriptive statistics of all the constructs are presented in Table 3.

Hypotheses testing

We used hierarchical-moderated regression analysis to test hypotheses using SPSS 28.0. Since the product-term analysis [2] was used to test the moderating variable, we created a multiplicative term (strategic flexibility of ISAs \times adoption of digital technologies) and used it to estimate the moderation path. However, the introduction of a multiplicative term might give rise to a multicollinearity problem; therefore, we orthogonalized the two variables involved in the interaction term (Little *et al.*, 2006). In addition, we tested multicollinearity using variance inflation factor. The highest VIF was 1.94, which is well below the threshold of 10 (Aiken *et al.*, 1991). This suggests that multicollinearity does not influence our study results. The results of the regression analysis are provided in Table 4.

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
1. Strategic flexibility of ISAs: Modification	4.84	0.99	0.81									
2. Strategic flexibility of ISAs: Exit	4.78	0.87	0.18*	0.83								
3. International marketing capability	5.27	1.08	0.29***	0.12	0.80							
4. Export performance	4.81	1.22	0.21*	0.19*	0.38***	0.86***						
5. Domestic performance	4.97	1.46	0.12	0.01	0.13	0.25**	0.88					
6. Adoption of digital technologies†	0.59	0.49	0.13	0.01	-0.03	-0.03	-0.02	1				
7. International managerial experience#	0.79	0.25	0.11	0.20*	-0.01	0.30***	0.11	0.13	1			
8. Firm size#	1.88	0.38	0.19*	0.06	0.05	0.19**	0.15	0.02	-0.03	1		
9. Firm age#	0.98	0.20	-0.02	0.06	0.02	0.22***	-0.06	0.07	0.55***	-0.02	1	
10. Industry†	4.03	1.65	-0.05	0.00	0.6	0.01	-0.05	-0.01	-0.01	-0.04	0.11	1

Note(s): S.D. = standard deviation; # = natural logarithm transformation of the original values; † = dummy variable; correlations * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 3.
Descriptive statistics and inter-construct correlations

Table 4.
Results of hierarchical
regression analysis

Independent variables	Dependent variables						
	Export performance		International marketing capability			Export performance	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
<i>Control paths</i>							
International managerial experience	0.23* (2.09)	0.17 (1.56)	-0.07 (-0.57)	-0.16 (-1.34)	-0.16 (-1.34)	0.26* (2.49)	0.22* (2.14)
Firm size	0.17* (2.08)	0.14 (1.69)	0.03 (0.34)	-0.02 (-0.24)	-0.01 (-0.14)	0.16* (2.10)	0.15 (1.88)
Firm age	0.08 (0.75)	0.11 (1.04)	0.07 (0.56)	0.12 (1.01)	0.10 (0.86)	0.06 (0.58)	0.08 (0.73)
Industry	0.01 (0.12)	0.01 (0.14)	0.06 (0.66)	0.06 (0.70)	0.05 (0.53)	-0.01 (-0.14)	-0.01 (-0.11)
Domestic performance	0.20 (2.39)	0.20* (2.39)	0.14 (1.47)	0.13 (1.47)	0.09 (0.94)	0.16* (1.97)	0.16* (1.99)
<i>Direct effect paths</i>							
Strategic flexibility of ISAs		0.18* (2.17)		0.29*** (3.26)	0.28*** (3.14)		0.09 (1.05)
Adoption of digital technologies					-0.04 (-0.42)		
<i>Moderating path</i>							
Strategic flexibility of ISAs × Adoption of digital technologies					0.19* (2.15)		
<i>Mediating path</i>							
International marketing capability						0.35*** (4.59)	0.33*** (4.12)
<i>Goodness-of-fit statistics</i>							
F-value	5.09	5.16	0.61	2.32	2.39	8.45	7.41
R ²	0.17	0.20	0.02	0.10	0.14	0.29	0.30
ΔR ²	-	0.03	-	0.08	0.03	-	0.01
VIF	1.81	1.91	1.81	1.91	1.93	1.81	1.94
Note(s): * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$							

