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Influence of Globalization of SMEs on Digitalization: The Moderating Effect of Marketing and Entrepreneurial Behavior

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Abstract: Digitalization is not a new phenomenon, but it is evolving and altering in ways that affect businesses worldwide and open doors for Small and medium-sized enterprises (SMEs) to participate in the global economy. Although digitalization, globalization and SMEs are major concerns for global and European corporations alike, Digitalization and SMEs' international strategic choices, which have not been thoroughly explored, are critical to investigate. Both globalization and the increase of SMEs with an international presence are significant developments on a global scale. The multidimensional behavior of an entrepreneur who is imaginative, proactive, independent, proactive, and willing to compete aggressively to capitalize on market possibilities is known as entrepreneurial behavior. This research investigates at marketing and entrepreneurial behavior have a role in the effects of digitalization and globalization on SMEs.To help SME managers, this research offers hypotheses data and conclusions on the crucial roles of moderating the effect of entrepreneurial behavior and marketing.

Keywords: Small and medium-sized enterprises, Digitalization, Marketing, Entrepreneurial performance, Globalization

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1. Introduction

SMEs are crucial to the growth and development of both established and developing economies, particularly when it comes to creating jobs, raising gross domestic product (GDP), redistributing wealth, and other factors (Mpi, D.L. (2019)). Yet, survival and improved SME performance rely on supportive government policies, superior organizational cultures, and entrepreneurial behavior that may advance and build a nation's SME sector (Park, et al., 2020).

The entrepreneurial orientation is a reflection of the entrepreneurial behaviors of creativity, initiative, and risk-taking. Entrepreneurial orientation (EO) enables small organizations to find new business prospects, and the finding of new chances strengthens their distinction from other companies (Rajagopal, et al., 2022).

In this sense, marketing leadership entails the development of original marketing plans, the utilization of professional sales associates, and the vigilant administration of channels of distribution. Since it often sits at the center of a company's overall strategic plan, a strong marketing strategy may be the most crucial element to success for most businesses (Irudayasamy, et al., 2022).

The term "globalization reaction" is used to characterize how seriously businesses take the benefits and risks brought about by globalization. Changes in corporate strategy, advertising methods, and other quick fixes are all the result of management's initiative (Naradda Gamage, et al., 2020). In this Study, the impact of digitalization and globalization on SMEs is studied, along with the role played by marketing and entrepreneurial behavior.

2. Literature Survey

Nuseir, et al., 2020 collects empirical evidence linking digital marketing strategies to increased revenue generation among UAE's SMEs. Agyapong, et al., 2020 investigates how a global perspective might shape the connection between entrepreneurial behaviour and financial success. Al-Hakimi, et al., 2022 aims to examine the moderating role of marketing ethics and competitive intensity on the correlation between cost and profit. Arzubiaga, et al., 2018 explored the moderate impacts of two primary sources of board diversity in family enterprises, family engagement level and gender diversity, as possible strategies for boosting family firms' performance when utilizing entrepreneurial ideas. Genc, et al., 2019 investigates whether or not there are mitigating elements in the connection between EO and the success of SMEs.

3. Hypothesized Relationships

According to Webster's (1992) theory, an entrepreneurial perspective predates Marketing plans, which come before results. Figure 47.1 suggests the hypothesized links.

H1: Marketing leadership strategy, quality leadership strategy, and product specialization strategy are all more likely to be pursued by a company with a higher entrepreneurial orientation than they are otherwise.

H2: The more aggressively a company pursues a marketing leadership approach, the more likely it is to acquire new technologies, adapt to the effects of globalization, and make preparations to enter overseas markets.
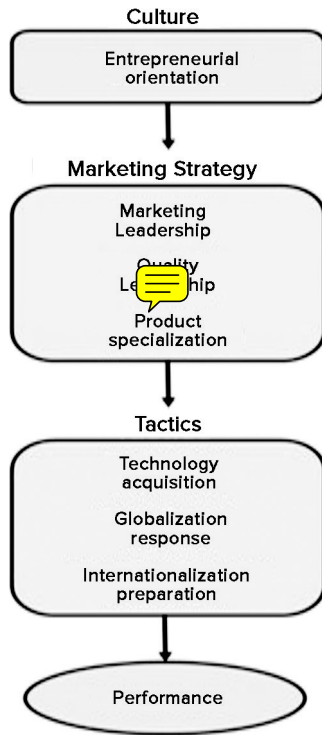
Fig. 47.1 Predicted Correlations Among Research Hypotheses

H3: There is a positive correlation between a company's pursuit of a quality leadership strategy and its interest in acquiring new technologies.

H4: The greater the company's emphasis on product segmentation, the more likely it is to actively seek out and acquire cutting-edge technological capabilities.

H5: The performance of the firm improves as it adds more technology.

H6: The firm performs better the more it adapts to globalization, in general.

H7: The performance of the company improves as it makes more preparations in advance to access international markets.