H1 argues that strategic flexibility of ISAs is positively related to export performance of ESMES. The findings from Model 2 in Table 4 suggest that the relationship between them is positive and significant ($\beta = 0.18, p < 0.05$). We then argue in *H2* that international marketing capability mediates the relationship between strategic flexibility of ISAs and export performance. We tested *H2* using the procedure suggested by Baron and Kenny (1986) [3]. We found in Model 2 in Table 4 that strategic flexibility of ISAs is positively and significantly related to export performance ($\beta = 0.18, p < 0.05$) in support of the first condition of Baron and Kenny's (1986) approach. Model 4 in Table 4 confirms the second condition as strategic flexibility of ISAs is positively and significantly related to international marketing capability ($\beta = 0.29, p < 0.001$). Model 6 confirms the third condition due to the positive and significant relationship between international marketing capability and export performance ($\beta = 0.35, p < 0.001$). In support of the final condition, we found that in the presence of both strategic flexibility of ISAs and international marketing capability in Model 7, the significant effect of strategic flexibility of ISAs on export performance disappears ($\beta = 0.09, p > 0.10$), while the effect of international marketing capability on export performance is still significant ($\beta = 0.33, p < 0.001$). Our results suggest that international marketing capability mediates the relationship between strategic flexibility of ISAs and export performance, thus confirming *H2*.

To further confirm *H2*, we used bootstrapping technique in PROCESS macro (Hayes and Preacher, 2013). The results of 5,000 bootstrap samples at 95% confidence interval (CI) show significant direct effects (see Table 5). More importantly, the indirect effect of international marketing capability for strategic flexibility of ISAs–export performance relationship is significant (Effect = 0.16; lower limit (LL) = 0.05 – upper limit (UL) = 0.30). These results formally support *H2*.

We further tested the mediation effect of international marketing capability by Sobel, Aroian and Goodman tests. The results of Sobel test (Sobel $z = 2.55, p < 0.05$), Aroian test (Aroian $z = 2.51, p < 0.05$) and Goodman test (Goodman $z = 2.60, p < 0.01$) confirm that international marketing capability is a robust mediating mechanism for strategic flexibility of ISAs–export performance relationship.

H3 argues that the adoption of digital technologies moderates the impact of strategic flexibility of ISAs on international marketing capability of ESMES. The results in Model 5

	Estimates	LL 95% CI	UL 95% CI
<i>Direct effects</i>			
Strategic flexibility of ISAs → Export performance	0.31*	0.03	0.60
Strategic flexibility of ISAs → International marketing capability	0.44*	0.17	0.71
International marketing capability → Export performance	0.37*	0.19	0.55
<i>Indirect effects</i>			
Indirect effect	0.16*	0.05	0.30
Direct effect	0.15*	0.04	0.27
Total effect	0.31*	0.03	0.60
<i>Conditional indirect effect</i>			
Low level of adoption of digital technologies	0.01	-0.17	0.16
High level of adoption of digital technologies	0.24*	0.11	0.41

Note(s): Abbreviations: SD = standard deviation; LL = lower limit; UL = upper limit; CI = confidence interval; * = nonzero within the boundaries (significant)

Table 5.
Results of
PROCESS macro

show that *H3* is supported as the coefficient of the interaction terms of strategic flexibility of ISAs and adoption of digital technologies has significant effect on international marketing capability ($\beta = 0.19, p < 0.05$). In addition, the results of PROCESS macro in Table 5 confirm that the relationship between strategic flexibility of ISAs and international marketing capability is conditioned on the adoption of digital technologies (Effect = 0.24, LL = 0.04 – UL = 0.48). Specifically, the effect of strategic flexibility of ISAs on international marketing capability is stronger at the high level of the adoption of digital technologies. To better understand the moderated effect, we created the interaction plot at low and high levels of the adoption of digital technologies to facilitate interpretation (see Figure 2). Figure 2 suggests that the international marketing capability increases at high levels of strategic flexibility of ISAs and the adoption of digital technologies.

Discussion and conclusion

The international venturing of ESMEs has gained prominence over the years (Bai *et al.*, 2021; Khan and Lew, 2018; Puthusserry *et al.*, 2020). The ubiquity of opportunities around the globe has encouraged the formation of ISAs to access valuable resources, knowledge and innovation for export performance (Child and Hsieh, 2014; Del Giudice *et al.*, 2019). However, the external crises including COVID-19 have cast uncertainty on ESMEs, requiring them to reshape their ISAs for searching and exploiting opportunities in dynamic and competitive international markets (Belitski *et al.*, 2022; Delios *et al.*, 2021). This calls for more studies to examine how and to what extent ESMEs can achieve export performance during or postcrisis times (Thukral, 2021; Zahra, 2021). Our study aims to contribute to this important debate by investigating the role of strategic agility of ISAs in promoting export performance of ESMEs. We found that strategic agility of ISAs allows ESMEs to modify or exit underperforming alliances to ensure the access to market-specific knowledge and resources for export performance. More importantly, our results suggest that international marketing capability mediates the relationship between strategic agility of ISAs and export performance during crises. Once ESMEs alter their ISAs, they can exploit learning and needed complementary resources and knowledge of international partners to develop their international marketing capability, which in turn promotes export performance in crises. Furthermore, the results highlight that the adoption of digital technologies allows ESMEs to identify market opportunities and threats to exploit their strategic flexibility of ISAs for international marketing capability.

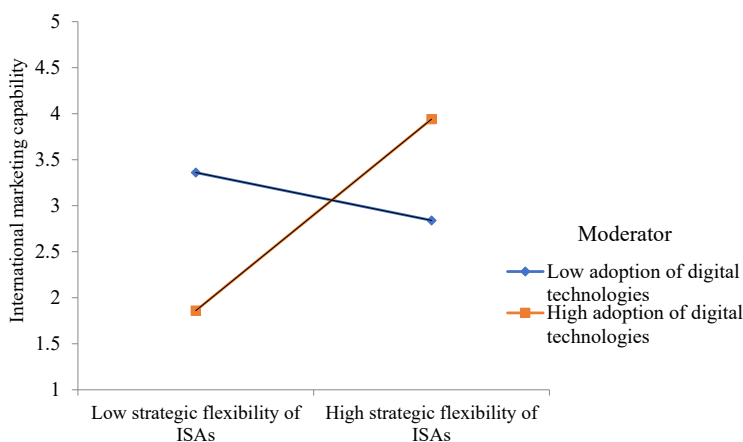


Figure 2. Interaction between strategic flexibility of ISAs and international marketing capability

Theoretical implications

Our study contributes to the literature in several ways. First, we contribute to the dynamic capability view of international marketing literature to examine the importance of international marketing capability as a mediating mechanism in the relationship between strategic flexibility of ISAs and export performance of ESMEs. Our research integrates the insights from dynamic capability view (Eisenhardt and Martin, 2000; Helfat and Peteraf, 2009) on ISAs with the notion of strategic flexibility in a time of crisis. Based on these, we developed a new understanding that the extant literature has not empirically examined. Specifically, we argued that strategic flexibility of ISAs acts as a higher-order dynamic capability for infusing needed resources and knowledge through resource-picking mechanisms to enhance export performance of ESMEs. However, such dynamic capabilities may not always be a source of competitive advantage in external crises for which ESMEs are not well-prepared (Winter, 2003). Instead, they may push into reactive mode, a high-paced opportunistic and creative search, for developing first-order capabilities that are more efficient to apply and gain competitive gains (Danneels, 2011; Schilke, 2014). Stating differently, the competitive advantage of ESMEs in external crises lies in the hierarchy of dynamic capabilities such that high-order dynamic capability of problem-solving favors lower-order capabilities (Winter, 2003; Zahra et al., 2006). Thus, our study shows that strategic flexibility of ISAs as a high-order dynamic capability also helps to develop first-order operational and functional capabilities (international marketing capability in this study), which in turn leads to export performance. In doing this, our research unravels the complex relationship between strategic flexibility of ISAs, international marketing capability and export performance of ESMEs during crises.