4. Methods

The data was collected in three different stages: (1) semi-structured interviews with business leaders, policymakers, and industry advocates to refine research topics and develop survey instruments; (2) a pilot test of the questionnaire with 100 companies; and (3) mailing the finalized questionnaire to 800 randomly selected manufacturers in industries that reflect electronic systems. The selection of these sectors is based on the fact that many companies operating inside them have been impacted by globalization. Key criteria such as the number of workers, yearly sales activity, minor vs dominating market standing, in contrast to the later entrance to the market, and company performance were compared across these several industry classifications.

As there were no significant differences discovered (p>.05), we do not anticipate that contextual variables in the industry had any substantial impact on the findings. The survey was sent out in three separate waves, with each wave separated by about two weeks, and respondents were incentivized to fill it out. A total of 273 completed questions were reverted after this process, with 268 of them being considered valid. This represents a response rate of 32%. Nonresponse bias was evaluated by comparing the workers, sales, founding year, and four-digit Standard Industrial Classification (SIC) code of the businesses who responded with those of a random sample of 50 businesses that did not answer. Nonresponse bias is unlikely to impact outcomes since there were no statistically significant differences detected (p >.05).

5. Measures

To get the most granular answers possible, we presented each question on a 7-point scale. We utilized exploratory factor analysis on the entire marketing strategy construct scale to derive the aforementioned dimensions. Principal component analysis followed by varimax rotation yielded the factors, and the number of factors was established by using an eigenvalue threshold of 1.00 to separate composite eigenvalues.

Items that have weak or strong cross-factor loadings were taken out of the running. Leadership in marketing, quality, and product specialization were the resulting factors. Finally, to get a full picture of each company's health, we used a variety of performance metrics. Measures were validated by factor analysis in linear structural relations (LISREL) 8 structural equations computational modeling to determine if they accurately captured the construct validity of the measures used in the study. A high level of fit was achieved across all models (all indices less than or equal to 0.93). Finally, Cronbach's alpha tests showed that all multi-item measures were either highly reliable or sufficiently reliable.

6. Result and Discussion

The hypotheses were tested using three different types of model testing procedures. Initially, t-tests were used to compare the primary study construct scores of highly globalized and less globalized enterprises. Second, we used multivariate regression and correlation analysis to test our hypotheses.

Finally, the hypotheses testing outcomes for the two sets of companies were compared and contrasted. A subsample of SMEs with an international presence (n = 216) was initially chosen to establish the analysis. These companies average 143 people (ranging from 5 to 500), generated $100 million in yearly sales, exported to three countries, and saw 25% of their revenue come from exports. This subsample was then divided in half (n = 108 each) based on the median of globalization; that is, one group scored highly on globalization, and the other group scored poorly. All statistical tests employed these classifications. Also, SMEs that are having trouble adapting to globalization may benefit greatly from adopting an entrepreneurial mindset. Businesses with an entrepreneurial spirit are more likely to use marketing tactics to break into untapped markets and navigate challenging settings. Particularly for SMEs, implementing creative advertising strategies, placing an emphasis on quality, and setting themselves apart through product specialization is likely to yield positive results. The results of the subsequent set of studies, which evaluate the study's hypotheses, are described in Table 47.1. To evaluate H1–H4, which are all bivariate relations, we used correlation analysis (Pearson's correlation coefficient). As the dependent variable is the same for hypotheses H5–H7, we only needed to test one regression equation. Both hypotheses (H1a and H1b; $p < .01$) about the connection between an entrepreneurial mindset and success in marketing and quality management were supported. The hypothesis (H1c; $p < .05$) that an entrepreneurial mindset is positively associated with product specialization receives moderate support. globalization responses and market preparation in advance ($p < .01$). According to managers, these are crucial strategies for contending with globalization's forces.

Table 47.1 Discussion of the differences between the groups and the study hypotheses

Implied Relationship	Hypothesis	High-Globalization Group	Low-Globalization Group	Assessment
Entrepreneurial Behaviors				
Marketing leadership	H1a	.41**	.38	Supported
Quality leadership	H1b	.26**	.03	Supported
Product specialization	H1c	.21*	.39**	Supported
Marketing leadership				
Technology Acquisition	H2a	.36**	.31**	Supported
Globalization response	H2b	.37**	.22*	Supported
Internationalization preparation	H2c	.17	.11	Not significant
Quality leadership				
Technology Acquisition	H3	.15	.26**	Supported
Product specialization				
Technology acquisition	H4	.26**	.25**	Supported
Technology acquisition Performance	H5	-0.7	0.1	Not significant
Globalization response⇒Performance	H6	.34**	.13	Supported
Internationalization preparation⇒Performance	H7	.25**	.08	Supported

7. Conclusion

The study is a cross sectional picture of business conditions, a method that frequently ignores causality in construct interactions and is unable to capture all the ramifications of a dynamic system across time. The research was also restricted to a few key globalization-affected industries. Future research should take into account businesses in different industries to test the generalizability of findings. Future longitudinal research that compares changes in business strategy with specific globalization events occurring at particular times may be helpful. This strategy would also clarify the relationship between marketing and performance over an extended period. In-depth discussions with leading companies provide the most useful information for constructing case histories that can be used to track changes in strategy and methods and to fully account for their reasons.

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