Second, our study extends prior studies on international crisis management of MNEs (Oetzel and Oh, 2021; Oh and Oetzel, 2022) by focusing on ESMEs' international marketing and entrepreneurial activities in crises (Brozovic, 2018; Monaghan et al., 2020). There has been an increased emphasis on the international venturing of ESMEs (Buccieri et al., 2020; Gupta et al., 2021). Extant literature has long recognized the role of ISAs in knowledge acquisition and opportunity creation in international markets (Veronica et al., 2020). However, in the presence of external crises like COVID-19 (Oetzel and Oh, 2021), it is difficult for ESMEs to govern ISAs due to difficulties in learning from the relationship through direct interactions between partners and properly managing knowledge exchange and conflicts (Marino et al., 2008). Amid the crises, the partners face resource constraints, which force them to redeploy resources from previously agreed alliance tasks to alternative issues where the need is more (Xia and Dimov, 2019). This creates challenges for achieving mutual goals and realizing alliance gains, thereby leading to ISAs' modification or termination. The external crises are volatile times in which partners are required to coordinate ISAs to attain value for supporting foreign business activities (Mora Cortez and Johnston, 2020). As such, drawing on crisis management literature, our study proposed that strategic flexibility of ISAs is vital for ESMEs to attain the necessary resources and knowledge required to achieve export performance. We found that strategic flexibility of ISAs allows ESMEs to exit the underperforming alliances or modify the agreements to organize the interdependencies and integrate knowledge to support international activities (Klessova et al., 2020). Having the flexibility to align ISA activities with dynamic environmental changes, our study demonstrates that ESMEs can swiftly respond to new market requirements overseas and (re)initiate strategic alliance intents and actions for higher revenue streams in foreign markets.

Third, our research findings extend international marketing literature in a digitalization era by showing how adopting digital technologies helps improve ESMEs' international marketing capability (Katsikeas et al., 2020; Samiee et al., 2021). It broadens the scholarly understanding of the importance of digitization for shaping ESMEs' marketing capabilities to

meet turbulent international market changes. In recent years, adopting digital technologies has gained prominence to enhance productivity and competitiveness (Troise *et al.*, 2022). Digital technologies connect and enhance the engagement of international partners for marketing efficiency and orientation to foreign markets (Li *et al.*, 2018; Matarazzo *et al.*, 2021). However, there has been a lack of research on the implications of digital technologies for strategic flexibility of ISAs and export performance relationship (Brozovic, 2018; Mora Cortez and Johnston, 2020). Our findings demonstrate that the adoption of digital technologies moderates the relationship between strategic flexibility of ISAs and international marketing capability, thereby promoting export performance. When the adoption of digital technologies increases in magnitude, ESMEs exploit a higher level of strategic flexibility of ISAs to improve international marketing capability. By showing the positive moderating effect of the adoption of digital technologies, this study extends the literature on international marketing for testing the effect of digitalization and strategic flexibility of ISAs on international marketing capability of SMEs in the emerging market context (Papadopoulos *et al.*, 2020; Troise *et al.*, 2022).

Practical implications

Our findings indicate that strategic flexibility of ISAs can be a crucial dynamic capability toward the improvement of international marketing capability to meet the customer needs for competitive advantages and consequently export performance enhancement. Stating differently, international marketing capability serves as an intervening mechanism to link strategic flexibility of ISAs with export performance of ESMEs. Thus, ESMEs' managers who are interested in developing international marketing capability must nurture strategic flexibility of ISAs that can allow them to utilize external knowledge and resources for enhancing international marketing skills (e.g. digitalization transformation of marketing, omnichannel retailing, e-commerce platform, e-branding, and marketing analytics for expanding international markets) to cater needs of diverse customers. By doing so, ESMEs can gain access to novel knowledge promptly that can be conducive to export performance in crisis events. Thus, ESMEs' managers should dedicate efforts to learn how they can make ISAs more strategically flexible which will enable them to develop international marketing capability and enhance exporting performance during the transformative incidents (e.g. environmental crises, natural disasters or digitization).

Also, this study has implications for ESMEs to adopt digital technologies. Our findings indicate that the adoption of digital technologies moderates the impact of strategic flexibility of ISAs on international marketing capability, such that a high level of digital technology adoption allows ESMEs to exploit strategic flexibility of ISAs for facilitating international marketing capability. Thus, ESMEs need to invest in adopting digital technologies (e.g. mobile applications, e-commerce, business intelligence, cloud computing, big data analytics, and social media) that can provide timely access to information and identify market opportunities (see, Papadopoulos *et al.*, 2020; Watson *et al.*, 2018). This will help ESMEs continue operations during market disruptive events in the future such as COVID-19 pandemic. Moreover, with recent disruptions, attention should be devoted to the development of managerial skills and competencies to use complex digital technologies for realizing opportunity gains during the future crisis events.

Limitations and future research

Despite its novel contributions, our study has some limitations that warrant future scholarly attention. First, this study used the sample of SMEs operating in an emerging market. Although emerging markets share similar characteristics of resource deficiency and weak institutional support, they differ in terms of the level of infrastructure development, provision

of institutional support, and cultural issues. This calls for future studies to test the model of our study in a different emerging market context that is experiencing external crises.

Second, our study examined strategic flexibility of ISAs as a determinant of international marketing capability and export performance. There might be other factors that might influence export performance of ESMEs during crises. For example, individual characteristics like ambiguity tolerance, personal initiatives and internal locus of control may provide alternative explanations to promote international marketing skills necessary for export performance. Thus, future studies need to include additional determinants of ESMEs' export performance. Third, our study considered the role of the adoption of digital technologies as a moderator given the software technologies provide timely information and facilitate decision-making. However, future studies need to consider additional moderating factors including characteristics of digital technologies, environmental dynamism, leadership style, organizational structure, network attachment and culture similarity of network partners.

Fourth, despite the difficulty of obtaining objective performance data on export performance of ESMEs as they are not legally required to report their financial records (Oura *et al.*, 2016), we suggest that, where possible, future studies use objective data such as export sales, export profit margins and export revenues reported in annual reports of SMEs and/or directly obtained from internal account records of ESMEs. Relatedly, we measured strategic flexibility of ISAs in terms of modification and exiting of ISAs. Future studies could develop new measures to capture strategic flexibility of ISAs. Finally, given the challenges presented by COVID-19, our study sample size was limited to 129 firms. Future studies could validate our study findings by utilizing a larger sample size.

Notes

1. ESMEs often focus on domestic markets for revenue generation due to their liability of smallness and difficulty in accessing resources (Bai *et al.*, 2021). However, akin to domestic market complexity, ESMEs decide to internationalize to reduce their exposure to domestic institutional constraints (Deng and Zhang, 2018). In this study, we considered ESMEs that have a minimum of three years of exporting experience.
2. We acknowledge that there are other methods of testing moderation effects, such as a median-split method that reduces multicollinearity and results in no more Type I errors than their nominal level (e.g. Iacobucci *et al.*, 2015). Prior research suggests that median split for moderation analysis may cause information loss and reduce the power of the statistical test, which can result in the unlikelihood of predicting truly significant effects (Cohen, 1983). Hence, we followed Aiken and West's (1991) procedure to examine the moderating effect by using one standard deviation below the mean and one standard deviation above the mean as the low and high levels of CI.
3. According to this procedure, four conditions need to be met: (1) the independent variable should significantly predict the dependent variable; (2) the independent variable should significantly predict the mediator variable; (3) the mediator variable should significantly predict the dependent variable and (4) when the independent and mediator variables are simultaneously added in the equation, the effect of the independent variable on dependent variable should disappear or reduce.

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